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DATED 5 February 2010

CALEDON RESOURCES PLC

INSTRUMENT
CONSTITUTING UP TO £5 MILLION
8.5 PER CENT UNSECURED CONVERTIBLE LOAN NOTES 2013

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Any individual who is in any doubt about the investment to which this document relates should consult an authorised person specialising in advising on investments of this kind.

INSTRUMENT CONSTITUTING UNSECURED LOAN NOTES

This Instrument is entered into on 4 February 2010 by CALEDON RESOURCES PLC a public limited company incorporated in England and Wales (Registered Number 3993115) having its registered office at Lacon House, Theobalds Road, London WC1X 8RW (the "**Company**").

RECITAL

The Company by a resolution of a duly authorised committee of the Directors passed on 4 February 2010 has created and authorised the issue of up to £5 million nominal 8.5 per cent. Unsecured Convertible Loan Notes 2013, each with a par value of fifty thousand pounds sterling (£50,000) and each to be constituted as provided in this Instrument.

NOW THIS INSTRUMENT WITNESSES AND IT IS DECLARED as follows:

1. DEFINITIONS AND CONSTRUCTION

1.1 In this Instrument (including the Recital) and the Schedules to this Instrument, unless there is something in the subject or context inconsistent with them, the expressions following shall have the meanings respectively set opposite them:

"Additional Shares"

has the meaning provided in **Condition 3.3**;

"AIM"

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;

"Auditors"

means the auditors of the Company from time to time;

"Business Day"

means a day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks generally are open in London for the transaction of normal banking business;

"Caledon Group Company"

means the Company or any of its Subsidiary Undertakings from time to time;

"Capital Distribution"

means:

- (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
- (b) any Dividend (in which case the Capital Distribution shall be the Fair Market Value of such Dividend).

For the purposes of the above, the Fair Market Value of a Dividend shall (subject as provided in paragraph (a) of the definition of "**Dividend**" below and in the definition of "**Fair Market Value**" below) be determined as at the date of the first public announcement of the relevant Dividend.

"Closing Date"

means the date of the first issue of Loan Notes;

"Conditions"

means the conditions of the issue of the Loan Notes as set out in **Schedule 1** or as the same may from time to time be modified in accordance with this Instrument and the word "**Condition**" followed by a number refers to that one of the Conditions so numbered;

"Conversion Date"

has the meaning provided in **Condition 3.9.4**;

"Conversion Notice"

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;

"Conversion Period"

has the meaning provided in **Condition 3.1.5**;

"Conversion Price"

has the meaning provided in **Condition 3.1.2**;

"Conversion Right"

has the meaning provided in **Condition 3.1.1**;

"Current Market Price"

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:

- (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) (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 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;

"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;

"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 exchange of securities as the Company or Newco may determine;

"Extraordinary Resolution"

means an extraordinary resolution as defined in **paragraph 18 of Schedule 2**;

"Event of Default"

means one of the events referred to in **clause 13**;

"Fair Market Value"

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);

"Final Maturity Date"

means the Business Day prior to the third anniversary of the date of the Loan Note Instrument;

"Independent Financial Adviser"

means an independent investment bank of international repute appointed by the Company with the approval by an Extraordinary Resolution of the Loan Note Holders;

"Instrument" or "Loan Note Instrument"

means this Instrument (including the Schedules) and any document supplemental to this Instrument or executed in pursuance of it;

"Interest Payment Date"

means 30 June and 31 December in each year (the first Interest Payment Date being 30 June 2010) or, in each case, if such day is not a Business Day the next subsequent Business Day;

"Interest Period"

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 the period commencing on the date of this Instrument up to but excluding 30 June 2010;

"Interest Rate"

means the rate of interest payable on the Loan Notes in respect of any Interest Period determined in accordance with **Condition 2.2**;

"Loan Notes"

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;

"Loan Note Certificate" or "Certificate"

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;

"Loan Note Holders"

means the several persons whose names are for the time being entered in the Register as the holder or holders of the Loan Notes;

"Newco Scheme"

means a scheme of arrangement which effects the interposition of a limited liability company ("**Newco**") between the Shareholders of the Company immediately prior to the scheme of arrangement (the "**Existing Shareholders**") 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;

"Official List"

means the Official List of the UK Listing Authority;

"Optional Conversion Date"

has the meaning provided in **Condition 3.14.1**;

