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If you have sold or otherwise transferred all of your Ordinary Shares in Caledon Resources plc please send this document, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

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# **CALEDON RESOURCES PLC**

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 03993115)*

## **Proposed Placing of £12.5 million nominal 8.5 per cent. unsecured convertible loan notes 2010**

**and**

## **Notice of Extraordinary General Meeting**

*Nominated Adviser and Broker*  
**Canaccord Adams Limited**

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Canaccord, which is authorised and regulated by the FSA and is a member of the London Stock Exchange, is acting exclusively as nominated adviser and broker to Caledon in connection with the Placing. Canaccord will not be responsible to anyone other than Caledon for providing the protections afforded to clients of Canaccord nor for advising any other person on the transactions and arrangements referred to in this document.

Notice of an Extraordinary General Meeting of Caledon, to be held at the offices of Nabarro, Lacon House, 84 Theobald's Road, London WC1X 8RW at 10.00 a.m. on 5 July 2007, is set out on pages 38 and 39 of this document. A Form of Proxy for use at the Extraordinary General Meeting is enclosed and, to be valid, should be completed in accordance with the instructions printed on it and returned as soon as possible but in any event so as to be received by the Company's registrars, Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH no later than 10.00 a.m. on 3 July 2007. Whether or not you propose to attend the Extraordinary General Meeting in person, you are requested to complete and return the form of proxy. The return of a completed Form of Proxy will not preclude a member from attending and voting in person at the Extraordinary General Meeting. Your attention is drawn to the letter from the Chairman of Caledon which is set out in Part I of this document and which recommends that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

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## **EXPECTED TIMETABLE**

Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 3 July 2007
Extraordinary General Meeting	10.00 a.m. on 5 July 2007
Issue of Loan Notes	5 July 2007
Despatch of Loan Note Certificates	by 10 July 2007

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## DEFINITIONS

The following definitions apply throughout this document and in the Form of Proxy, unless the context otherwise requires:

<b>“AIM”</b>	AIM, a market operated by the London Stock Exchange
<b>“Board” or “Directors”</b>	the board of Directors of the Company at the date of this document whose names are set out on page 6 of this document
<b>“Caledon Coal”</b>	Caledon Coal Pty Limited, a company incorporated in Australia with registered number ACN 120967839 and a wholly owned subsidiary of the Company
<b>“Canaccord”</b>	Canaccord Adams Limited, the Company’s nominated adviser and broker
<b>“Companies Act” or “Act”</b>	the Companies Act 1985, as amended
<b>“Company” or “Caledon”</b>	Caledon Resources plc (company number 3993115)
<b>“Cook Mine”</b>	the portion of the colliery included in the Cook Mining Sublease and the surface and underground mining infrastructure as detailed in the CPR relating to the Cook Mine set out in Part III of the admission document issued by the Company on 20 November 2006
<b>“Cook Mining Sub-lease”</b>	the sub-lease of Cook Resource Mining Pty Ltd’s (CRM) mining leases (ML 1779, 1799, 1768, 1769 and the southern portion of ML7357) entered into between CC Pty Limited and CRM
<b>“EGM” or “Extraordinary General Meeting”</b>	the extraordinary general meeting of Caledon convened for 10.00 a.m. on 5 July 2007, notice of which is set out at the end of this document (or any adjournment of such meeting)
<b>“Existing Ordinary Shares”</b>	the existing Ordinary Shares in issue at the date of this document
<b>“Form of Proxy”</b>	the form of proxy accompanying this document for use by Shareholders in connection with the Extraordinary General Meeting
<b>“FSA”</b>	the Financial Services Authority
<b>“Group”</b>	together, the Company and its subsidiary undertakings
<b>“Initial Conversion Price”</b>	50p per Ordinary Share
<b>“Issue Price”</b>	100 per cent. of the principal amount of the Loan Notes
<b>“Loan Note Instrument”</b>	the loan note instrument to be dated 5 July 2007 constituting the Loan Notes, further details of which are set out in Part II of this document
<b>“Loan Notes”</b>	the £12.5 million nominal 8.5 per cent. unsecured convertible loan notes 2010 to be issued by the Company

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<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Minyango Deposit”</b>	the property covered by the exploration permits for coal, being EPC 699, EPC 912 and application EPCA 997
<b>“Ordinary Shares”</b>	ordinary shares of 0.5p each in the capital of the Company
<b>“Placing”</b>	the conditional placing by Canaccord, as agent for the Company, at the Issue Price of the Loan Notes pursuant to the Placing Agreement
<b>“Placing Agreement”</b>	the placing agreement dated 12 June 2007 between Canaccord (1) and the Company (2), details of which are set out in Part I of this document
<b>“Resolutions”</b>	the resolutions set out in the notice of Extraordinary General Meeting at the end of this document and which will be proposed at the Extraordinary General Meeting
<b>“Shareholders”</b>	the holders of Ordinary Shares from time to time

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## PART I

### LETTER FROM THE CHAIRMAN OF CALEDON RESOURCES PLC

*(Incorporated and registered in England and Wales with registered number 03993115)*

*Board:*

Robert John Alford, *Chairman*  
George Gregory Salamis, *Chief Executive*  
Peter Kenneth Seear, *Chief Operating Officer*  
Mark Frederick Trevan, *Managing Director, Caledon Coal*  
Paul Anthony Ingram, *Executive Director*  
Graham Edward Mascall, *Non-Executive Director*  
Nicholas Royston Clarke, *Non-Executive Director*

*Registered Office:*

18 Upper Brook Street  
London  
W1K 7PU

12 June 2007

To Shareholders and, for information only, to the holders of options over Ordinary Shares

Dear Shareholder

#### **Placing and Extraordinary General Meeting**

##### **1. Introduction**

The Board announced on 4 June 2007 that the Company had conditionally placed £12.5 million nominal 8.5 per cent. unsecured convertible loan notes 2010 at par with institutional investors in the United Kingdom. It is intended that the Placing raises approximately £12 million (after expenses) for the Company. The Placing is not underwritten and is subject to certain conditions including the passing without amendment of the Resolutions at the Extraordinary General Meeting.

The Placing will require the approval of Shareholders at the Extraordinary General Meeting because:

- (a) the Board does not have sufficient authorities to allot the Loan Notes for cash pursuant to section 80 of the Act; and
- (b) the Company is required pursuant to section 95 of the Act to obtain the consent of Shareholders to disapply pre-emption rights in order for the Board to allot the Loan Notes, in connection with the Placing free of such pre-emption rights.

Notice of an Extraordinary General Meeting convened for this purpose, to be held on 5 July 2007, is set out at the end of this document.

Details of the terms and conditions of the Loan Notes are set out in Part II of this document. The Company intends to apply for the Loan Notes to be listed on the Channel Islands Stock Exchange, the Luxembourg Stock Exchange or another recognised stock exchange in due course. In order to ensure that the listing is achieved in what the Board believe to be the most efficient and cost effective manner, the Company reserves the right to restructure the Loan Note Instrument and the Loan Notes so that their issuer is a wholly owned subsidiary of the Company, rather than the Company itself, with the Company guaranteeing the obligations of the issuer.

The Loan Notes being subscribed for in the Placing are not being offered to all Shareholders as to do so would also impose the obligation on the Company to issue a prospectus and for many Shareholders the number of Loan Notes for which they would be entitled to subscribe would be small in terms of monetary value. The Company considers that the expense and delay that would be caused if it were to issue a prospectus is not justified for a fund raising of the size and nature proposed.

The purpose of this document is to provide Shareholders with details of the Placing, to explain why the Board considers the Placing to be in the best interests of the Company and Shareholders as a whole, and to convene an Extraordinary General Meeting at which your approval of the Resolutions will be sought.

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## **2. Information on Caledon**

Caledon is an AIM quoted Company. The acquisition of the Cook Mine and the Minyango Deposit, both situated in the Bowen Basin, Queensland Australia, transformed the business of the Group from gold exploration to coal production. Caledon's Cook Mine is host to a mineable reserve of approximately 17 Mt of coking and thermal coal. A 10 year mine plan has been established by the Company for the Cook Mine. The neighbouring Minyango Deposit is host to 240 Mt in the indicated and inferred categories of in-situ extractable coal. Caledon is conducting exploration at the Cook Mine and the Minyango Deposit with the goal of converting resources to reserves on the projects, with a view to potentially increasing Caledon's production in the near-term.

## **3. Current Trading and Prospects**

On 21 March 2007, the Company announced its first coking and thermal coal production from the Cook Mine, marking Caledon's transition from explorer to producer.

Production at the Cook Mine has commenced in the Argo seam, in the 303 panel, at a depth of approximately 165 meters. Mining was initiated using an updated Voest-Alpine ABM 20 Bolter-Miner, a continuous miner capable of handling seam heights of up to 4.5 metres.

A new, state of the art Voest-Alpine ABM25 Bolter Miner will be shipped from Austria in early July and is expected into service in mid September. In the interim production is ramping up with the two rented ABM20 Bolter Miners. Additionally, a Joy12CM12 Bolter Miner is being modified to accommodate a full complement of roof bolters to accelerate roadway development.

The first shipment of Flexiveyor continuous haulage components has arrived on site and assembly is planned for completion through August 2007. Engineers from Canada and South Africa will be on site in this period to assemble and surface test the unit prior to operator training.

The Company's intention is to increase coking and thermal coal production from 10,000 tonnes per month to 100,000 tonnes per month over the course of the year from the Cook Mine, through the implementation of continuous bolter-miner equipment paired with continuous haulage systems. An annualised coal production rate of 1.5 million tonnes per annum is expected to be achieved in 2008.

A full operations crew of 90 people have now been employed, inducted and trained on site. This is a major milestone and verifies the management's confidence in being able to attract a skilled and competitive workforce in the face of stiff competition from a booming mining industry.

Repairs and re-commissioning of the underground conveyor belt system have been successfully completed and the secondary egress shaft cage has been renewed in preparation for the largest workforce in Cook's history.

A new site office block has also been completed with Internet access to permit rapid communication. A whole of site water conservation program has resulted in a number of water saving measures being implemented. Such measures include working with the surface land owners to install water saving troughs and capturing water run off from the wash plant. Additional water saving measures will be introduced in July with the implementation of water re-circulation equipment to the bolter miners.

A rental shuttle car, on short term hire is in operation until the introduction of the continuous haulage unit takes place. A Caledon owned shuttle car is due to return to service in July once it has completed a mandatory inspection and rebuild.

On 30 March 2007, in accordance with the Minyango acquisition agreement, the Company settled the second tranche of consideration of A\$9.6M by the issue of 12,546,175 new ordinary shares of 0.5p each in the Company to Watami Trading Ltd ('Watami').

On 2 May 2007, Caledon announced the departure of its first rail shipment of coking coal from the Cook Mine, being approximately 7,000 tonnes of Cook coal railed from the Cook wash-plant to the Port of Gladstone on the Queensland coast. This, and subsequent train loads of coking and thermal coal, have been stockpiled at the port for shipment and sale overseas.

