

OFFERING CIRCULAR DATED 16 OCTOBER 2009



## **Hochschild Mining plc**

*(incorporated under the Companies Act 1985 with limited liability in England and Wales with registered number 5777693)*

**U.S.\$115,000,000**

**5.75 per cent. Convertible Bonds due 2014**

*convertible into Ordinary Shares of*

**Hochschild Mining plc**

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**Issue Price 100 per cent.**

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*Joint Bookrunners and Joint Lead Managers*

**GOLDMAN SACHS INTERNATIONAL**

**J.P. MORGAN**

This Offering Circular (the "**Offering Circular**") comprises listing particulars given in compliance with the listing rules made under Section 73A of the Financial Services and Markets Act 2000 (the "**FSMA**") by the UK Listing Authority (the "**UKLA**") for the purpose of giving information with regard to Hochschild Mining plc. (the "**Issuer**" or the "**Company**"), and the Issuer and its subsidiaries taken as a whole (the "**Group**") and the U.S.\$115,000,000 5.75 per cent. convertible bonds due 2014 (the "**Bonds**"). Applications have been made for the Bonds to be admitted to the Official List of the UKLA and to be admitted to trading on the Professional Securities Market (the "**PSM**") of the London Stock Exchange plc (the "**LSE**"). References in this Offering Circular to the Bonds being "listed" (and all related references) shall mean that the Bonds have been admitted to the Official List and have been admitted to trading on the PSM. The PSM is an unregulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). This Offering Circular is to be read in conjunction with all the documents which are incorporated by reference herein (see "*Documents Incorporated by Reference*").

The Issuer accepts responsibility for all the information contained in this document. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each of the Managers (as defined in "*Subscription and Sale*") is acting for the Issuer and no one else in connection with the offering and will not regard any other person (whether or not as a recipient of this document) as its client in relation to the offering and will not be responsible to anyone other than the Issuer for providing advice in relation to the offering, the contents of this Offering Circular or any transaction or arrangement or other matter referred to in this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers to subscribe or purchase, any of the Bonds or the Ordinary Shares of the Issuer (the "**Ordinary Shares**"). The distribution of this Offering Circular and the offering of the Bonds or the Ordinary Shares in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of Bonds or the Ordinary Shares and on distribution of this Offering Circular, see "*Subscription and Sale*".

No person is authorised in connection with the issue, offering or sale of the Bonds to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Bonds and the Ordinary Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**"), and the Bonds, which are in bearer form, are subject to U.S. tax law requirements. The Bonds and the Ordinary Shares to be issued upon conversion of the Bonds may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions permitted by U.S. tax regulations and the Securities Act. For a more complete description of restrictions on offers and sales and applicable U.S. tax law requirements see "*Subscription and Sale*".

The Bonds will initially be represented by a temporary global bond in bearer form (the "**Temporary Global Bond**"), which will be deposited with a common depositary (the "**Common Depositary**") on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on or about 20 October 2009 (the "**Closing Date**"). Interests in the Temporary Global Bond will be exchangeable not earlier than 40 days after the Closing Date (and upon certification of non-U.S. beneficial ownership) for interests in a permanent global bond (the

**"Permanent Global Bond"**) in bearer form, without interest coupons, which will also be deposited with the Common Depositary. The Permanent Global Bond will be exchangeable for definitive Bonds in bearer form in the denomination of U.S.\$100,000, either upon request of any Bondholder or in certain limited circumstances set out in the Permanent Global Bond, all as further described in *"Summary of Provisions Relating to the Bonds while in Global Form"*.

Neither the Issuer nor any of the Managers is providing any advice or recommendation in this Offering Circular on the merits of the purchase, subscription for, or investment in, the Bonds or the Ordinary Shares or the exercise of any rights conferred by the Bonds or the Ordinary Shares.

The Bonds are securities which, because of their nature, are normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters. This Offering Circular has been prepared on the basis that any purchaser of Bonds is a person or entity having sufficient knowledge and experience of financial matters as to be capable of evaluating the merits and risks of the purchase. Before making any investment decision with respect to the Bonds, prospective investors should consult their own counsel, accountants or other advisers and carefully review and consider their investment decision in the light of the foregoing. An investment in the Bonds is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may result therefrom.

No representation or warranty, express or implied, is made by any of the Managers as to the accuracy, completeness or sufficiency of the information set out or incorporated in this Offering Circular, and nothing set out or incorporated in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by any of the Managers.

This Offering Circular (including the information incorporated by reference herein) is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, or any of the Managers that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of Bonds should determine for itself the relevance of the information set out or incorporated by reference in this Offering Circular and its purchase of Bonds should be based upon such investigations as it deems necessary.