"Optional Conversion Notice"

has the meaning provided in **Condition 3.14.1**;

"Ordinary Shares"

means ordinary shares of 0.5 pence each in the capital of the Company;

"Paying and Conversion Agent"

has the meaning provided in **clause 23**;

"Pounds Sterling", "sterling" or "£"

means the lawful currency, for the time being, of the United Kingdom;

"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 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;

"Redemption Notice"

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;

"Reference Date"

has the meaning provided in **Condition 3.1.7**;

"Register"

means the register of Loan Note Holders kept by the Company in accordance with **clause 14**;

"Relevant Event"

has the meaning provided in **Condition 3.2.10** 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 **clause 13**;

"Relevant Event Period"

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;

"Relevant Event Put Date"

has the meaning provided in **Condition 4.2.2**;

"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 ordinarily dealt in on any

listing authority, stock exchange, quotation system or recognised over-the-counter or other securities market;

"Retroactive Adjustment"

has the meaning provided in Condition 3.3;

"Schedules"

means the schedules to this Instrument (or the relevant numbered schedule);

"Securities"

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;

"Shareholders"

has the meaning provided in **Condition 3.2.2**;

"Specified Date"

has the meaning provided in **Conditions 3.2.7 and 3.2.8**;

"Spin-Off"

means:

- (a) a distribution of Spin-Off Securities by the Company to Shareholders as a class; or
- (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;

"Spin-Off Securities"

means equity share capital of a Subsidiary Undertaking of the Company;

"Subsidiary Undertaking"

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);

"UK listing Authority"

means the Financial Services Authority in its capacity as competent authority for listing for the purposes of the Financial Services and Markets Act 2000;

"United Kingdom"

means the United Kingdom of Great Britain and Northern Ireland;

"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.

- 1.2 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).
- 1.3 References to recitals and clauses are references to recitals and clauses of this Instrument.
- 1.4 References to paragraphs are, unless otherwise expressly provided, references to paragraphs of the Schedule in which the references appear.
- 1.5 A reference to a month shall mean a calendar month unless the context requires otherwise.
- 1.6 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.
- 1.7 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.
- 1.8 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.
- 1.9 The clause headings in this Instrument are for convenience only and shall be ignored in construing the language or meaning of this Instrument.

- 1.10 References in this Instrument to the principal amount of any Loan Note shall be to the face value (being £50,000) of that Loan Note.
- 1.11 In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser or the Auditors considers 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.
- 1.12 For the purposes of **Conditions** 3.2, 3.3 and 3.6 and **clause** 12 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".
- 1.13 References to any issue or offer or grant to Shareholders "as a class" or "by way of rights" shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders other than Shareholders to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange in any territory or in connection with fractional entitlements, it is determined not to make such issue, offer or grant.

2. AMOUNT OF LOAN NOTES

The aggregate nominal amount of Loan Notes constituted by this Instrument is limited to £5 million. The Loan Notes will be issued in registered form, in nominal amounts of £50,000 or multiples of such amount to such persons and at such times and on such terms (consistent with the provisions of this Instrument) as the Company shall determine. The Loan Notes shall be transferable in accordance with **Condition** 10.

3. STATUS OF THE LOAN NOTES

- 3.1 The Loan Notes represent a direct obligation of the Company for the due and punctual payment of the principal and interest in respect of the Loan Notes and for the performance of all the obligations of the Company with respect to them.
- 3.2 The Loan Notes constitute (subject to **clause** 3.3) direct, unsubordinated, unsecured and unconditional obligations of the Company ranking pari passu and rateably, without any preference among themselves, with all other existing and future unsecured and unsubordinated indebtedness of the Company but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
- 3.3 So long as any Loan Note remains outstanding the Company will ensure that:
- 3.3.1 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:

- (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

3.3.2 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.

3.4 The Company shall use its reasonable endeavours to (i) ensure that, save as prohibited by the laws of any relevant jurisdiction to which the Loan Note Holder is subject, the Loan Notes are transferable within a clearing system to enable electronic transfer of the Loan Notes and (ii) cause the Loan Notes to be listed on the Channel Islands Stock Exchange, the official list of the Luxembourg Stock Exchange or such other recognised exchange approved by an Extraordinary Resolution of the Loan Note Holders.

4. ISSUE PRICE OF THE LOAN NOTES

The Company shall be entitled to issue the Loan Notes at 100 per cent. of their nominal value or at such premium as it shall in its absolute discretion decide. For the avoidance of doubt, any premium paid on any Loan Notes shall not form part of the principal monies comprising such Loan Notes.