By way of background, contract prices for coking coal are generally negotiated in the first quarter of each year and are fixed for the 12 month period from 1 April to 31 March. Japan is the largest importing country and the contract period coincides with the Japanese financial year. Settlements in Japan are also the reference point for negotiations between coal producers and customers in other countries.

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As 2007 has progressed, the coking coal market has tightened due to rail and port constraints in Australia, combined with increasing demand from India and China; this demand is putting upward pressure on prices as customers compete for the limited volume of coal that is not already committed to customers under annual contracts. Whilst it is more than six months away from the annual industry negotiating season, a number of analysts are now forecasting a significant increase in 2008 contract prices.

### **Background to and reasons for the Placing**

Since the successful fund raising and re-admission of the Company's shares to trading on AIM in December 2006, the Company has, as part of its ongoing internal review processes, undertaken a review of its budget and operational plan. As a result of a detailed cost benefit analysis the proposed arrangements with the Company's mining contractor were revised, with the aim of bringing the operational mining activities relating to the Cook Mine in-house and providing the Company with a significant reduction in its overall mining costs when in full production. However in order to obtain the cost benefits associated with doing this, the capital expenditure for the mining machinery has become Caledon's responsibility.

Additional reasons for the proposed fund raising relate to working capital. Since the beginning of 2007, the Company has faced production delays, related to incidents that were beyond management's control. Shareholders will recall that shortly after gaining control of the assets at the Cook Mine the Group experienced a spontaneous, unforeseen heating event in a disused section of the mine. The Company believes that this event occurred because of the prolonged period when the mine was on a "care and maintenance" regime. The incident has been safely and successfully resolved and, following steps taken by the Group, there is no reason to expect a recurrence of it. The effect on the Group was both a longer and a more costly build up to production than originally envisaged. The Group estimates that this unbudgeted episode set production back approximately six to eight weeks. Although production was set back in terms of time, the Group's overall mine plan has not changed and the event had no material impact on the mineable reserve and resources.

Finally the Group's working capital position has been further eroded as a result of delays in delivery of and breakdown in essential equipment. A series of delays in equipment arrivals related to the shortage of machinery and labour, a problem currently affecting the mining industry, has slowed the Group's ramp up plans. The ramp-up plan for the Cook Mine falls into two phases; the first phase of which calls for the use of two, modern hired Bolter Miners manufactured by Voest-Alpine. The first of these continuous miners hired in by the Group came directly following complete overhaul from Voest-Alpine. The Company has been disappointed with the reliability of the reconditioned rented Voest-Alpine Bolter Miner. The Group has been partially compensated for the poor reliability of this essential piece of mining equipment.

Having received advice from its financial advisers, and having held a dialogue with certain major shareholders and other potential investors in the Company, your Board believes that the proposed fundraising represents the best way currently available to the Company to fill the additional funding requirements needed by the Group as a result of the above mentioned events. The Initial Conversion Price represents a premium of approximately 20 per cent. over the closing share price of 41.5p on 1 June 2007, the last Business Day prior to the Company's announcement of the Placing.

The Group continues to explore and drill both the Cook Mine and Minyango Deposit with a view to better delineating the coal resource and to provide an overall increase of coal resource.

### **5. Details of the Placing**

The Company proposes to issue the Loan Notes at the Issue Price by way of a Placing to raise approximately £12.5 million, before expenses. The Placing will not be underwritten.

The Placing is to be effected on behalf of the Company by Canaccord on the terms of the Placing Agreement. The Placing Agreement provides for Canaccord to use its reasonable endeavours to procure subscribers for the Loan Notes.

In consideration of their services in connection with the Placing, the Company will pay to Canaccord a fee of 3.5 per cent. of the aggregate value, at the Issue Price, of the Loan Notes. The amounts are exclusive of VAT. The Company has also agreed to pay all the costs and expenses relating to the Placing. The Placing Agreement contains warranties given by the Company with respect to its business and the Group and certain matters connected with the Placing. In addition, the Company has given indemnities to

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Canaccord in connection with the Placing and Canaccord's performance of services in relation to the Placing. Canaccord is entitled to terminate the Placing Agreement in specified circumstances.

All the placees with whom Loan Notes have been conditionally placed are institutional investors.

The Placing is conditional on the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms. The Placing Agreement is conditional, among other things, upon the passing of the Resolutions.

## **6. Extraordinary General Meeting and action to be taken**

Set out at the end of this document is a notice convening the Extraordinary General Meeting to be held at the offices of Nabarro, Lacon House, 84 Theobald's Road, London WC1X 8RW at 10.00a.m. on 5 July 2007 at which the Resolutions will be proposed to:

1. subject to the passing of Resolution 2 below, authorise the Board pursuant to section 80 of the Act to allot relevant securities in connection with the Placing up to an aggregate nominal amount of £156,250 representing 31,250,000 new Ordinary Shares and approximately 20.2 per cent. of the existing issued ordinary share capital of the Company, assuming the full conversion of the Loan Notes at a conversion price of 40p per Ordinary Share (allowing for potential adjustments to the Initial Conversion Price (see Part II for further details)) and
2. subject to the passing of Resolution 1 above, specifically authorise the Board pursuant to section 95 of the Act to allot the Loan Notes pursuant to the Placing, as if the pre-emption rights set out in section 89(1) of the Act did not apply. If the Resolution disapplying the pre-emption rights set out in section 89(1) of the Act is passed then the Board will be specifically authorised to allot, in connection with the Placing, up to 31,250,000 new Ordinary Shares representing 20.2 per cent. of the existing issued share capital of the Company free of such pre-emption rights.

The authorisations described under paragraphs 1 and 2 above are required to provide the Board with the necessary share capital and other authorities to implement the Placing. For the avoidance of doubt, the existing authorities passed at the Company's last extraordinary general meeting held on 13 December 2006 in respect of section 80 and section 95 of the Act shall not be affected as a result of the Resolutions to be proposed at the Extraordinary General Meeting. Should either one or both of the Resolutions fail to be passed, the Placing will not proceed.

A reply-paid Form of Proxy is enclosed. Whether or not you intend to be present at the Extraordinary General Meeting, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Company's registrars, Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH as soon as possible and, in any event, so that it is received no later than 10.00 a.m. on 3 July 2007. The completion and return of a Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person should you wish to do so.

## **7. Recommendation**

The Board consider the terms of the Placing to be in the best interests of Shareholders as a whole and accordingly unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting as they intend to do in respect of their own beneficial shareholdings which amount, in aggregate, to 9,300,689 Ordinary Shares, representing 6.03 per cent. of the Existing Ordinary Shares.

Yours sincerely

Robert Alford  
*Chairman*

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**PART II**  
**TERMS AND CONDITIONS OF THE LOAN NOTES**

References to Conditions are to the following provisions in this Part A and references to clauses are to the provisions in Part B.

**Part A**

The following, subject to completion and amendment, is the text of the terms and conditions of the Loan Notes which will be endorsed on the Loan Note Certificates issued to holders of the Loan Notes.

**1. FORM AND STATUS**

- 1.1 The Loan Notes constitute obligations of the Company ranking pari passu amongst themselves.
- 1.2 References in these Conditions to the principal amount of any Loan Note shall be to the face value (being £100,000) of that Loan Note.

**2. INTEREST**

**2.1 Interest Payment Dates and Interest Periods**

The Loan Notes will bear interest calculated as provided by **Condition 2.2** below on the outstanding principal amount from and including the date of issue of the Loan Notes, payable twice annually in arrears on each Interest Payment Date (or in the event of any such date not being a Business Day, on the next Business day thereafter), provided that the first Interest Payment Date shall be 31 December 2007 and interest shall be payable on that date in respect of the period from (and including) the date of issue of the Loan Notes up to but excluding 31 December 2007.

**2.2 Determination of the Interest Rate and Calculation of Interest Payable**

The Interest Rate shall be equal to eight point five per cent. (8.5%) per annum. The amount of interest payable on the Loan Notes in respect of any Interest Period shall accrue from day to day and shall be calculated for the number of days in such Interest Period based on a year of 365 days (or, in the case of any Loan Notes issued after the most recent Interest Payment Date, the number of days since the date of issue.) Interest will be paid to the Loan Note Holders after deducting any tax which the Company is required by law to deduct from such payment.

**3. CONVERSION**

**3.1 Conversion of Loan Notes into Ordinary Shares**

- 3.1.1 Each Loan Note shall entitle the holder (such right a “**Conversion Right**”) to convert such Loan Note into Ordinary Shares, credited as fully paid, subject to and as provided in these Conditions.
- 3.1.2 The number of Ordinary Shares to be issued on exercise of a Conversion Right shall be determined by dividing the principal amount of the relevant Loan Note by the conversion price (the “**Conversion Price**”) in effect on the relevant Conversion Date.
- 3.1.3 The initial Conversion Price is 50p per Ordinary Share. The Conversion Price is subject to adjustment in the circumstances described in **Condition 3.2**.
- 3.1.4 A Loan Note Holder may exercise the Conversion Right in respect of a Loan Note by delivering such Loan Note to the registered office of the Company in accordance with **Condition 3.9**, subsequently the Company shall issue, or procure the delivery, to the Loan Note Holder of Ordinary Shares credited as paid up in full as provided in this **Condition 3**.
- 3.1.5 Subject to, and upon compliance with, the provisions of these Conditions, the Conversion Right in respect of a Loan Note may be exercised, at the option of the relevant Loan Note Holder, at any time (subject to any applicable fiscal or other laws or regulations and as provided in the following provisions) from the Closing Date to the close of business (at the place where the relevant Loan Note is delivered for conversion) on the date falling prior to the Final Maturity Date (both days inclusive). Conversion Rights may not be exercised following the date on which notice has been served of an occurrence of an Event of Default. The period during which Conversion Rights may be exercised by a Loan Note Holder is referred to as the “**Conversion Period**”.

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3.1.6 Fractions of Ordinary Shares will not be issued on conversion or pursuant to **Condition 3.3** and no cash payment or adjustment will be made instead of any fraction. However, if the Conversion Right in respect of more than one Loan Note is exercised at any time such that Ordinary Shares to be issued on conversion or pursuant to **Condition 3.3** are to be registered in the same name, the number of such Ordinary Shares to be issued in respect of such conversion shall be calculated on the basis of the aggregate principal amount of such Loan Notes being so converted and rounded down to the nearest whole number of Ordinary Shares.

3.1.7 The Company will procure that Ordinary Shares to be issued on conversion will be issued to the holder of the Loan Notes completing the relevant Conversion Notice or his nominee. Such Ordinary Shares will be deemed to be issued as of the relevant Conversion Date. Any Additional Shares to be issued pursuant to **Condition 3.3** will be deemed to be issued as of the date the relevant Retroactive Adjustment takes effect or as at the date of issue of Ordinary Shares if the adjustment results from the issue of Ordinary Shares (each such date, the “**Reference Date**”).