The Issuer's Ordinary Shares are listed for trading on the main market of the London Stock Exchange ("**LSE**") under the symbol "**HOC**".

Citicorp Trustee Company Limited (the "**Trustee**") may rely without liability to Bondholders or Couponholders on a report, confirmation or certificate of any financial advisers or investment bank, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee shall be obliged to accept and entitled to rely on any such report, confirmation or certificate where the Issuer procures delivery of the same pursuant to its obligation to do so under the Terms and Conditions and such report, confirmation or certificate shall be binding on the Issuer, the Trustee, the Bondholders and the Couponholders (as defined herein) in the absence of manifest or proven error.

In connection with this issue, each of the Managers and any of their respective affiliates acting as an investor for its own account may take up Bonds and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with this issue. Accordingly, references in this document to the Bonds being issued, offered or placed should be read as including any issue, offering or placement of securities to the Managers and any of their affiliates acting in such capacity. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Issuer confirms that where the information in this Offering Circular has been reproduced from third party sources it has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate and misleading.

**In connection with the issue of the Bonds, Goldman Sachs International and J.P. Morgan Securities Ltd. (the "Stabilising Managers") (or persons acting on behalf of the Stabilising**

**Managers) may over-allot or effect transactions with a view to supporting the market price of the Bonds and/or the Ordinary Shares at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Managers (or any persons acting on behalf of the Stabilising Managers) will undertake stabilisation action. Such stabilisation action, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Any stabilisation action or over-allotment must be conducted by the Stabilising Managers (or any persons acting on behalf of the Stabilising Managers) in accordance with all applicable law and rules.**

In this Offering Circular all references to "**Nuevo Sol**" and "**S/.**" are to the lawful currency of Peru, all references to "**Argentine pesos**" and "**Arg\$**" are to the lawful currency of Argentina and all references to "**Mexican pesos**" and "**Mex\$**" are to the lawful currency of Mexico. All references in this Offering Circular to "**U.S. dollars**" and "**U.S.\$**" are to the lawful currency of the United States, all references to "**euro**", "**Euro**" and "**€**" are to the lawful currency introduced on 1 January 1999 at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Communities, as amended from time to time. All references in this Offering Circular to "**sterling**", "**pounds sterling**", "**pounds**", "**£**", "**p**" or "**pence**" are to the lawful currency of the United Kingdom. The Group prepares its consolidated financial information in U.S. dollars.

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## PRESENTATION OF INFORMATION

### Forward-looking Statements

This Offering Circular includes statements that are, or may be deemed to be "forward-looking statements". Such forward-looking statements and information include statements regarding: targets for gold and silver production; cash operating costs and certain significant expenses; percentage increases and decreases in production from the Issuer's principal mines; schedules for completion of detailed feasibility studies and initial feasibility studies; potential increases in reserves and production; the timing and scope of future commencement of mining or production; anticipated grades and recovery rates; asset retirement obligation estimates; the ability to secure financing; and potential acquisitions or increases in property interests. Often, but not always, forward-looking statements or information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations (including grammatical variations) of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

With respect to forward-looking statements and information contained herein, the Issuer has made numerous assumptions including, among other things, the price of gold and silver and other metals, economic and political conditions, continuity of operations and production levels. Although the Issuer believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that forward-looking statements or information referenced herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. These risks, uncertainties or other factors include, but are not limited to, the actual prices of gold and silver, unanticipated grade, geological, metallurgical, processing, access, transportation of supply or other problems, political, economic and operational risks of foreign operations, availability of materials and equipment, the timing of receipt of governmental permits, force majeure events, the failure of plant, equipment or processes to operate in accordance with specific expectations, accidents, labour relations and risks in start-up date delays, environmental costs and risks, the outcome of acquisition negotiations, general domestic and international economic and political conditions, the factual results of current exploration, development and mining activities, results of pending and future feasibility studies, changes in project parameters as plans continue to be evaluated, and those factors disclosed in documents filed by the Issuer from time to time with the relevant regulatory authorities including, without limitation, those risks, uncertainties and other factors set out under "Risk Factors" and in "Hochschild Mining plc" herein. Although the Issuer has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Also, many of the factors are beyond the control of the Issuer. Accordingly, investors should not place undue reliance on forward-looking statements or information. All forward-looking statements and information herein are qualified by this cautionary statement.