5. REPAYMENT OF LOAN NOTES BY THE COMPANY

- 5.1 The Company covenants that, unless previously converted, redeemed or repaid under any of the provisions of this Instrument, the Loan Notes will be repaid at par together with accrued but unpaid interest on them up to and including the date of repayment on the Final Maturity Date.
- 5.2 All principal monies payable in respect of the Loan Notes and all interest on them shall be paid by way of electronic transfer on the due date. Payment shall be made to such account as the Loan Note Holder shall specify in writing to the Company at least five Business Days in advance of the due date for payment of such sum.

6. CONVERSION OF LOAN NOTES

Each Loan Note will, subject as set out in **Condition 3**, entitle the holder or the Company (as the case may be) to convert or require the conversion of such Loan Note into Ordinary Shares.

7. REDEMPTION OF LOAN NOTES BY LOAN NOTE HOLDERS

The Loan Notes shall be redeemable at the option of the Loan Note Holders in accordance with **Condition 4.3**.

8. INTEREST

- 8.1 The Company shall, until the Loan Notes are converted, redeemed or repaid, pay to the Loan Note Holders interest on the principal amount of the Loan Notes for the time being held by them at the rate of 8.5 per cent. per annum less any tax which the Company is required by law to deduct from such payment, in accordance with **Condition 2**.
- 8.2 Subject to **clause 8.3**, in the event that any such deduction is required to be made, the Company will pay such additional amounts as will result in the receipt by the Loan Note Holders of the amounts which would otherwise have been receivable had no such withholding or deduction been required except that no such additional amounts shall be payable with respect to any Loan Note:
- 8.2.1 presented for payment by or on behalf of a holder who is liable to such tax in respect of such Loan Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Loan Note; or
- 8.2.2 presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of the Loan Note would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days; or
- 8.2.3 where such deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the Ecofin Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- 8.2.4 to, or to a third party on behalf of, a holder to whom payment could have been made without any such withholding or deduction had such a holder made a declaration of non-residence or made any other claim or filing for exemption to which it is entitled to the relevant tax authority or Paying Agent; or
- 8.2.5 presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.

As used in this clause :

- (i) **“Tax Jurisdiction”** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; and
 - (ii) **“Relevant Date”** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by or on behalf of the Company on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Loan Note Holders in accordance with clause 21.
- 8.3 **Clause 8.2** shall not apply if, once listed on a recognised stock exchange in accordance with **clause 3.4**, the Loan Notes cease to be so listed or there is any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in **clause 8.2.5**) or any change in the application of or to the official or generally accepted interpretation of such laws or regulations which becomes effective on or after the Closing Date, which in any such case requires the Company to pay the additional amounts referred to in **clause 8.2** and, in the reasonable opinion of the Company (having taken legal advice), cannot be avoided by the Company taking reasonable measures available to it.

9. TITLE TO LOAN NOTES AND CERTIFICATES

- 9.1 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.
- 9.2 Each Note Holder will be entitled to a Certificate for the amount of the Loan Notes held by him provided payment in full in respect of the principal monies due in respect of the Loan Notes has been made to the Company. Every such Certificate for the Loan Notes shall be in the form or substantially in the form set out in **Schedule 1** to this Instrument and shall have the Conditions endorsed on it. Every Certificate shall bear a denoting number, shall refer to this Instrument and shall be validly executed by the Company as a deed.
- 9.3 When a Loan Note Holder has redeemed or transferred part only of his Loan Notes the old Loan Note Certificate shall be cancelled and a new Loan Note Certificate for the balance of such Loan Notes issued without charge.

10. RELATIONSHIP BETWEEN THE COMPANY AND THE LOAN NOTE HOLDERS

The Company covenants and agrees with the Loan Note Holders and each of them to comply with the terms of the Loan Note Certificates; to observe and perform the Conditions, which

Conditions shall be deemed to be incorporated in this Instrument; and that the Loan Notes shall be held subject to the Conditions and to the provisions set out in this Instrument which provisions shall be binding on the Company and the Loan Note Holders and all persons claiming through or under them respectively.