### 3.2 **Adjustment of Conversion Price**

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

#### 3.2.1 Consolidation or Subdivision

If and whenever there shall be an alteration to the nominal value of the Ordinary Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Ordinary Share immediately after such alteration; and

B is the nominal amount of one Ordinary Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

#### 3.2.2 Capitalisation of Profits or Reserves

If and whenever the Company shall issue any Ordinary Shares credited as fully paid to the holders of Ordinary Shares (the “Shareholders”) by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such Ordinary Shares are issued instead of the whole or part of a cash Dividend which the Shareholders would or could otherwise have received or (2) where the Shareholders may elect to receive a cash Dividend in lieu of such Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Ordinary Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

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### 3.2.3 Capital Distribution

If and whenever the Company shall pay or make any Capital Distribution to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the relevant Spin-Off or Dividend of which such Capital Distribution forms part by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the relevant Dividend or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing shares by or on behalf of the Company or any Subsidiary Undertaking of the Company, the day on which such Ordinary Shares are purchased or, in the case of a Spin Off, is the mean of the Volume Weighted Average Prices of an Ordinary Share for the twenty consecutive dealing days ending on the dealing day immediately preceding the first date on which the Ordinary Shares are traded ex the relevant Spin Off; and

B is the portion of the Fair Market Value, of the Capital Distribution attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Capital Distribution by the number of Ordinary Shares entitled to receive the relevant Capital Distribution (or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing shares by or on behalf of the Company or any Subsidiary Undertaking of the Company, by the number of Ordinary Shares in issue immediately prior to such purchase).

Such adjustment shall become effective on the date on which such Capital Distribution is made or, in the case of a purchase of Ordinary Shares or any receipts or certificates representing Ordinary Shares, on the date such purchase is made or, in any such case if later, the first date upon which the Fair Market Value of the Capital Distribution is capable of being determined as provided herein.

### 3.2.4 Shares, Rights and Share-Related Securities Issues to Shareholders at less than 90 per cent. of Current Market Price

If and whenever the Company shall issue Ordinary Shares to Shareholders as a class by way of rights, or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Ordinary Shares, in each case at a price per Ordinary Share which is less than 90 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the terms of the issue or grant of such Ordinary Shares, options, warrants or other rights, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before such announcement;

B is the number of Ordinary Shares which the aggregate amount (if any) payable for the Ordinary Shares issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise of such options or warrants or other rights, would purchase at such Current Market Price per Ordinary Share; and

C is the number of Ordinary Shares issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex rights, ex options or ex warrants on AIM.

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### 3.2.5 Rights Issues of Other Securities to Shareholders

If and whenever the Company shall issue any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase any Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

A is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the first date on which the terms of such issue or grant are publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex rights, ex options or ex warrants on AIM.

### 3.2.6 Issues of Shares at less than 90 per cent. of Current Market Price

If and whenever the Company shall issue (otherwise than as mentioned in **Condition** 3.2.4 above) any Ordinary Shares (other than Ordinary Shares issued on the exercise of Conversion Rights or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, Ordinary Shares) wholly for cash or for no consideration or issue or grant (otherwise than as mentioned in **Condition** 3.2.4 above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase any Ordinary Shares (other than the Loan Notes, which term shall include any further Loan Note issued pursuant to **clause** 7 and consolidated and forming a single series with the Loan Notes), in each case at a price per Ordinary Share which is less than 90 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such additional Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and

C is the number of Ordinary Shares to be issued pursuant to such issue of such Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the date of issue of such additional Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

### 3.2.7 Other Issues at less than 90 per cent. of Current Market Price

If and whenever the Company or any Subsidiary Undertaking of the Company or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary Undertaking of the Company) any other company, person or entity (otherwise than as mentioned in **Conditions** 3.2.4, 3.2.5 or 3.2.6 above) shall issue wholly for cash or no consideration any Securities (other than the Loan Notes, which term shall for this purpose exclude any further Loan Notes issued pursuant to **clause** 7 and consolidated and forming a single series with the Loan Notes) which by their terms of issue carry (directly or indirectly)

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rights of conversion into, or exchange or subscription for, Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription or redesignation is less than 90 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the terms of issue of such Securities (or the terms of such grant), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue (or grant) by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued by the Company for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued or otherwise made available);

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such Securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Ordinary Share; and

C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription attached to such Securities at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such redesignation

Provided that if at the time of issue of the relevant Securities or date of grant of such rights (as used in this **Condition 3.2.7** the “**Specified Date**”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such Securities are redesignated or at such other time as may be provided) then for the purposes of this **Condition 3.2.7**, “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the date of issue of such Securities or, as the case may be, the grant of such rights.

### 3.2.8 Amendment of Terms of Rights or Share-Related Securities

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such Securities (other than the Loan Notes and any further Loan Notes issued pursuant to **Clause 7** and consolidated and forming a single series therewith) as are mentioned in **Condition 3.2.7** above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 90 per cent. of the Current Market Price per Ordinary Share on the dealing day immediately preceding the date of the first public announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for

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Ordinary Shares which have been issued by the Company or any Subsidiary Undertaking of the Company (or at the direction or request or pursuant to any arrangements with the Company or any Subsidiary Undertaking of the Company) for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued or otherwise made available on conversion);

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the Securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange or subscription price of such Securities; and

C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Adviser shall consider appropriate for any previous adjustment under this **Condition** or **Condition** 3.2.7 above.

Provided that if at the time of such modification (as used in this **Condition** 3.2.8) the “**Specified Date**”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this **Condition** 3.2.8, “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange or subscription had taken place on the Specified Date.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such Securities.

### 3.2.9 Other Offers to Shareholders

If and whenever the Company or any Subsidiary Undertaking of the Company or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary Undertaking of the Company) any other company, person or entity shall offer any Securities in connection with which offer Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Conversion Price falls to be adjusted under **Conditions** 3.2.2, 3.2.3, 3.2.4, 3.2.5, 3.2.6 or 3.2.7 above or 3.2.10 below (or would fall to be so adjusted if the relevant issue or grant was at less than 90 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day) or under **Condition** 3.2.5 above) the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the making of such offer by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the dealing day immediately preceding the date on which the terms of such offer are first publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex rights on AIM.

### 3.2.10 Change of Control

If an offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associates (as defined in Section 430E(4) of the Companies Act 1985) of the offeror), to acquire all or a majority of the issued ordinary share capital of the Company or if any person proposes a scheme with regard to such acquisition (other than an Exempt Newco Scheme) and (such offer or scheme having become or been declared unconditional in all respects) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the

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Company has become unconditionally vested in the offeror and/or such associates as aforesaid (a “**Relevant Event**”) the Conversion Price shall be adjusted as set out below (but in each case adjusted, if appropriate, proportionately on each adjustment to the Conversion Price under the previous provisions of this **Condition** 3.2 and under **Condition** 3.2.11 below), provided that any adjustment to the Conversion Price pursuant to this **Condition** 3.2.10 shall only apply to Loan Notes in respect of which Conversion Rights are duly exercised and the Conversion Date falls within the Relevant Event Period:

The Conversion Price shall be adjusted by using the following formula:

$$\frac{A}{1 + (0.25xa/b)}$$

Where:

A is the Conversion Price as previously adjusted under any of the previous provisions of **Conditions** 3.2 and under **Condition** 3.2.11 below;

a is the number of days from and including the date of the Relevant Event to but excluding the Final Maturity Date; and

b is the number of days from and including the Closing Date to but excluding the Final Maturity Date.

### 3.2.11 Other Events

If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to above in this **Condition** 3.2 (even if the relevant circumstance is specifically excluded from the operation of **Conditions** 3.2.1 to 3.2.10 above), the Company shall, at its own expense and acting reasonably, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account of such event and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this **Condition** 3.2.11 if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises.

Notwithstanding the above provisions, where the events or circumstances giving rise to any adjustment pursuant to this **Condition** 3.2 have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Company, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result and provided further that, for the avoidance of doubt, the issue of Ordinary Shares pursuant to the exercise of Conversion Rights shall not result in an adjustment to the Conversion Price.

For the purpose of any calculation of the consideration receivable or price pursuant to **Conditions** 3.2.4, 3.2.6, 3.2.7 and 3.2.8, the following provisions shall apply:

- (a) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (b) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the aggregate consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights

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which are attributed by the Company to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the date of the first public announcement of the terms of issue of such Securities or, as the case may be, such options, warrants or rights, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached to such Securities or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

- (c) if the consideration or price determined pursuant to (a) or (b) above (or any component of such provisions) shall be expressed in a currency other than sterling it shall be converted into sterling at such rate of exchange as may be determined in good faith by an Independent Financial Adviser to be the spot rate ruling at the close of business on the date of the first public announcement of the terms of issue of such Securities (or if no such rate is available on that date, the equivalent rate on the immediately preceding date on which such rate is available); and
- (d) in determining consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or otherwise in connection with it.

### 3.3 **Retroactive Adjustments**

If the Conversion Date in relation to any Loan Note shall be after the record date for any such issue, distribution, grant or offer (as the case may be) as is mentioned in **Conditions** 3.2.2, 3.3.3, 3.3.4, 3.4.5 and 3.4.9, or any such issue as is mentioned in **Conditions** 3.2.6 and 3.2.7 which is made to the Shareholders or any of them, but before the relevant adjustment becomes effective under **Condition** 3.2 (such adjustment being a “**Retroactive Adjustment**”), the Company shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued to the converting Loan Note Holder, in accordance with the instructions contained in the Conversion Notice, such additional number of Ordinary Shares (if any) (the “**Additional Shares**”) as, together with the Ordinary Shares issued or to be issued on conversion of the relevant Loan Note (together with any fraction of an Ordinary Share not so issued), is equal to the number of Ordinary Shares which would have been required to be issued on conversion of such Loan Note if the relevant adjustment (more particularly referred to in such provisions of **Condition** 3.2) to the Conversion Price had in fact been made and become effective immediately after the relevant record date.

### 3.4 **Decision of an Independent Financial Adviser**

If any doubt shall arise as to the appropriate adjustment to the Conversion Price, then following consultation between the Company and an Independent Financial Adviser a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price shall be conclusive and binding on all concerned, save in the case of manifest error.

### 3.5 **Ordinary Shares may not be Issued at a Discount**

The Conversion Price may not be reduced so that, on conversion of the Loan Notes, Ordinary Shares would fall to be issued at a discount to their nominal or par value.

### 3.6 **Employees’ Share Schemes**

No adjustment will be made to the Conversion Price where Ordinary Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, appropriated,

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modified or granted to, or for the benefit of, employees or former employees (including Directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Company or any of its Subsidiaries or any associated company or to trustees to be held for the benefit of any such person, in any such case pursuant to any employees' share scheme (as defined in Section 743 of the Companies Act 1985).