### Ore Reserve and Mineral Resource Reporting -- Basis of Preparation

The Issuer reports its mineral resources and reserves estimates in accordance with the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). This establishes minimum standards, recommendations and guidelines for the public reporting of exploration results and mineral resources and reserves estimates. The information on ore reserves and mineral resources was prepared in accordance with the JORC Code, under the supervision of competent persons (as defined in the JORC Code). Competent persons are required to have sufficient relevant experience and understanding of the style of mineralisation, types of deposits and mining methods in the area of activity for which they are qualified as a competent person under the JORC Code. The Issuer employs its own competent person who has audited all the estimates referred to in this Offering Circular.

The JORC Code requires the use of reasonable economic assumptions. These include long-term commodity price forecasts (which, in the Issuer's case, are prepared by specialists largely using estimates of future supply and demand and long-term economic outlooks). Ore reserve estimates are

dynamic and are influenced by changing economic conditions, technical issues, environmental regulations and any other relevant new information and, therefore, may vary on an annual basis. Mineral resource estimates may also change and tend to be influenced by new information pertaining to the understanding of the deposit and the conversion to ore reserves.

The estimates of ore reserves and mineral resources in this Offering Circular are shown as at 31 December 2008, unless otherwise stated. Mineral resources that are reported include those mineral resources that have been modified to produce ore reserves. All tonnage and grade information has been rounded to reflect the relative uncertainty in the estimates. The prices used for the reserves calculation were as follows: gold price: U.S.\$800 per ounce; silver price: U.S.\$12 per ounce.

## DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with:

- (a) the audited financial statements of the Issuer for the financial year ended 31 December 2007, together with the audit report thereon, which can be found on pages 55 to 135 of the Issuer's Annual Report for the financial year ended 31 December 2007 (the "**2007 Annual Report**");
- (b) the audited financial statements of the Issuer for the financial year ended 31 December 2008, together with the audit report thereon, which can be found on pages 56 to 124 of the Issuer's Annual Report for the financial year ended 31 December 2008 (the "**2008 Annual Report**");
- (c) the section entitled "*Reserves and resources*" on pages 125 to 130 of the 2008 Annual Report;
- (d) the section entitled "*Corporate Responsibility*" on pages 30 to 35 of the 2008 Annual Report;
- (e) the unaudited consolidated financial statements of the Issuer for the six months ended 30 June 2009 (the "**2009 Interim Report**"); and
- (f) the production report of the Issuer for the three months ended 30 September 2009 and Interim Management Statement (the "**Interim Management Statement**") from and including the section entitled "*Overview*" up to, but excluding, the section entitled "*Risks Relating to the Issuer*".

Such documents shall be incorporated in, and form part of this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Where documents incorporated by reference themselves incorporate information by reference, such information does not form part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular may be obtained (without charge) from the registered office of the Issuer.



## OVERVIEW

The following is a summary of the principal features of the Bonds and is qualified in its entirety by the detailed information appearing elsewhere in this Offering Circular and, in particular, "Terms and Conditions of the Bonds". Potential purchasers of the Bonds are urged to read this Offering Circular in its entirety. Terms used in this overview and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds".

<b>Issuer</b>	Hochschild Mining plc.
<b>Bonds</b>	U.S.\$115,000,000 5.75 per cent. Convertible Bonds due 2014.
<b>The Offering</b>	The Bonds are being offered by the Managers outside the United States to non-US persons in accordance with Regulation S.
<b>Closing Date</b>	The Bonds will be issued on 20 October 2009 (the " <b>Closing Date</b> ").
<b>Issue Price</b>	100 per cent. of the principal amount of the Bonds.
<b>Final Maturity Date</b>	20 October 2014 (the " <b>Final Maturity Date</b> ").
<b>Final Redemption</b>	Unless previously purchased and cancelled, redeemed or converted, the Bonds will be redeemed on the Final Maturity Date at their principal amount. The Issuer will have an option to redeem the Bonds in sterling, as more fully described in the " <i>Terms and Conditions of the Bonds – Redemption and Purchase – Issuer Option to Redeem in Sterling</i> ".
<b>Redemption at the Option of the Issuer</b>	On giving not less than 30 nor more than 60 days' notice (an " <b>Optional Redemption Notice</b> "), in accordance with the Conditions, the Issuer may redeem all, but not some only, of the Bonds for the time being outstanding at their principal amount, together with interest accrued (if any) to the date fixed for redemption as specified in the Optional Redemption Notice served by the Issuer (i) at any time on or after 20 October 2012, if on each of at least 20 dealing days during any period of 30 consecutive dealing days ending not earlier than the fifth dealing day prior to the giving of the Optional Redemption Notice, the Volume Weighted Average Price of an Ordinary Share shall have exceeded 130 per cent. of the Conversion Price in effect (or deemed to be in effect) on each such dealing day; or (ii) at any time if prior to the date the relevant Optional Redemption Notice is given, 85 per cent. or more in principal amount of the Bonds originally issued shall have been previously purchased and cancelled or converted or redeemed. See " <i>Terms and Conditions of the Bonds - Redemption and Purchase - Redemption at the Option of the Issuer</i> ".
<b>Redemption at the option of the Bondholders upon a Change of Control</b>	Unless the Bonds have been previously redeemed, purchased and cancelled or converted, each