11. FURTHER PROVISIONS REGARDING REPAYMENT AND REDEMPTION

- 11.1 Every Loan Note Holder any of whose Loan Notes are due to be repaid or redeemed under any of the provisions of this Instrument shall not later than the due date for such repayment or redemption deliver up his Loan Note Certificate to the Company or as it shall direct and if any Certificate so delivered up includes any Loan Notes not then due to be repaid or redeemed the Company may enface such Certificate with a memorandum of the date and amount repaid or redeemed and return the same or may cancel such Certificate and issue to such Loan Note Holder a new Certificate for the balance of the Loan Notes held by him and not due so to be repaid or redeemed in each case at the Company's expense.
- 11.2 All Loan Notes redeemed or repaid by the Company will be cancelled.
- 11.3 As and when the Loan Notes ought to be repaid or redeemed in accordance with the provisions of this Instrument the Company shall pay to the Loan Note Holders the full nominal amount of the Loan Notes together with any accrued but unpaid interest held by them respectively.

12. COVENANTS BY THE COMPANY

- 12.1 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.
- 12.2 Whilst any Conversion Right remains exercisable, the Company will, save with the approval of an Extraordinary Resolution:
- 12.2.1 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;
- 12.2.2 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.

- 12.2.3 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.
- 12.2.4 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.
- 12.3 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
- 12.3.1 the allotment and issue of any Ordinary Shares pursuant to any obligation of the Company which existed prior to the Closing Date; or
- 12.3.2 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); or
- 12.3.3 the restructuring, modification or refinancing in what ever form of any of the Company's existing issued loan notes (as are outstanding at the date of this Instrument) ("**Existing Notes**"), including the exchange of such Existing Notes with the issue of new unsecured convertible loan notes or the redemption or repayment of such Existing Notes financed by the issue of new Ordinary Shares or new unsecured convertible loan notes; or
- 12.3.4 subject to **Condition** 3.2.12 and simultaneously with any action taken under **clause** 12.3.3., the issue of additional convertible loan notes with a nominal value of up to £6 million.
- 12.4 If, with the necessary approvals of the Company's shareholders in general meeting, the Company restructures, modifies or refinances its Existing Notes on interest rate, security, maturity date, conversion price and/or call provision terms that are more favourable than those set out in this Instrument, then the Company shall offer those same terms to the Loan

Note Holders, by way of amendment to this Instrument and any applicable Loan Note Certificate issued pursuant to this Instrument.

13. EVENTS OF DEFAULT

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:

- 13.1 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;
- 13.2 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;
- 13.3 if the Company makes default of any provision of this Loan Note Instrument (not being one referred to in **clauses** 13.1 or 13.2) and such default is not remedied to the reasonable satisfaction of Loan Note Holders holding not less than 25 per cent. in nominal amount (par value) of the Loan Notes then outstanding within 30 days of the Company being given notice of such default;
- 13.4 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;
- 13.5 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;
- 13.6 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 Noteholders; or;

- 13.7 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;
- 13.8 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;
- 13.9 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;
- 13.10 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;
- 13.11 if any event analogous to those set out in **clauses** 13.8 to 13.10 occurs in relation to the Company or any Principal Subsidiary of the Company in any territory in which it respectively operates;
- 13.12 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;
- 13.13 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;
- 13.14 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;
- 13.15 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
- 13.16 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 (par value) of the Loan Notes then outstanding.

14. THE REGISTER

- 14.1 A Register of the Loan Note Holders will be kept by the Company and there shall be entered in such Register:
- 14.1.1 the names and addresses of the Loan Note Holders;
 - 14.1.2 the amount of the Loan Notes held by every Loan Note Holder;
 - 14.1.3 the date at which each person was entered in the Register as a Loan Note Holder;
 - 14.1.4 the date at which any person ceased to be a Loan Note Holder; and
 - 14.1.5 the serial number of each Loan Note Certificate issued and the date of its issue.
- 14.2 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.

15. TRANSFER

The Loan Notes shall be transferable in accordance with the Conditions and, in particular **Condition 10**, which shall apply in respect of the transfer of the Loan Notes.

16. MEETINGS OF LOAN NOTE HOLDERS

The provisions for meetings of Loan Note Holders set out in **Schedule 2** shall be deemed to be incorporated in this Instrument and shall be binding on the Company and the Loan Note Holders and on all persons claiming through or under them respectively.