### 3.7 **Rounding Down and Notice of Adjustment to the Conversion Price**

On any adjustment, the resultant Conversion Price, if not an integral multiple of £0.001, shall be rounded down to the nearest whole multiple of £0.001. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.

Notice of any adjustments to the Conversion Price shall be given to Loan Note Holders in accordance with **Condition 14** promptly after the determination of such adjustment.

### 3.8 **Change of Control**

Following the occurrence of a Relevant Event the Company shall give notice of such event to the Loan Note Holders in accordance with **Condition 14** (a "**Relevant Event Notice**") within 14 calendar days of the first day on which it becomes so aware. Such notice shall contain a statement informing Loan Note Holders of their entitlement to exercise their Conversion Rights as provided in these Conditions and the Conversion Price applicable in consequence of the Relevant Event, as the case may be, as set out in **Condition 3.2.10**, as adjusted where appropriate. The Relevant Event Notice shall also specify:

- 3.8.1 all information material to Loan Note Holders concerning the Relevant Event;
- 3.8.2 the Conversion Price immediately prior to the occurrence of the Relevant Event and the Conversion Price applicable pursuant to **Condition 3.2.10** during the Relevant Event Period;
- 3.8.3 the closing price of the Ordinary Shares as derived from AIM as at the latest practicable date prior to the publication of such notice; and
- 3.8.4 the last day of the Relevant Event Period.

### 3.9 **Procedure for Conversion**

- 3.9.1 A Conversion Right may be exercised by a Loan Note Holder during the Conversion Period by delivering the relevant Loan Note to the registered office of the Company, during its usual business hours, accompanied by a duly completed and signed Conversion Notice. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the registered office of the Company to whom the relevant Conversion Notice is delivered is located.
- 3.9.2 A Conversion Right may be exercised only in respect of the whole of the principal amount of a Loan Note.
- 3.9.3 A Conversion Notice, once delivered, shall be irrevocable.
- 3.9.4 The conversion date in respect of a Loan Note (the "**Conversion Date**") shall be the fifteenth London business day immediately following the date of such delivery and, if applicable, the making of any payment to be made as provided below. A Conversion Notice received after 15:00 hours (London time) shall be deemed to be received on the following business day.
- 3.9.5 Each Loan Note should be delivered upon exercise of Conversion Rights.
- 3.9.6 A Loan Note Holder exercising a Conversion Right must pay any taxes and capital, stamp, issue and registration duties arising on conversion of its Loan Notes and such Loan Note Holder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Loan Note or interest therein in connection with such conversion.

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3.9.7 The Ordinary Shares will not be available for issue (i) to, or to a nominee or agent for, Euroclear or Clearstream, Luxembourg or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depositary receipts within the meaning of Section 93 of the Finance Act 1986, in each case at any time prior to the “abolition day” as defined in Section 111(1) of the Finance Act 1990.

3.9.8 Ordinary Shares to be issued on conversion of the Loan Notes (including any Additional Shares) will be issued in uncertificated form through the dematerialised securities trading system operated by CRESTCo Limited (“CREST”) provided the Loan Note Holder has specified an account for this purpose, unless the relevant Loan Note Holder elects to receive the Ordinary Shares in certificated registered form or, at the time of issue, the Ordinary Shares are not a participating security in CREST. Where Ordinary Shares are to be issued through CREST, they will be delivered to the account specified by the relevant Loan Note Holder in the relevant Conversion Notice by not later than seven London business days following the relevant Conversion Date (or, in the case of any Additional Shares, not later than seven London business days following the Reference Date). Where Ordinary Shares are to be issued in certificated form, a certificate in respect thereof will be dispatched by mail free of charge (but uninsured and at the risk of the recipient) to the relevant Loan Note Holder or as it may direct in the relevant Conversion Notice within 28 days following the relevant Conversion Date or, as the case may be, the Reference Date.

### 3.10 **Ordinary Shares**

3.10.1 Ordinary Shares issued upon conversion of the Loan Notes will be fully paid and non assessable and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Conversion Date or, in the case of Additional Shares, on the relevant Reference Date (except in any such case for any right excluded by mandatory provisions of applicable law), except that the Ordinary Shares or, as the case may be, the Additional Shares so issued will not rank for any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior the relevant Conversion Date or, as the case may be, the relevant Reference Date.

3.10.2 Save as provided in **Condition 3.11**, no payment or adjustment shall be made on conversion for any interest which otherwise would have accrued on the relevant Loan Notes since the last Interest Payment Date preceding the Conversion Date relating to such Loan Notes (or, if such Conversion Date falls before the first Interest Payment Date, since the Closing Date).

### 3.11 **Interest on Conversion**

If any notice requiring the redemption of any Loan Notes is given on or after the fifteenth London business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Closing Date) (whether such notice is given before, on or after such record date) in respect of any Dividend or distribution payable in respect of the Ordinary Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 calendar days after the Interest Payment Date next following such record date, interest shall accrue on Loan Notes in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in respect of such Dividend or distribution, in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from the Closing Date) to but excluding such Conversion Date. The Company shall pay any such interest or procure that any such interest is paid by not later than 14 calendar days after the relevant Conversion Date by sterling cheque drawn on, or by transfer to, a sterling account maintained with a bank outside the United States of America in accordance with instructions given by the relevant Loan Note Holder.

### 3.12 **Purchase or Redemption by the Company of its own Shares**

The Company may exercise such rights as it may from time to time have to purchase or redeem its own shares (including Ordinary Shares) without the consent of the Loan Note Holders.

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### 3.13 **Existing Commitments of the Company**

No adjustment will be made to the Conversion Price in relation to or as a result of Ordinary Shares being allotted and/or issued in connection with any obligation of the Company that exists prior to the Closing Date.

### 3.14 **Conversion at the Option of the Company**

3.14.1 On giving not less than 15 nor more than 90 days' notice (an "**Optional Conversion Notice**") to the Loan Note Holders in accordance with **Condition** 14, the Company may require the conversion of all but not some only of the Loan Notes on the date (the "**Optional Conversion Date**") specified in the Optional Conversion Notice at their principal amount together with accrued interest up to but excluding the Optional Conversion Date:

- (a) at any time following the date falling eighteen months from the Closing Date, if in any period of 20 consecutive dealing days (whether or not such period commences before or after the date falling 18 months from the Closing Date) the Volume Weighted Average Price of an Ordinary Share exceeds 80p; or
- (b) if, at any time prior to the date the relevant Optional Conversion Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Loan Notes originally issued.

3.14.2 Any Optional Conversion Notice shall be irrevocable. Any such notice shall specify (i) the Optional Conversion Date, (ii) the Conversion Price, the aggregate principal amount of the Loan Notes outstanding and the closing price of the Ordinary Shares as derived from AIM, in each case as at the latest practicable date prior to the publication of the Optional Conversion Notice and (iii) the last day on which Conversion Rights may be exercised by Loan Note Holders.

3.14.3 For the purposes of this **Condition** 3.14 the principal amount of the Loan Notes originally issued shall be the aggregate of the principal amount of the Loan Notes and the principal amount of any further Loan Notes issued pursuant to **clause** 7 and consolidated and forming a single series with the Loan Notes, but shall not take account of any Conversion Rights exercised or purchases and corresponding cancellations.

### 3.15 **General**

3.15.1 In making any calculation or determination of Current Market Price, Volume Weighted Average Price, Fair Market Value or any other matter, such adjustments (if any) shall be made as an Independent Financial Adviser or the Auditors consider appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

3.15.2 For the purposes of **Conditions** 3.2, 3.3 and 3.6 and **clauses** 4 and 5 only, (a) references to the "issue" of Ordinary Shares shall include the transfer and/or delivery of Ordinary Shares by the Company, whether newly issued and allotted or previously existing or held by or on behalf of the Company, and (b) Ordinary Shares held by or on behalf of the Company (and which, in the case of **Condition** 3.2.4 and 3.2.6, do not rank for the relevant right or other entitlement) shall not be considered as or treated as "in issue".

## 4. **REDEMPTION AND PURCHASE**

### 4.1 **Early Redemption**

With the approval by Extraordinary Resolution of the Loan Note Holders, the Company may by service of notice on all Loan Note Holders at any time prior to the Final Maturity Date repay all principal (and accrued but unpaid interest).

### 4.2 **Final Redemption**

Unless previously purchased and cancelled, redeemed or converted as provided, the Loan Notes will be redeemed by the Company at their principal amount on the Final Maturity Date.

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#### 4.3 **Redemption at the option of the Loan Note Holders**

- 4.3.1 Following the occurrence of a Relevant Event, each Loan Note Holder will have the right to require the Company to redeem all (but not some only) of the Loan Notes held by it on the Relevant Event Put Date, at their aggregate principal amount together with accrued but unpaid interest. To exercise such right, the holder of the relevant Loan Note must present such Loan Note, at the registered office of the Company together with a duly completed and signed Redemption Notice at any time in the Relevant Event Period. The “**Relevant Event Put Date**” shall be the fourteenth calendar day after the expiry of the Relevant Event Period.
- 4.3.2 Payment in respect of any such Loan Note shall be made by Pounds Sterling drawn on, or by transfer to a Pounds Sterling account specified by the relevant Loan Note Holder in the applicable Redemption Notice and maintained by such Loan Note Holder with, a bank outside the United States.
- 4.3.3 A Redemption Notice, once delivered, shall be irrevocable and the Company shall redeem all Loan Note the subject of Redemption Notices delivered as mentioned on the Relevant Event Put Date.

#### 4.4 **Purchase**

Subject to the requirements (if any) of the rules of any other stock exchange or market on which the Loan Notes may be listed or admitted to trading at the relevant time, the Company or any Subsidiary Undertaking of the Company may at any time purchase Loan Notes in the open market or otherwise at any price. Any purchase by tender shall be made available to all Loan Note Holders alike. Such Loan Notes shall be surrendered to the Company for cancellation.

#### 4.5 **Cancellation**

All Loan Notes which are redeemed or purchased by the Company or any Subsidiary Undertaking of the Company or in respect of which Conversion Rights are exercised will be cancelled and may not be reissued or resold.

### 5. **DELIVERY UP OF CERTIFICATES**

If any Loan Note Holder any of whose Loan Notes are liable to be repaid under these Conditions or the Instrument shall fail or refuse to deliver up the Certificate(s) at the time and place fixed for the their repayment or shall refuse to accept payment of the repayment monies payable in respect of them the monies payable to such Loan Note Holder may be set aside by the Company and paid into a separate bank account and when so paid shall be held by the Company in trust for such Loan Note Holder but without interest (except as hereinafter mentioned), and such setting aside and payment shall be deemed for all the purposes of these Conditions to be a payment to such Loan Note Holder and the Company shall thereby be discharged from all obligations in connection with such Loan Notes. If the Company shall place the monies so set aside on deposit at a bank the Company shall not be responsible for the safe custody of such monies or for interest on them except such interest (if any) as the said monies may earn whilst on deposit less any expenses incurred by the Company in connection with them.