Bondholder shall have the right, at such Bondholder's option, following the occurrence of a Change of Control to require the Issuer to redeem such Bondholder's Bonds at their principal amount together with accrued but unpaid interest (if any) to the date of redemption. See "*Terms and Conditions of the Bonds – Redemption at the Option of Bondholders Upon a Change of Control*". The Issuer will have an option to redeem the Bonds in sterling. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Issuer Option to Redeem in Sterling*."

#### **Interest**

The Bonds will bear interest from (and including) the Closing Date at the rate of 5.75 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in equal instalments in arrear on 28 January, and 28 July, in each year, save that (a) the first payment of interest will be made on 28 January 2010 in respect of the period from (and including) the Closing Date to (but excluding) 28 January and (b) the last payment of interest will be made on the Final Maturity Date in respect of the period from (and including) 28 July 2014 to (but excluding) the Final Maturity Date.

#### **Form and Denomination**

The Bonds will be in bearer form in the denomination of U.S.\$100,000. The Bonds will initially be represented by the Temporary Global Bond which will be deposited with a common depository for Euroclear and Clearstream, Luxembourg.

Interests in the Temporary Global Bond will be exchangeable for interests in the Permanent Global Bond on or after a date which is expected to be 30 November 2009 upon certification as to non-U.S. beneficial ownership.

The Permanent Global Bond will be exchangeable in whole, but not in part, (i) upon request of any Bondholder giving 60 days' notice or (ii) in certain limited circumstances described therein, for definitive Bonds in bearer form, serially numbered, in denominations of U.S.\$100,000 each, with Coupons attached.

#### **Ranking of the Bonds**

The Bonds and Coupons will constitute direct, unconditional, unsubordinated and (subject to the provisions of the negative pledge as described below) unsecured obligations of the Issuer ranking *pari passu* and rateably without any preference among themselves, and equally with all other existing and future unsecured and unsubordinated obligations of the Issuer, but, in the event of a winding-up, save for such obligations that may be preferred by law. See "*Terms and Conditions of the Bonds – Form, Denomination, Title and Status - Status*".

<b>Negative Pledge</b>	The Bonds will have the benefit of a negative pledge, as described in " <i>Terms and Conditions of the Bonds - Negative Pledge</i> ".
<b>Cross Acceleration</b>	The Bonds will have the benefit of a cross acceleration, as described in " <i>Terms and Conditions of the Bonds - Events of Default</i> ".
<b>Conversion</b>	<p>Each Bond shall entitle the holder (such right a "<b>Conversion Right</b>") to convert such Bond into Ordinary Shares. See "<i>Terms and Conditions of the Bonds - Conversion of Bonds</i>".</p> <p>Conversion Rights, subject as provided below, may be exercised at any time from 30 November 2009 to the close of business (at the place where the relevant Bond is deposited for conversion) on (i) the date falling seven calendar days prior to the Final Maturity Date or (ii) if such Bonds are called for redemption prior to the Final Maturity Date, up to seven calendar days prior to the relevant date fixed for redemption, subject as provided for in the Conditions.</p> <p>The initial conversion price is £3.9825 per Ordinary Share (the "<b>Conversion Price</b>").</p> <p>Prior to the passing of a resolution of the Issuer's shareholders to disapply pre-emption rights in relation to the Ordinary Shares to be issued on conversion of the Bonds (such resolution to be proposed at the Extraordinary General Meeting of the Issuer on 27 October 2009), each Bond shall entitle the holder to redeem such Bond for a cash amount equivalent to the average price of the Ordinary Shares as calculated in accordance with Condition 5. See "<i>Terms and Conditions of the Bonds – Conversion of Bonds</i>".</p> <p>The Conversion Price is subject to adjustment as provided in "<i>Terms and Conditions of the Bonds - Conversion of Bonds – Adjustment of Conversion Price</i>", including in respect of any Dividend or distribution made by the Issuer. In the event of a Change of Control, the Conversion Price will be adjusted for a specified period as described in "<i>Terms and Conditions of the Bonds - Conversion of Bonds - Adjustment of Conversion Price</i>".</p>
<b>Taxation</b>	Payments in respect of Bonds will be made subject to any withholding or deduction for any taxation as is required by law. The Issuer will not be required to pay any additional or further amounts to Bondholders in respect of such withholding or deduction. See " <i>Terms and Conditions of the Bonds – Taxation</i> ".
<b>Lock up</b>	The Issuer has, subject to certain exceptions, agreed not to issue Ordinary Shares or certain related securities for a period of 180 days after the

Closing Date. See "*Subscription and Sale*".