17. RESTRICTIONS ON OFFERING LOAN NOTES

The Loan Notes have not been and will not be registered under the United States of America Securities Act of 1933, as amended, nor under any of the relevant securities laws of any province or territory of Canada, Australia, South Africa or Japan and are being offered outside the United States in accordance with Regulation S under the said Act. Accordingly, unless the exemption under such Act provided by the said Regulation S or an exemption under such laws is applicable the Loan Notes may not be offered, sold or delivered, directly or indirectly, in or into the United States of America, Canada, Australia, South Africa or Japan or to or for the account or benefit of any resident of the United States of America, Canada, Australia, South Africa or Japan.

18. FEES, DUTIES AND TAXES

The Company will pay any stamp duty, issue, registration, listing, documentary and other fees, duties and taxes, including interest and penalties, payable on or in connection with the execution and delivery of this Instrument and the constitution and original issue of the Loan Notes.

19. MODIFICATION OF THIS INSTRUMENT

- 19.1 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.
- 19.2 Without prejudice to **clause** 19.1 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 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.
- 19.3 Any modification to this Instrument shall be notified to Loan Note Holders in accordance with **Condition** 14.

20. FURTHER ISSUES

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 such notes, bonds or debentures 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.

21. NOTICES

- 21.1 Subject to **clause** 21.2:
- 21.1.1 Any notice to be served under this Instrument shall be in writing and shall be served by delivering the same by hand or by overnight courier service 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.

- 21.1.2 Any notice shall be deemed to have been served:
- (a) if delivered, at the time of delivery; and
 - (b) if sent by post, on the second Business Day next following the date on which it was properly posted.
- 21.1.3 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.
- 21.2 All notices regarding the Loan Notes will be valid if published in a leading newspaper having general circulation in London (which is expected to be the Financial Times) and (so long as the Loan Notes are listed on a recognised stock exchange and the rules of that exchange so require) in a leading newspaper having general circulation in the relevant jurisdiction (or any other applicable publication). The Company shall ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Loan Notes are for the time being listed and the rules and regulations of any clearing system through which the Loan Notes are for the time being cleared. Any such notice shall be deemed to have been given on the date of such publication or, if required to be published in more than one manner, on the date of the first such publication in each required manner, if publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Loan Note Holders may approve by Extraordinary Resolution.

22. GOVERNING LAW

- 22.1 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.
- 22.2 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.

23. PAYING AND CONVERSION AGENTS

- 23.1 The Company reserves the right at any time to appoint a Paying and Conversion Agent, providing that it will notify each of the Loan Note Holders of their identity as soon as practicable following their appointment and will maintain:
- 23.1.1 a Principal Paying and Conversion Agent;
 - 23.1.2 Paying and Conversion Agents having specified offices in at least two major European cities approved by Extraordinary Resolution of the Loan Note Holders; and

23.1.3 a Paying and Conversion Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any change in the Paying and Conversion Agent or their specified offices will promptly be given to the Loan Note Holders in accordance with clause 21.

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2. Subject to the provisions contained in the Instrument, the Loan Notes shall be repaid by the Company on 3 February 2013 at the registered office of the Company.
 3. The nominal amount of the Loan Notes represented by this Certificate is only transferable in integral multiples of £50,000. No transfer of any part of such nominal amount will be accepted for registration unless accompanied by this Certificate and lodged with the Company at its registered office.
 4. 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.
 5. Every holder of the Loan Notes shall be entitled to a Certificate stating the nominal amount of the Loan Notes held by him and every such Certificate shall refer to the Instrument and have attached thereto the Conditions endorsed hereon and shall be in the preceding or substantially the preceding form and shall be executed by the Company.
 6. The Loan Notes are convertible or redeemable in accordance with the Conditions and conversion or redemption at the option of the Loan Note Holder is subject to completion of a Conversion Notice or Redemption Notice (as appropriate) and delivery of such notice to the Company at its registered office accompanied by this Certificate.
 7. Each Loan Note Holder shall be entitled to receive a copy of the Instrument from the Company on request.

CONVERSION NOTICE

To: **CALEDON RESOURCES PLC** (the "Company")

1. I/ we being the registered holder of the Loan Notes represented by this Certificate give notice that I/we require conversion of all of the Loan Notes in accordance with **Condition 3** of the Instrument
2. [I/we authorise and request you to allot and issue the relevant number of Ordinary Shares and credit my/our CREST account, details of which are set out in the box below.]
3. [I/we hereby authorise the despatch of a share certificate for the Ordinary Shares due to me/us by post at my/our risk to my/our registered address.]