### 6. **PRESCRIPTION**

The Loan Notes represented by any Certificate shall become void unless it is presented for payment within a period of one year from the Maturity Date.

### 7. **COPY OF THE INSTRUMENT**

Each Loan Note Holder shall be entitled to receive a copy of the Instrument from the Company on request, the first such copy being provided at the cost of the Company and any further copies being provided at the cost of the Loan Note Holder requesting the same.

### 8. **THE REGISTER**

- 8.1 Loan Note Holders and their entitlements shall be registered on the Register. Pending despatch of Loan Note Certificates, transfers of the Loan Notes will be certified against the Register.

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8.2 No fee shall be charged by the Company for the registration of any transfer or for the registration of any confirmation, probate, letters of administration certificate of marriage or death, power of attorney or other document relating to or affecting the title to any of the Loan Notes or for making an entry in the Register relating to or affecting the title to any of the Loan Notes.

**9. RESTRICTIONS ON OWNERSHIP**

9.1 Subject to certain exceptions, the Loan Notes will not be distributed in or into the United States of America, Canada, Australia, South Africa or Japan or any other jurisdiction in which such distribution would be unlawful.

9.2 Each person tendering payment of the subscription price of the Loan Notes shall, in so doing, unless otherwise determined by the Company in its absolute discretion, be deemed to represent and warrant to the Company that such person (a) is not in the United States of America or a resident of Canada, Australia, South Africa or Japan and (b) is not acting for the account or benefit of a person within the United States of America, Canada, Australia, South Africa or Japan.

**10. REGISTRATION AND TRANSFER**

10.1 The Company shall recognise only a single person or a sole company as a Loan Note Holder, and the Company shall not permit the registration of Loan Notes in more than one name.

10.2 The Company will recognise the registered holder of any Loan Notes as the absolute owner of them and shall not be bound to take notice or see to the execution of any trust whether express, implied or constructive to which any Loan Notes may be subject and the receipt of the registered holder for the time being of any Loan Notes for the interest from time to time accruing due (if any) in respect of them or for any other monies payable in respect thereof shall be a good discharge to the Company notwithstanding any notice it may have whether express, constructive or otherwise of the right, title, interest or claim of any other person to or in such Loan Notes or monies. If a warrant in payment of any amounts due to the registered holders of any Loan Notes, made payable and despatched in accordance with the Conditions, is encashed, such encashment shall be deemed to be a good discharge to the Company notwithstanding any notice it may have whether express or otherwise of the right, title, interest or claim of any other person to or in such monies. No notice of any trust express, implied or constructive shall be entered on the Register in respect of any Loan Notes.

10.3 Every Loan Note Holder will be recognised by the Company as entitled to his Loan Notes free from any equity, set-off or cross-claim on the part of the Company against the original or any intermediate holder of the Loan Notes.

10.4 The Loan Notes are transferable in amounts of £100,000 nominal of Loan Notes and integral multiples of such amount, by instrument in writing in the usual common form or such other form as the Company may approve.

10.5 Every instrument of transfer must be signed by the transferor or, where the transferor is a corporation, validly executed by it as a deed and the transferor shall be deemed to remain the owner of the Loan Notes to be transferred until the name of the transferee is entered in the Register in respect thereof.

10.6 Every instrument of transfer must be left for registration at the place where the Register shall for the time being be kept accompanied by the Loan Note Certificate for the Loan Notes to be transferred and/or such other evidence as the Directors or other officers of the Company authorised to deal with transfers may reasonably require to prove the title of the transferor or his right to transfer the Loan Notes and if the instrument of transfer is executed by some other person on his behalf the authority of that person to do so. No transfer shall be registered in respect of which a Redemption Notice, a Conversion Notice or an Optional Conversion Notice has been given.

10.7 A proposed transferee of any Loan Notes shall not be registered as the holder of them unless and until he has provided to the Company or to its agent all relevant documents and evidence as the Company or its agent may reasonably require to enable compliance with any applicable money laundering or other regulatory requirements.

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- 10.8 All instruments of transfer which shall be registered may be retained by the Company.
- 10.9 The executors or administrators of a deceased registered holder of Loan Notes shall be the only person or persons recognised by the Company as having any title to such Loan Notes.
- 10.10 Any person becoming entitled to Loan Notes in consequence of the death or bankruptcy of the holder of such Loan Notes may upon producing such evidence that he holds the position in respect of which he proposes to act under this Condition or of his title as the Company shall reasonably think sufficient be registered himself as the holder of such Loan Notes or, subject to the preceding Conditions as to transfer, may transfer such Loan Notes. The Company shall be at liberty to retain the principal, premium and interest (if any) in respect of any Loan Notes to which any person has become entitled under this **Condition** 10.10 until such person shall be registered as previously mentioned or shall duly transfer such Loan Notes. The Company shall also have power by notice in writing to require any such person as previously mentioned to elect either to transfer the Loan Notes in question or to be registered as the holder of them and in the event of his failing so to elect within sixty days of being required so to do he shall be deemed to have elected to be registered as the holder of the Loan Notes and may be registered accordingly.
- 10.11 Any change of name or address on the part of any Loan Note Holder shall promptly be notified by the Loan Note Holder to the Company. The Company shall then alter the Register accordingly.
- 10.12 If any Loan Note Certificate issued be worn out or defaced then, upon production of it to the Directors, they may cancel the same and may issue a new Loan Note Certificate in place of it and if any such Loan Note Certificate be lost or destroyed, then, upon proof of it to the reasonable satisfaction of the Directors, and, in the case of a lost Loan Note Certificate or in default of proof of destruction of a Loan Note Certificate, on such indemnity as the Directors may reasonably deem adequate having been given, a new Loan Note Certificate in lieu thereof shall be issued free of charge to the person entitled to such lost or destroyed Loan Note Certificate. An entry as to the issue of the new Loan Note Certificate and indemnity (if any) shall be made by the Company in the Register.
- 10.13 By subscribing or purchasing or being the transferee of or by apply or causing application to be made for registration as the holder of any Loan Notes a person agrees to be bound by the provisions of the Instrument.

## **11. MODIFICATION OF RIGHTS**

- 11.1 The Loan Note Holders will have power by Extraordinary Resolution, among other things, and with the prior written consent of the Company to sanction or consent to any modification, abrogation or compromise of or arrangement in respect of their rights against the Company and to assent to any amendment of the provisions of the Instrument.
- 11.2 The Company may, at any time from time to time, modify the provisions of the Instrument without the consent of the Loan Note Holders if, in the opinion of the Company, such amendment would not be materially prejudicial to the interests of the Loan Note Holders or is of a formal, minor or technical nature or is to correct a manifest error or is to facilitate title to Loan Notes being evidenced otherwise than by a Loan Note Certificate or the transfer of Loan Notes so evidenced otherwise than by a written deed or for any ancillary or connected purposes. For the avoidance of doubt, any opinion of the Company shall not require consultation with the Loan Note Holders. Any such modifications may be made on such terms and subject to such conditions (if any) as the Company may determine and shall be binding upon the Loan Note Holders.
- 11.3 **Schedule** 2 of the Instrument contains provisions for convening meetings of Loan Note Holders to consider any matter affecting the Loan Note Holders, including any modification of the terms and conditions of the Loan Notes or the provisions of the Instrument.

## **12. NOTIFICATION OF BENEFICIAL INTEREST**

The Company will be entitled by notice in writing (a “**Disclosure Notice**”) to require any Loan Note Holder from time to time to provide within 48 hours of receipt of the relevant Disclosure Notice (or such longer time as may be determined by the Company) particulars of the Loan Note

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Holder's past and present interest in any Loan Notes over the last three years. If a Loan Note Holder fails to comply with any such requirement and for so long as such failure shall be continuing the Company shall have the right (in its absolute discretion) to refuse to register any transfer of the Loan Notes or to refuse to repay any of the Loan Notes held by him in accordance with the Conditions.

### **13. GENERAL**

- 13.1 The Company will notify Loan Note Holders of any change in the location of the place where the Register is kept. Each Loan Note Holder shall be entitled at any time during normal office hours to inspect the Register and a copy of the Instrument and to take copies (free of charge) or of extracts from the same.
- 13.2 The accidental omission to give notice of a meeting, or to send a form of proxy with a notice where required by the Instrument, to any person entitled to receive the same, or the non-receipt of a notice of meeting or form of proxy by any such person, shall not invalidate the proceedings at that meeting.

### **14. NOTICES**

- 14.1 Any notice to be served under this Instrument shall be in writing and shall be served by delivering the same or sending the same by pre-paid registered or recorded delivery post to the party on which it is to be served at (in the case of notice to the Company and any other party being a corporation) its registered office for the time being and (in the case of notice to such Loan Note Holder) his address shown in the Register or such other address as he may from time to time notify in writing to the other parties for this purpose.
- 14.2 Any notice shall be deemed to have been served:
- 14.2.1 if delivered, at the time of delivery; and
- 14.2.2 if sent by post, on the second business day next following the date on which it was properly posted.
- 14.3 In proving service of any notice by delivery or by post it shall be sufficient to prove that the envelope containing the same was properly addressed and was delivered or sent by registered or recorded delivery post as aforesaid.
- 14.4 Notice may be given to the person entitled to any Loan Notes in consequence of the death or bankruptcy of any Loan Note Holder by sending the same by pre-paid registered or recorded delivery post addressed to him by name or by the title of the representatives or trustees of such holder at the address supplied for the purpose by such person or (until such name and address is supplied) by giving notice in the manner in which it would have been given if the death or bankruptcy had not occurred.
- 14.5 A Loan Note Holder who has not supplied the Company an address for the service of notices shall not be entitled to receive notices or other documents from the Company.