**Governing Law**

The Bonds and the Trust Deed constituting the Bonds, and any non-contractual obligations arising out of them, will be governed by English law.

**Trustee**

Citicorp Trustee Company Limited

**Listing and Trading**

The Issuer has applied for the Bonds to be admitted to the Official List of the UK Listing Authority and application has been made to the LSE for the Bonds to be admitted to trading on the Professional Securities Market of the LSE.

The Ordinary Shares trade on LSE's main market for listed securities under the symbol "HOC".

**ISIN:**

XS0457794674

**Common Code:**

045779467

**Use of Proceeds:**

The net proceeds of the offering of the Bonds, after deduction of underwriting fees, discounts, and commissions and other estimated expenses associated with the offering, will be approximately U.S.\$ 112.5 million.

The Issuer intends to use the net proceeds of the offering of the Bonds to, among other things, repay certain existing debt, fund acquisitions and for other general corporate purposes. Pending such use, the Issuer intends to invest the net proceeds in high quality interest-bearing investments.

## RISK FACTORS

*Prospective investors should consider carefully the risks set forth below and the other information contained in this Offering Circular prior to making any investment decision with respect to the Bonds. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of the Issuer which, in turn, could affect its ability to fulfil its obligations under the Bonds. In addition, each of the risks highlighted below could adversely affect the trading price of the Bonds or the Ordinary Shares or the rights of investors under the Bonds or the Ordinary Shares and, as a result, investors could lose some or all of their investment.*

*Prospective investors should note that the risks described below are not the only risks the Issuer faces. The Issuer has only described those risks in connection with the Bonds and its ability to fulfil its obligations under them which it considers to be material. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above.*

*Prospective investors should read the entire Offering Circular, together with the documents incorporated by reference herein. Words and expressions defined in the Terms and Conditions below or elsewhere in this Offering Circular have the same meanings in this section.*

*Investing in the Bonds involves certain risks. Prospective investors should consider, among other things, the following:*

### ***Risks Relating to the Issuer***

#### ***Risks relating to the operations of the Issuer and its subsidiary undertakings (the "Group")***

**The business of mining metals involves a number of risks and hazards, not all of which are fully covered by insurance.**

The mining business is subject to risks and hazards, many of which are outside the Group's control. These risks include, but are not limited to, environmental hazards, industrial accidents, the encountering of unusual or unexpected geological formations, cave-ins, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, reduced production and delays in mining, asset write-downs, monetary losses and possible legal liability. In particular, the Group's Peruvian and Mexican mines and projects are located in areas of high seismic risk. Although the facilities have been designed to take account of such potential activity, a major earthquake could lead not only to significant damage to the Group's facilities, but also to the collapse of tailings dams which could result in significant environmental damage.

Although the Group maintains insurance in an amount that it considers to be adequate, liabilities might exceed policy limits, in which event the Group could incur significant costs that could materially and adversely affect its results of operations. Insurance fully covering many environmental risks (including potential liability for pollution or other hazards as a result of disposal of waste products occurring from exploration and production) is not generally available to the Group or to other companies in the mining industry. The realisation of any significant liabilities in connection with the Group's mining activities as described above could have a material adverse effect on its results of operations or financial condition.

**The Group's financial performance is highly dependent upon the price of silver and gold.**

The Group's financial performance is highly dependent on the market price of silver, which accounted for approximately 61 per cent. of its revenue in 2008, and the market price of gold, which accounted for approximately 39 per cent. of its revenue in 2008. These prices have historically been subject to wide fluctuations and are affected by numerous factors beyond the Group's control, including international economic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels maintained by producers and others, and actions of participants in the commodities markets.

To a lesser extent, the market prices of silver and gold are also subject to the effects of inventory carrying costs and currency exchange rates. In addition, the market prices of silver and gold have occasionally been subject to short-term changes. The market price of silver and gold on 30 June 2009 were \$13.94 per ounce and \$934.50 per ounce (p.m. price where applicable), respectively, according to the London Bullion Market Association, compared with 30 December 2008 prices of \$10.83 per ounce and \$869.75 per ounce (p.m. price where applicable), respectively. The price of silver and gold may decline in the future. Factors that are generally understood to contribute to a decline in the price of silver and gold include sales by private and government holders, and , in relation to silver, a general global economic slowdown. Future prolonged reductions or declines in the world silver and gold prices could have a material adverse effect on the Group's revenues, profitability and reserves.