Dated:

Signature of the Loan Note Holder:

A body corporate should execute as a deed in accordance with its constitution or under the hand of some officer or attorney duly authorised and in that event must be accompanied by the authority under which the Notice is completed.

Please insert in BLOCK CAPITALS in the box below the details of the relevant CREST account for the crediting the Loan Note Holder's CREST Account. Any share certificate will be sent to the registered address of the Loan Note Holder.

<i>CREST participant ID</i>	
<i>Trade date</i>	
<i>Settlement date</i>	
<i>ISIN Code</i>	

REDEMPTION NOTICE

To: **CALEDON RESOURCES PLC** (the "Company")

1. I/we being the registered holder of the Loan Notes represented by this Certificate give notice that I/we require redemption of all of the Loan Notes in accordance with **Condition 4** of the Instrument
2. I/we authorise and request you to pay the relevant amount by way of electronic transfer (the cost of such transfer to be at my/our expense) to the account, details of which are set out in the box below.

Dated:

Signature of the Loan Note Holder:

A body corporate should execute as a deed in accordance with its constitution or under the hand of some officer or attorney duly authorised and in that event must be accompanied by the authority under which the Notice is completed.

Please insert in BLOCK CAPITALS in the box below the details of the relevant account for the purpose of a telegraphic transfer.

<i>Bank name and branch details</i>	
<i>Account name</i>	
<i>Account number</i>	
<i>Sort code</i>	
<i>SWIFT code</i>	

CONDITIONS

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 £50,000) 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 30 June 2010 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 30 June 2010.

2.2 Determination of the Interest Rate and Calculation of Interest Payable

- 2.2.1 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.
- 2.2.2 Subject to **Condition 2.3**, in the event that any such deduction is required to be made, the Company will pay such additional amounts as will result in the receipt by the Loan Note Holders of the amounts which would otherwise have been receivable had no such withholding or deduction been required except that no such additional amounts shall be payable with respect to any Loan Note:
- (a) presented for payment by or on behalf of a holder who is liable to such tax in respect of such Loan Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Loan Note; or
 - (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of the Loan Note would have been entitled to an additional amount on presenting the same for payment on the last day of such period of 30 days; or
 - (c) where such deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC or any other

Directive implementing the conclusions of the Ecofin Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

- (d) to, or to a third party on behalf of, a holder to whom payment could have been made without any such withholding or deduction had such a holder made a declaration of non-residence or made any other claim or filing for exemption to which it is entitled to the relevant tax authority or Paying Agent; or
- (e) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.

As used in this clause :

- (i) **"Tax Jurisdiction"** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) **"Relevant Date"** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by or on behalf of the Company on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Loan Note Holders in accordance with **Condition 14**.

2.3 **Condition 2.2** shall not apply if, once listed on a recognised stock exchange in accordance with **clause 3.4** of the Instrument, the Loan Notes cease to be so listed or there is any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in **Condition 2.2.2**) or any change in the application of or to the official or generally accepted interpretation of such laws or regulations which becomes effective on or after the Closing Date, which in any such case requires the Company to pay the additional amounts referred to in **Condition 2.2** and, in the reasonable opinion of the Company (having taken legal advice), cannot be avoided by the Company taking reasonable measures available to it.

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 47.5p 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 or of the Paying and Conversion Agent 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 dealing day following the Closing Date to the close of business (at the place where the relevant Loan Note is delivered for conversion) on the date falling six dealing days 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**".
- 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 par value of one Ordinary Share immediately after such alteration; and

B is the par value 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 par value of the issued Ordinary Shares immediately before such issue; and

B is the aggregate par value of the issued Ordinary Shares immediately after such issue.

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

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:

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

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.

This **Condition** 3.2.4 shall not apply if (ignoring for these purposes **Condition** 3.2.12(c)) the circumstances which give rise to the adjustment to the Conversion Price in either of **Conditions** 3.2.12(a) and (b) apply.

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.

This **Condition 3.2.5** shall not apply if (ignoring for these purposes **Condition 3.2.12(c)**) the circumstances which give rise to the adjustment to the Conversion Price in either of **Conditions 3.2.12(a)** and (b) apply.

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 20** 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.

This **Condition 3.2.6** shall not apply if (ignoring for these purposes **Condition 3.2.12(c)**) the circumstances which give rise to the adjustment to the Conversion Price in either of **Conditions 3.2.12(a)** and (b) apply.

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