### **15. DEFINITIONS AND CONSTRUCTION**

- 15.1 In these Conditions unless there is something in the subject or context inconsistent with them the expressions following shall have the meanings respectively set opposite them below:

<b>“Additional Shares”</b>	has the meaning provided in <b>Condition 3.3</b> ;
<b>“AIM”</b>	means the AIM market of London Stock Exchange Plc or, if the Ordinary Shares are not at that time so traded, the principal stock exchange or securities market on which the Ordinary Shares are then listed or quoted or dealt in;
<b>“Auditors”</b>	means the auditors of the Company from time to time;
<b>“Business Day”</b>	means a day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks generally are

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	open in London for the transaction of normal banking business;
<b>“Capital Distribution”</b>	<p>means:</p> <p>(a) a Spin-Off (in which case, the Capital Distribution shall be the Fair Market Value of the relevant Spin-Off Securities or, as the case may be, the relevant property or assets); or</p> <p>(b) any Dividend (in which case the Capital Distribution shall be the Fair Market Value of such Dividend).</p> <p>For the purposes of the above, the Fair Market Value of a Dividend shall (subject as provided in paragraph (a) of the definition of <b>“Dividend”</b> below and in the definition of <b>“Fair Market Value”</b> below) be determined as at the date of the first public announcement of the relevant Dividend.</p>
<b>“Closing Date”</b>	means the date of the first issue of Loan Notes;
<b>“Conditions”</b>	means the conditions of the issue of the Loan Notes as set out in <b>Schedule 1</b> or as the same may from time to time be modified in accordance with this Instrument and the word <b>“Condition”</b> followed by a number refers to that one of the Conditions so numbered;
<b>“Conversion Date”</b>	has the meaning provided in <b>Condition 3.9.4</b> ;
<b>“Conversion Notice”</b>	means a conversion notice in the form of the notice attached to a Loan Note Certificate duly completed in accordance with the instructions on such certificate;
<b>“Conversion Period”</b>	has the meaning provided in <b>Condition 3.1.5</b> ;
<b>“Conversion Price”</b>	has the meaning provided in <b>Condition 3.1.2</b> ;
<b>“Conversion Right”</b>	has the meaning provided in <b>Condition 3.1.1</b> ;
<b>“Current Market Price”</b>	<p>means, in respect of an Ordinary Share at a particular date, the average of the Volume Weighted Average Price of an Ordinary Share for the twenty consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during such twenty-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum- any other entitlement), then:</p> <p>(a) if the Ordinary Shares to be issued do not rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-dividend (or cum- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement of such dividend (or entitlement)</p>

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(excluding, in any case, any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom); or

- (b) if the Ordinary Shares to be issued do rank for the dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-dividend (or ex- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount,

and provided further that if on each of such twenty dealing days the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum- any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued do not rank for that dividend (or other entitlement) the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share as at the date of the first public announcement of such dividend or entitlement (excluding, in any case, any associated tax credit and less the tax (if any) falling to be deducted on payment of such dividend or entitlement to a resident of the United Kingdom), and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of such twenty dealing days, then the average of such Volume Weighted Average Prices which are available in that twenty-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period the Current Market Price shall be determined in good faith by an Independent Financial Adviser;

**“dealing day”**

means a day on which AIM or the relevant stock exchange or securities market is open for business, other than a day on which AIM or the relevant stock exchange or securities market is scheduled to, or does, close prior to its regular weekday closing time.

**“Directors”**

means the board of directors for the time being of the Company;

**“Dividend”**

means any dividend or distribution (excluding a Spin-Off) whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes without limitation an issue of Ordinary Shares or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves) provided that:

- (a) where a cash dividend is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied

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by the payment of a cash dividend, then for the purposes of this definition the Dividend in question shall be treated as a dividend of the greater of (i) such cash dividend and (ii) the Fair Market Value (on the date of the first public announcement of such dividend or capitalisation (as the case may be) or if later, the date on which the number of Ordinary Shares (or amount of property or assets, as the case may be) which may be issued or delivered is determined) of such Ordinary Shares or other property or assets;

- (b) any issue of Ordinary Shares falling within **Condition 3.2.2** shall be disregarded;
- (c) a purchase or redemption of share capital of the Company by the Company or any Subsidiary Undertaking of the Company shall not constitute a Dividend unless, in the case of purchases of Ordinary Shares by or on behalf of the Company or any of its Subsidiary Undertakings, the Volume Weighted Average Price per Ordinary Share (before expenses) on any one day in respect of such purchases exceeds by more than 10 per cent. the Volume Weighted Average Price of an Ordinary Share on the twenty immediately preceding dealing days either (1) on that day, or (2) where an announcement (excluding for the avoidance of doubt for these purposes, any general authority for such purchases or redemptions approved by a general meeting of Shareholders of the Company or any notice convening such a meeting of Shareholders) has been made of the intention to purchase Ordinary Shares at some future date at a specified price, on the dealing day immediately preceding the date of such announcement and, if in the case of either (1) or (2), the relevant day is not a dealing day, the immediately preceding dealing day, in which case such purchase shall be deemed to constitute a Dividend to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased by the Company or, as the case may be, any of its Subsidiary Undertakings exceeds the product of (i) 110 per cent. of the Volume Weighted Average Price of the Ordinary Shares determined as previously mentioned and (ii) the number of Ordinary Shares so purchased; and
- (d) if the Company or any of its Subsidiary Undertakings shall purchase any receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) shall be applied in respect such receipts or certificates in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser;

**“Exempt Newco Scheme”**

means a Newco Scheme where immediately after completion of the relevant scheme of arrangement the ordinary shares of Newco are (1) admitted either to AIM or to the Official List and admitted to trading on the London Stock Exchange Plc’s market for listed securities or (2) admitted to listing on such other regulated, regularly operating, recognised stock

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	exchange of securities as the Company or Newco may determine;
<b>“Extraordinary Resolution”</b>	means an extraordinary resolution as defined in paragraph 18 of Schedule 2;
<b>“Event of Default”</b>	means one of the events referred to in clause 6;
<b>“Fair Market Value”</b>	means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Financial Adviser provided, that (i) the Fair Market Value of a cash Dividend paid or to be paid shall be the amount of such cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where Spin-Off Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by an Independent Financial Adviser), the fair market value (a) of such Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Price of such Spin-Off Securities and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (a) and (b) during the period of twenty dealing days on the relevant market commencing on such date (or, if later, the first such dealing day such Spin-Off Securities, options, warrants or other rights are publicly traded); and (iv) in the case of (i) converted into Pounds Sterling (if declared or paid in a currency other than Pounds Sterling) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash Dividend in Pounds Sterling; and in any other case, converted into Pounds Sterling (if expressed in a currency other than Pounds Sterling) at such rate of exchange as may be determined in good faith by an Independent Financial Adviser to be the spot rate ruling at the close of business on that date (or if no such rate is available on that date the equivalent rate on the immediately preceding date on which such a rate is available);
<b>“Final Maturity Date”</b>	means the Business Day prior to the third anniversary of the date of the Loan Note Instrument;
<b>“Independent Financial Adviser”</b>	means an independent investment bank of international repute appointed by the Company with the approval by an Extraordinary Resolution of the Loan Note Holders;
<b>“Instrument” or “Loan Note Instrument”</b>	means this Instrument (including the Schedules) and any document supplemental to this Instrument or executed in pursuance of it;
<b>“Interest Payment Date”</b>	means 30 June and 31 December in each year (the first Interest Payment Date being 31 December 2007) or, in each case, if such day is not a Business Day the next subsequent Business Day;
<b>“Interest Period”</b>	means each successive period from and including an Interest Payment Date up to but excluding the next following Interest Payment Date, save that the first such Interest Period shall be

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	the period commencing on the date of this Instrument up to but excluding 31 December 2007;
<b>“Interest Rate”</b>	means the rate of interest payable on the Loan Notes in respect of any Interest Period determined in accordance with <b>Condition 2.2</b> ;
<b>“Loan Notes”</b>	means the loan notes constituted by this Instrument, or as the case may require, a specific portion of them, or the principal monies represented by them, as the context requires;
<b>“Loan Note Certificate” or “Certificate”</b>	means the certificate issued by the Company to each Loan Note Holder specifying the nominal amount of the Loan Notes held by that Loan Note Holder and represented by such certificate;
<b>“Loan Note Holders”</b>	means the several persons whose names are for the time being entered in the Register as the holder or holders of the Loan Notes;
<b>“Newco Scheme”</b>	means a scheme of arrangement which effects the interposition of a limited liability company (“ <b>Newco</b> ”) between the Shareholders of the Company immediately prior to the scheme of arrangement (the “ <b>Existing Shareholders</b> ”) and the Company, provided that immediately after completion of the scheme of arrangement the only shareholders of Newco are the Existing Shareholders and that all Subsidiary Undertakings of the Company immediately prior to the scheme of arrangement (other than Newco, if Newco is then a Subsidiary Undertaking of the Company) are Subsidiary Undertakings of the Company (or of Newco) immediately after the scheme of arrangement;
<b>“Official List”</b>	means the Official List of the UK Listing Authority;
<b>“Optional Conversion Date”</b>	has the meaning provided in <b>Condition 3.14.1</b> ;
<b>“Optional Conversion Notice”</b>	has the meaning provided in <b>Condition 3.14.1</b> ;
<b>“Ordinary Shares”</b>	means ordinary shares of 0.5 pence each in the capital of the Company;
<b>“Pounds Sterling”, “sterling” or “£”</b>	means the lawful currency, for the time being, of the United Kingdom;
<b>“Redemption Notice”</b>	means a redemption notice in the form of the notice attached to a Loan Note Certificate duly completed in accordance with the instructions on such certificate;
<b>“Reference Date”</b>	has the meaning provided in <b>Condition 3.1.7</b> ;
<b>“Register”</b>	means the register of Loan Note Holders kept by the Company in accordance with <b>clause 14</b> ;
<b>“Relevant Event”</b>	has the meaning provided in <b>Condition 3.2.10</b> and, for the avoidance of doubt, shall not constitute an Event of Default unless the events constituting the Relevant Event would otherwise fall within the provisions of <b>clause 6</b> ;

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<b>“Relevant Event Period”</b>	means the period commencing on the date a Relevant Event occurs and ending on the date 30 days following the occurrence of the Relevant Event or, if later, 30 days following the date on which notice of such Relevant Event is given to Loan Note Holders by or on behalf of the Company;
<b>“Relevant Event Put Date”</b>	has the meaning provided in <b>Condition 4.2.2</b> ;
<b>“Retroactive Adjustment”</b>	has the meaning provided in <b>Condition 3.3</b> ;
<b>“Schedules”</b>	means the schedules to this Instrument (or the relevant numbered schedule);
<b>“Securities”</b>	means any securities issued by the Company including, without limitation, Ordinary Shares or options, warrants or other rights to subscribe for or purchase or acquire Ordinary Shares;
<b>“Shareholders”</b>	has the meaning provided in <b>Condition 3.2.2</b> ;
<b>“Specified Date”</b>	has the meaning provided in <b>Condition 3.2.7</b> and <b>7.2.8</b> ;
<b>“Spin-Off”</b>	means: <ul style="list-style-type: none"> <li>(a) a distribution of Spin-Off Securities by the Company to Shareholders as a class; or</li> <li>(b) any transfer of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by a Subsidiary Undertaking of the Company to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders, as a class (but excluding the issue and allotment of shares by Newco to Existing Shareholders), pursuant in each case to any arrangements with the Company or any of its Subsidiary Undertakings;</li> </ul>
<b>“Spin-Off Securities”</b>	means equity share capital of a Subsidiary Undertaking of the Company;
<b>“Subsidiary Undertaking”</b>	shall have the meaning given to it by Section 258 of the Companies Act 1985 (but, in relation to the Company, shall exclude any undertaking (as defined in Section 259 of the Companies Act 1985) whose accounts are not included in the then latest published audited consolidated accounts of the Company, or (in the case of an undertaking which has first become a subsidiary undertaking of the Company since the date as at which any such audited accounts were prepared would not have been so included or consolidated if it had become so on or before that date);
<b>“UK listing Authority”</b>	means the Financial Services Authority in its capacity as competent authority for listing for the purposes of the Financial Services and Markets Act 2000;
<b>“United Kingdom”</b>	means the United Kingdom of Great Britain and Northern Ireland;

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**“Volume Weighted Average Price”**

means, in respect of an Ordinary Share or, as the case may be, a Spin-Off Security, on any dealing day, the volume-weighted average price of an Ordinary Share or, as the case may be, a Spin-Off Security appearing on or derived from the AIM Appendix of the Daily Official List (in the case of an Ordinary Share) or (in the case of a Spin-Off Security) from the principal stock exchange or securities market on which such Spin-Off Securities are then listed or quoted or dealt in, if any, or, in any such case, such other source as shall be determined to be appropriate by an Independent Financial Adviser on such dealing day, provided that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share or a Spin-Off Security, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined.