**The Group's business will be affected by its ability to raise funding to meet its capital expenditure needs and to achieve its operational and strategic objectives.**

The mining business is capital intensive and the development and exploitation of silver and gold reserves and the acquisition of machinery and equipment require substantial capital expenditure. The Group has a number of development projects and prospects, as well as plans for its existing operations, which involve significant capital expenditure. In particular, the Group must continue to invest significant capital to maintain or to increase the amount of reserves that it exploits and the amount of metal that it produces. Some of the Group's development projects and prospects may require greater investment than currently planned. In addition, the Group's ability to continue its exploration, exploitation, development and operational activities will depend ultimately on its ability to attract financing. There can be no assurance that the Group will be able to maintain its production levels and generate sufficient cash flow, or that the Group will have access to sufficient investments, loans or other financing alternatives, to continue its exploration, exploitation, development and processing activities at or above present levels and failure to do so, could result in delay of projects, postponement of further exploration, assessment or development of certain properties or projects.

**The Group's future performance will be affected by its ability to realise its existing reserves base, convert resources into reserves and mineralised potential into resources, and conduct successful exploration.**

As at 31 December 2008, the average life of mine of the Group's operating mines was 3.2 years. To ensure the continued operation of the business and the delivery of its growth strategy, it is essential that the Group continues to realise its existing identified reserves, convert resources into reserves, develop its resource base through the realisation of identified mineralised potential, and/or undertake successful exploration or acquire new resources.

The Group's mineral reserves and resources constitute estimates that comply with standard evaluation methods generally used in the international mining industry and are stated in conformity with the JORC Code. In respect of these estimates, no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realised or that mineral reserves can be mined or processed profitably. Actual reserves may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may be below the estimated levels. In addition, there can be no assurance that mineral recoveries in small scale laboratory tests will be duplicated in larger-scale tests under on-site conditions or during production. Lower market prices, increased production costs, reduced recovery rates and other factors may render the Group's reserves uneconomic to exploit and may result in revision of its reserve estimates from time to time. Reserve data are not indicative of future results of operations. If the Group's actual mineral reserves and resources are less than current estimates or, if the Group fails to develop its resource base through the realisation of identified mineralised potential, the Group's results of operations or financial condition may be materially and adversely affected.

Minerals exploration is highly speculative in nature, involves many risks and is frequently unsuccessful. Once mineralisation is discovered, it may take a number of years to complete the geological surveys to assess whether production is possible and, even if production is possible, the economic feasibility of production may change during that time. Substantial capital expenditure is required to identify and delineate ore reserves through geological surveying, trenching and drilling, to determine metallurgical processes to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. In particular, the geological characteristics of the Group's operating mines mean that it is difficult to prove up reserves without significant investment in

underground development. Notwithstanding, the Group is committed to expanding its reserve and resource base with the aim of increasing future production and continues to dedicate significant investment to achieving a minimum eight year total resource life, including a four year reserve life (except the Ares and Moris mines). However, despite the Group's consistent track record of replacing its reserves and the Group's expertise in relation to mineral deposits of this nature, there can be no assurance that the Group will be able to identify future reserves or continue to extend the mine life of its existing operations. Any failure by the Group to identify and delineate ore reserves in the future could have a material adverse effect on its results of operations or financial condition.

**An increase in the Group's production costs could materially and adversely affect its profitability.**

Changes in the Group's production costs could have a major impact on its profitability. Its main production expenses are personnel costs, materials and energy. Changes in the costs of the Group's mining and processing operations could occur as a result of unforeseen events, including international and local economic and political events, and could result in changes in profitability or reserve estimates. Many of these factors may be beyond the Group's control.

The Group relies on third party suppliers for a number of its raw materials, including for the supply of cement, wood, cyanide and steel used in the construction and continuing development of its mines and the processing of ore. Any material increase in the cost of raw materials, or the inability by the Group to source third party suppliers for the supply of its raw materials, could have a material adverse effect on the Group's results of operations or financial condition.

**The Group's current operations, projects and prospects are located in remote areas and the Group's production, processing and product delivery relies on the infrastructure being adequate and remaining available.**

The Group's mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. The regions where the Group's current operations, projects and prospects are located are sparsely populated and difficult to access. The Group requires reliable roads, bridges, power sources and water supplies to access and conduct its operations and the availability and cost of this infrastructure affects capital and operating costs and the Group's ability to maintain expected levels of production and sales. Unusual weather or other natural phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could impact development of a project, reduce mining volumes, increase mining or exploration costs, or delay the transportation of raw materials to the mines and projects or doré and concentrate to customers. Any such issues arising in respect of the infrastructure supporting or on the Group's sites could materially and adversely affect the Group's results of operations or financial condition.