- 15.2 Words denoting the singular number only shall include the plural number and vice versa; words denoting the masculine gender only shall include the feminine gender; and words denoting persons shall be deemed to include references to natural persons, to firms, to partnerships, to companies, to corporations, to associations, to organisations and to trusts (in each case whether or not having separate legal personality);
- 15.3 References to recitals and clauses are references to recitals and clauses of the Instrument;
- 15.4 References to paragraphs are, unless otherwise expressly provided, references to paragraphs of the Schedule to the Instrument in which the references appear;
- 15.5 A reference to a month shall mean a calendar month unless the context requires otherwise;
- 15.6 A reference to a company shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established;
- 15.7 References to statutory provisions shall where the context so permits or requires be construed as references to those provisions or respectively amended consolidated extended or re-enacted from time to time;
- 15.8 A reference to an English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, Court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be deemed to include a reference to what most nearly approximates in that jurisdiction to the English legal term; and
- 15.9 The clause headings in these Conditions are for convenience only and shall be ignored in construing the language or meaning of these Conditions.

**Part B**

The following, subject to completion and amendment, are additional material provisions of the Loan Note Instrument.

1. So long as any Loan Note remains outstanding the Company will ensure that:
- 1.1 no Relevant Indebtedness of the Company or any Principal Subsidiary of the Company and no guarantee by the Company or any Principal Subsidiary of the Company of any Relevant Indebtedness of any person will be secured by a mortgage, charge, lien, pledge or other security interest (each a **“Security Interest”**) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Company or any Principal Subsidiary of the Company unless the Company and/or the relevant Principal Subsidiary of the Company, as the case may be, shall, before or at the same time as the creation of the Security Interest, take any and all action necessary to ensure that:

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- (a) all amounts payable by it under the Loan Notes and Loan Note Instrument are secured at least equally and rateably with the Relevant Indebtedness or guarantee; or
  - (b) such other Security Interest or guarantee or other arrangement (whether or not including the giving of a Security Interest) is provided in respect of all amounts payable by the Company under the Loan Notes and Loan Note Instrument as shall be approved by an Extraordinary Resolution of the Loan Note Holders

save that any Principal Subsidiary of the Company may have outstanding a Security Interest in respect of any Relevant Indebtedness and/or any guarantees given by such Principal Subsidiary of the Company in respect of any Relevant Indebtedness of any person (without the obligation to provide a Security Interest or guarantee or other arrangement in respect of the Loan Notes and the Loan Note Instruments (as previously stated) where such Security Interest is provided in respect of a company becoming a Subsidiary Undertaking of the Company as the case may be, after the Closing Date and where such Security Interest exists at the time that company becomes a Subsidiary Undertaking of the Company as the case may be, (provided that such Security Interest was not created in contemplation of that company becoming a Subsidiary Undertaking of the Company as the case may be, and the principal amount secured at the time of that company becoming a Subsidiary Undertaking of the Company as the case may be, is not subsequently increased); and

- 1.2 no Principal Subsidiary of the Company shall give any guarantee, indemnity or surety or enter into any other agreement having a similar effect (each a **“Group Guarantee”**) in respect of any Relevant Indebtedness of any person, unless such Principal Subsidiary of the Company shall, before or at the same time as the giving of such Group Guarantee, take any and all action necessary to ensure that all amounts payable under the Loan Notes and the Loan Note Instrument benefit from a Group Guarantee given by the same Principal Subsidiary of the Company on terms as shall be approved by an Extraordinary Resolution of the Loan Note Holders.

Where:

**“Excluded Indebtedness”**

means any present or future indebtedness in the form of a repackaging (whether being principal, interest or other amounts)

- (a) issued by any person other than the Company or any Subsidiary Undertaking of the Company;
- (b) with recourse solely or partially to any asset comprising wholly or partially indebtedness of the Company, or any Subsidiary Undertaking of the Company or any guarantee given by the Company or any Subsidiary Undertaking of the Company; and
- (c) issued without the consent of and otherwise than at the instigation, or for the benefit, of the Company, or any Subsidiary Undertaking of the Company;

**“Principal Subsidiary”**

at any time shall mean any Subsidiary Undertaking of the Company:

- (a) whose:
  - (i) profits on ordinary activities before tax; or
  - (ii) net assets

represent 10 per cent. or more of the consolidated profits on ordinary activities before tax of the Company and its Subsidiary Undertakings or, as the case may be, consolidated net assets of the Company and its Subsidiary Undertakings, in each case as calculated by reference to the then latest audited financial statements of such Subsidiary Undertaking

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and the then latest audited consolidated financial statements of the Company provided that in the case of a Subsidiary Undertaking acquired after the end of the financial period to which the then latest relevant audited consolidated financial statements of the Company relate, the reference to the then latest audited consolidated financial statements of the Company for the purposes of the calculation above shall, until consolidated financial statements for the financial period in which the acquisition is made have been prepared and audited as previously mentioned, be deemed to be a reference to such first-mentioned financial statements as if such Subsidiary Undertaking had been shown in such financial statements by reference to its then latest relevant audited financial statements, adjusted as deemed appropriate by the Auditors after consultation with the Company; or

(b) to which is transferred all or substantially all of the business, undertaking and assets of a Subsidiary Undertaking of the Company which immediately prior to such transfer is a Principal Subsidiary of the Company, in which case the transferor Subsidiary Undertaking shall immediately cease to be a Principal Subsidiary of the Company and the transferee Subsidiary Undertaking shall cease to be a Principal Subsidiary of the Company under the provisions of this **paragraph** (b) upon publication of its next audited financial statements but so that such transferor Subsidiary Undertaking or such transferee Subsidiary Undertaking may be a Principal Subsidiary of the Company on or at any time after the date on which such audited financial statements have been published by virtue of the provisions of **paragraph** (a) above or before, on or at any time after such date by virtue of the provisions of this **paragraph** (b);

a certificate of two Directors of the Company, accompanied if relevant, by a report of the then Auditors that, in their opinion, a Subsidiary Undertaking of the Company, is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary of the Company shall, in the absence of manifest error, be conclusive and binding on the Company and the Loan Note Holders;

**“Relevant Indebtedness”**

means any present or future indebtedness (whether being principal, premium, interest or other amounts) (other than Excluded Indebtedness) in the form of or represented by notes, bonds, debentures, debenture stock, loan stock or other securities, whether issued for cash or in whole or in part for a consideration other than cash, and which will ordinarily be quoted, listed or dealt in on any listing authority, stock exchange, quotation system or recognised over-the-counter or other securities market;

2. The Company shall use its reasonable endeavours to cause the Loan Notes to be listed on the Channel Islands Stock Exchange, the Luxembourg Stock Exchange or such other recognised exchange approved by an Extraordinary Resolution of the Loan Note Holders.
3. The Company covenants to perform and observe the following provisions of this clause and promptly to notify the Loan Note Holders in writing of any matter or thing which may arise or become known to it which is a breach of or inconsistent with any of such provisions and of any Event of Default.

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4. Whilst any Conversion Right remains exercisable, the Company will, save with the approval of an Extraordinary Resolution:
    - 4.1 issue, allot and deliver Ordinary Shares upon exercise of Conversion Rights in accordance with this Instrument and the Conditions and at all times keep available for issue free from pre-emptive or other similar rights out of its authorised but unissued ordinary share capital such number of Ordinary Shares as would enable it to issue in full such number of Ordinary Shares as are required to be issued by it upon exercise of Conversion Rights and all other rights of subscription and exchange for and conversion into Ordinary Shares;
    - 4.2 if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associates (as defined in Section 430E(4) of the Companies Act 1985) of the offeror to acquire all or a majority of the issued ordinary share capital of the Company, or if a scheme is proposed with regard to such acquisition, give notice of such offer or scheme to the Loan Note Holders at the same time as any notice of such scheme is sent to its Shareholders (or as soon as practicable afterwards) that details concerning such offer or scheme may be obtained from the registered office of the Company and, where such an offer or scheme has been recommended by the Board of Directors of the Company, or where such an offer has become or been declared unconditional in all respects, use its reasonable endeavours to procure that a like offer or scheme is extended to the holders of any Ordinary Shares issued during the period of the offer or scheme arising out of the exercise of the Conversion Rights and/or to the holders of the Loan Notes.
    - 4.3 in the event of a Newco Scheme, the Company shall take (or shall procure that there is taken) all necessary action to ensure that immediately upon completion of the scheme of arrangement, at its option, either (a) Newco is substituted under the Loan Notes and the Loan Note Instrument as principal debtor in place of the Company or Newco becomes a guarantor under the Loan Notes and the Loan Note Instrument and, in either case, that such other adjustments are made to these Conditions and the Loan Note Instrument to ensure that the Loan Notes may be converted into or exchanged for ordinary shares of Newco on equivalent terms in accordance with and subject to these Conditions and the Loan Note Instrument; or (b) such amendments are made to these Conditions and the Loan Note Instrument as are necessary to ensure that the Loan Notes may be converted into or exchanged for ordinary shares in Newco on equivalent terms in accordance with and subject to these Conditions and the Loan Note Instrument.
    - 4.4 use its reasonable endeavours to ensure that the Ordinary Shares issued upon conversion of the Loan Notes will be admitted to AIM in accordance with its respective rules and/or will be listed, quoted or dealt in on any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or dealt in.
  5. The Company shall not, in the period of 90 days from the Closing Date, allot and issue any Ordinary Shares or grant options, warrants or other rights to subscribe for Ordinary Shares Provided that this restriction shall not apply to the allotment and issue of any Ordinary Shares pursuant to any obligation of the Company which existed prior to the Closing Date or the grant of options, warrants or other rights to subscribe for Ordinary Shares to, or for the benefit of, employees or former employees (including Directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Company or any of its Subsidiaries or any associated company or to trustees to be held for the benefit of any such person, in any such case pursuant to any employees' share scheme (as defined in Section 743 of the Companies Act 1985).
  6. The Loan Notes (together with accrued interest if any) shall become immediately repayable on the happening of any one or more of the following events:
    - 6.1 if the Company makes default for a period of 10 Business Days in the payment of any interest on the Loan Notes when and as the same ought to be paid provided that any period of delay caused by a failure of a bank or the banking system generally to effect a payment which is caused by any terrorist act, explosion, fire, sabotage or similar event shall be disregarded for this purpose;

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- 6.2 if the Company makes default for a period of 5 Business Days in the payment of any principal monies owing in respect of the Loan Notes provided that any period of delay caused by a failure of a bank or the banking system generally to effect a payment which is caused by any terrorist act, explosion, fire, sabotage or similar event shall be disregarded for this purpose;
- 6.3 if the Company makes default of any provision of this Loan Note Instrument (not being one referred to in **clauses** 6.1 or 6.2) and such default is not remedied to the reasonable satisfaction of Loan Note Holders holding not less than 25 per cent. in nominal amount of the Loan Notes then outstanding within 30 days of the Company being given notice of such default;
- 6.4 if any material outstanding borrowings of the Company or any Principal Subsidiary becomes repayable before its stated maturity date by reason of a default of the Company or any Principal Subsidiary;
- 6.5 if a petition is granted or a resolution is passed for winding-up the Company or any Principal Subsidiary of the Company, save for the purposes of any amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (A) not involving or arising out of any insolvency of the Company or such Principal Subsidiary of the Company and under which all the surplus assets of such Principal Subsidiary of the Company are transferred to the Company or any of its other Subsidiaries or (B) the terms of which have previously been approved in writing by an Extraordinary Resolution of the Loan Note Holders;
- 6.6 if the Company or any Principal Subsidiary of the Company stops or threatens to stop payment of its debts or ceases or threatens to cease to carry on its business or substantially the whole of its business, save in each case for the purposes of or pursuant to a Spin-Off or a Newco Scheme (in circumstances where, in accordance with the Conditions and the Loan Note Instrument, Newco is substituted under the Loan Notes and the Loan Note Instrument as Obligor and such adjustments are made to the Conditions and the Loan Note Instrument to ensure that the Loan Notes may be converted into Ordinary Shares in Newco on equivalent terms in accordance with and subject to these Conditions and the Loan Note Instrument) for the purposes of any amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (i) not involving or arising out of the insolvency of the Company or such Principal Subsidiary of the Company and under which all or substantially all of its assets are transferred to the Company or other Subsidiary Undertaking of the Company or to a transferee or transferees which is or are, or immediately upon such transfer become(s), a Principal Subsidiary or Principal Subsidiaries of the Company or (ii) under which all or substantially all of its assets are transferred to a third party or parties (whether associates or not) for full consideration by the Company or a Principal Subsidiary of the Company on an arm's length basis or (iii) the terms of which have previously been approved in writing by an Extraordinary Resolution of the Bondholders; or;
- 6.7 if an encumbrancer takes possession or a receiver is appointed over the whole or any part of the assets or undertaking of the Company or any Principal Subsidiary of the Company or if a distress execution or other process is levied or enforced upon or sued out against any property of the Company or any Principal Subsidiary of the Company and is not withdrawn discharged or paid out within 10 days;
- 6.8 if the Company or any Principal Subsidiary of the Company is unable to pay its debts within the meaning of section 123 of the UK Insolvency Act 1986 or any statutory modification or re-enactment thereof;
- 6.9 if an application is made to the Court under section 9 of the UK Insolvency Act 1986 for an administration order in relation to the Company or any Principal Subsidiary of the Company or if the Company or any Principal Subsidiary of the Company passes a resolution for the making of any such application to the Court;
- 6.10 if a proposal is made under section 1 of the UK Insolvency Act 1986 for a voluntary arrangement in relation to the debts or affairs of the Company or any Principal Subsidiary of the Company;
- 6.11 if any event analogous to those set out in **clauses** 6.8 to 6.10 occurs in relation to the Company or any Principal Subsidiary of the Company in any territory in which it respectively operates;
- 6.12 if the Company or any Principal Subsidiary of the Company shall convene a meeting of or propose to enter into any arrangement with its creditors generally;

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- 6.13 if any judgment or order given or made by any court or governmental agency against the Company or any Principal Subsidiary of the Company be not fully satisfied and complied with within seven days or if an execution sequestration distress or other process (which expression shall include a garnishee and charging order nisi) be levied or enforced or made upon or against any of the property or assets of the Company or any Principal Subsidiary of the Company;
- 6.14 if the security for any debenture mortgage or charge of the Company or any Principal Subsidiary of the Company becomes enforceable and the holder or holders thereof take any steps to enforce the same;
- 6.15 if any debenture of the Company or any Principal Subsidiary of the Company becomes repayable prior to the due date for repayment thereof (other than by reason of the Company or any Principal Subsidiary of the Company having offered or undertaken voluntarily to repay or redeem the same) or is not paid when due, and any steps are taken to obtain repayment; or
- 6.16 if default is made by the Company or any Principal Subsidiary of the Company in the performance or observance of any material obligation or provision binding on it under this Instrument (other than any obligation for the payment of interest on the Loan Notes or for repayment of any principal monies owing in respect of the Loan Notes) and the same is not remedied within 14 days after notice in writing of such default has been given to the Company by the holders of not less than 25 per cent. in nominal amount of the Loan Notes then outstanding.
7. The Company may from time to time without the consent of the Loan Note Holders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Loan Notes) (or in all respects except for the first payment of interest on them and so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds or debentures of any series (including the Loan Notes)) or upon such terms as to interest, conversion, premium, redemption and otherwise as the Company may determine at the time of their issue. Any further notes, bonds or debentures forming a single series with the outstanding notes, bonds or debentures of any series (including the Loan Notes) constituted by the Loan Note Instrument or any deed supplemental to it shall, and any other notes, bonds or debentures may, with the approval of by Extraordinary Resolution, be constituted by a deed supplemental to the Loan Note Instrument. The Loan Note Instrument contains provisions for convening a single meeting of the Loan Note Holders and the holders of notes, bonds or debentures of other series in certain circumstances.
8. A Register of the Loan Note Holders will be kept by the Company and there shall be entered in such Register:
- 8.1 the names and addresses of the Loan Note Holders;
- 8.2 the amount of the Loan Notes held by every Loan Note Holder;
- 8.3 the date at which each person was entered in the Register as a Loan Note Holder;
- 8.4 the date at which any person ceased to be a Loan Note Holder; and
- 8.5 the serial number of each Loan Note Certificate issued and the date of its issue.
- 8.6 Any change of name or address on the part of any Loan Note Holder shall promptly be notified to the Company following which the Register shall be altered accordingly.
9. The Company may with the sanction of an Extraordinary Resolution make any modification to this Instrument and any such modification shall be binding upon the Loan Note Holders.
10. Without prejudice to **clause 9** the Company may without the consent or sanction of the Loan Note Holders at any time and from time to time make any modification to this Instrument which in the opinion of the Company will not be materially prejudicial to the interests of the Loan Note Holders, or if in the opinion of the Company such modification is of a formal, minor or technical nature or is to correct a manifest error or is to facilitate title to Loan Notes being evidenced

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otherwise than by a Loan Note Certificate or to facilitate the transfer of Loan Notes so evidenced otherwise than by a written deed or for any ancillary or connected purposes. Any such modification may be made on such terms and subject to such conditions (if any) as the Company may determine and shall be binding upon the Loan Note Holders.

11. Any modification to this Instrument shall be notified to Loan Note Holders in accordance with **Condition 14**.
12. This Instrument (and any dispute, controversy, proceedings or claim of whatever nature arising out of or in any way relating to this Instrument or the constitution of the Loan Notes) shall be governed by and construed in accordance with English Law.
13. The Company hereby irrevocably submits to the exclusive jurisdiction of the High Court of Justice in London for the purpose of hearing and determining any dispute arising out of, or in connection with, this Instrument and for the purpose of enforcement of any judgment against its assets.

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## CALEDON RESOURCES PLC

(Incorporated and registered in England and Wales with No. 3993115)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an Extraordinary General Meeting of the Company will be held at the offices of Nabarro, Lacon House, 84 Theobald's Road, London WC1X 8RW on 5 July 2007 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following Resolutions of which Resolution numbered 1 will be proposed as an ordinary resolution and Resolution numbered 2 will be proposed as a special resolution.

#### ORDINARY RESOLUTION

1. THAT, in addition and without prejudice to all existing authorities granted to the Directors and subject to the passing of Resolution 2 below, the Directors be and they are hereby generally and unconditionally authorised in accordance with section 80 Companies Act 1985 ("CA 1985") to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) that are shares or are rights to subscribe for or convert into shares up to an aggregate nominal amount of such shares of up to £156,250 in connection with the issue by the Company of £12,500,000 nominal 8.5 per cent. unsecured convertible loan notes 2010 (to be constituted on the terms and being subject to the conditions set out in the Loan Note Instrument, a copy of which is initialled by the Chairman for the purposes of identification only) ("Loan Notes") during the period commencing on the date of the passing of this resolution and expiring on the conclusion of the annual general meeting of the Company in 2007 (both dates inclusive), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.

#### SPECIAL RESOLUTION

2. THAT, in addition and without prejudice to all existing authorities given to the Directors and subject to the passing of resolution 1 above, the Directors be and they are hereby empowered, pursuant to section 95 CA 1985, to allot equity securities (within the meaning of section 94 CA 1985) for cash as if section 89(1) CA 1985 did not apply to any such allotments, provided that this power shall be limited to the allotment of equity securities that are shares or are rights to subscribe for or convert into shares up to an aggregate nominal amount of such shares of up to £156,250 in connection with the issue by the Company of the Loan Notes and shall expire on the conclusion of the annual general meeting of the Company in 2007, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements.

Dated: 12 June 2007

By Order of the Board

Jeremy Gorman  
*Secretary*

Registered Office  
18 Upper Brook Street  
London  
W1K 7PU

#### Notes:

- (1) A member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and, on a poll, to vote instead. A proxy need not be a member of the Company.
- (2) A form of proxy is enclosed and, to be valid, must be lodged with the Company's registrars, Computershare Investor Services Plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH not less than 48 hours before the time appointed for the holding of the meeting. Members submitting a proxy are not precluded from attending the meeting and voting if they wish to do so.

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- (3) The Company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that only those shareholders entered in the register of members of the Company at 10.00 a.m. on 3 July 2007 shall be entitled to attend and vote at the meeting in respect of the number of Ordinary Shares registered in their respective names at that time. Changes to entries in the register of members after 10.00 a.m. on 3 July 2007 shall be disregarded in determining the right of a person to attend and vote at the meeting. If the meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote at the adjourned meeting. If, however, the meeting is adjourned for a longer period then, to be entitled, members must be entered on the register of members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