Furthermore, any failure or unavailability of the Group's operational infrastructure (for example, through equipment failure at its concentrator or leaching facilities or disruption to its transportation arrangements) could adversely affect the production output from its mines or impact its exploration activities or development of a mine or project.

In particular, the Group sources the electricity supply for each of its operating units in Peru and Argentina from the national grid via supply lines (the Moris mine in Mexico operates with power generators). Whilst back-up power generators are located at each of the operating units in Peru and Argentina, in the event of a failure of these supply lines from the national grid, there can be no assurance that these back-up generators will be effective in preventing any interruption to the operations of the Group.

Any prolonged or persistent failure of the power supply from the national grid could increase production costs, significantly delay or halt operations and, consequently, have a material adverse effect on the Group's results of operations or financial condition.

The Group depends upon trucking to deliver fuel, wood, cement, cyanide, steel and other supplies to its operations and to deliver its commodities to its customers. These transport services in some cases may not be adequate to support the Group's existing operations or to support the Group's expanded operations. Disruptions of these transport services because of weather-related problems, key equipment failures, strikes, lock-outs or other events could temporarily impair the Group's ability to supply its

commodities to its customers which could materially and adversely affect the Group's results of operations or financial condition.

The Group depends on a pumping system to extract water located underground at the Arcata unit and to prevent the Arcata mine from flooding. Whilst the Group has infrastructure in place for the extraction and storage of water, any prolonged or persistent failure in the operation of the pumping system leading to a significant delay in extracting water could lead to flooding of the Arcata mine which, in turn, could result in damage to, or destruction of, a portion of the Group's production facilities or injury to the Group's employees and contracted personnel. Any damage to or destruction of such production facilities or injury to employees or contracted personnel could have a material adverse effect on the Group's results of operations, financial condition or reputation.

**Delay or failure by the Group to complete its development projects could have a material adverse effect on the Group's growth prospects.**

Successful completion of the Group's development projects is subject to various factors, many of which are not within its control. These factors include the granting of consents and permits from the relevant government departments, the availability, terms, conditions and timing of acceptable arrangements for transportation, construction and refining and the performance of engineering and construction contractors, mining contractors, suppliers and consultants. The lack of availability of acceptable contractual terms, or a slower than anticipated performance by any contractor, could delay or prevent the successful completion of any of the Group's development projects. Completion or further expansion of the Group's development projects may be compromised in the event of a prolonged decline in price levels for silver and gold. There can be no guarantee as to when the Group's development projects will be completed, whether the resulting operations will achieve the anticipated production volumes or whether the costs in developing these projects will be in line with those anticipated. The Group's inability to complete its development projects as planned may have a material adverse effect on the results of operations or financial condition of the Group.

**The Group's joint venture arrangements and options may not be successful.**

The Group has entered into joint venture arrangements and options for certain of its development projects in order to gain access to mineral assets as part of its growth strategy. Some of these joint ventures are fundamental to the Group's business plan to achieve production growth. The Group is currently operating the San José (Argentina) and Pallancata (Peru) mines under joint venture arrangements. The Group is also developing advanced and early stage development projects through joint venture arrangements. Although the Group has sought to protect its interests in these development projects by ensuring it has management control and through the terms of the governing agreements, joint ventures necessarily involve special risks associated with the possibility that the joint venture partners may (i) have economic or business interests or goals that are inconsistent with those of the Group, (ii) take action contrary to the Group's policies or objectives with respect to its investments, for instance by veto of proposals in respect of the joint venture operations or (iii) as a result of financial or other difficulties, be unable or unwilling to fulfil their obligations under the joint venture or other agreements. Any of the foregoing may have a material adverse effect on the results of operations, financial condition or prospects of the Group through the delay or non-completion of its development projects. In addition, the termination of certain of these joint ventures, if not replaced on similar terms, could have a material adverse effect on the results of operations, financial condition or prospects of the Group.

**If the Group fails to consummate or integrate acquisitions successfully, the Group's rate of expansion could slow and its results of operations or financial condition could suffer.**

The Group has expanded operations in the Americas through both development and acquisition of new projects, and the Group expects to continue to do so in the future. The Group intends to pursue a strategy of identifying and acquiring early stage projects and/or existing businesses with a view to expanding its operating businesses. There can be no assurance that the Group will continue to identify suitable projects, acquisitions and strategic investment opportunities or that any business acquired will prove to be profitable at all, or as profitable as its current operations. In addition, acquisitions and investments involve a number of risks, including possible adverse effects on the Group's operating results, diversion of management's attention, failure to retain key personnel in the acquired businesses,



risks associated with unanticipated events or liabilities and difficulties in the integration of the operations.

**Fluctuations in currencies may adversely affect the Group's results of operations and financial condition.**

The Group's revenues are almost entirely in U.S. dollars, whilst a substantial proportion of the Group's costs are incurred in local currencies at its different operating locations. In addition, the Group expects the amount of these costs it incurs in local currencies to increase if its pipeline of development projects and prospects in the Americas commences production. The Group does not undertake any hedging activities in relation to exchange rates. As a result, if these local currencies were to significantly strengthen against the U.S. dollar, this could have a material adverse effect on the Group's financial condition and results of operations. Similarly, Peru and the other Latin American countries where the Group's projects are located have experienced periods of high inflation and substantial currency devaluation over recent decades. Although inflation has been largely stable in recent years in these jurisdictions, if it were to increase without a corresponding devaluation of the relevant local currency relative to the U.S. dollar, the Group's financial condition and results of operations could be materially and adversely affected.

**The Group engages in limited hedging activities and, therefore, is exposed to future changes in commodity prices.**

The Group is exposed to the effect of changes in commodity prices (in particular, to the price of silver and gold and to changes in interest rates). The Group engages in limited hedging activities in relation to prices of silver and gold, principally (but not limited to) in connection with the security arrangements for its long-term financing. Accordingly, the Group's results of operations are exposed to changes in commodity prices.

**The Group's revenues are primarily derived from silver and gold production at only five facilities.**

The Group's current revenues are primarily from silver and gold produced by the Arcata, Ares and Pallancata mines in Peru, the San José mine in Argentina and the Moris mine in Mexico and plant processing services at its Selene mine plant. If mining or processing operations in any one of these complexes were materially reduced, interrupted or curtailed, then the Group's results of operations or financial condition could be materially and adversely affected.

**A reduction or discontinuance in the Group's refining arrangements could have an adverse effect on the Group's cashflows, results of operations or financial condition.**

There are a limited number of refineries available throughout the world for the refining of the Group's doré. The doré produced by the Group is primarily sent to Johnson Matthey and Argor Heraeus for refining under contracts which are renewed on a yearly basis. If the refineries were to reduce or discontinue the arrangements it has in place with the Group or did not agree to a renewal of its contract, no assurance can be given that an alternative refiner would be available on acceptable contractual terms, or that delays or disruptions in sales would not be experienced that could result in an adverse effect on the Group's cash flows, results of operations or financial condition.

**The Group's sales of concentrate could be adversely affected if there were to be a reduction or discontinuance of purchases by the Group's main customers.**

The Group currently sells its concentrate production to a limited number of smelters and traders worldwide. These sales contracts normally last for a calendar year and are therefore subject to annual negotiations. If any of these customers were unexpectedly to reduce or discontinue its purchasing of the Group's concentrate or did not agree to a renewal of its contract, no assurance can be given that delays or disruptions in sales would not be experienced until such time as alternative customers could be found, or that arrangements with alternative customers would be entered into on terms as favourable to the Group. Any of the foregoing risks could result in an adverse effect on the Group's cash flows, results of operations or financial condition.

**The Group faces competition from other mining companies for the acquisition of new properties.**

Mines have finite lives and, as a result, the Group seeks to replace and expand its reserves through the acquisition of new properties and by developing projects. There is a limited supply of desirable properties with potential mineralisation available in the areas where the Group would consider conducting exploration and/or production activities. Because the Group faces competition for new properties from other mining companies, some of which may have greater financial resources than the Group, the Group may be unable to acquire attractive new mining properties on terms that it considers acceptable. As a result, the Group's revenues from the sale of silver and gold may decline over time, thereby materially and adversely affecting its results of operations or financial condition.

**The Group depends on its key personnel. If the Group is unable to attract and retain key personnel, its business may be materially and adversely affected.**

The Group's business depends in significant part upon the contributions of a number of the Group's key senior management and personnel, in particular its highly skilled team of engineers and geologists. There can be no certainty that the services of its key personnel will continue to be available to the Group. Factors critical to retaining the Group's present staff and attracting additional highly qualified personnel include the Group's ability to provide these individuals with competitive compensation arrangements. If the Group is not successful in retaining or attracting highly qualified individuals in key management positions and highly skilled engineers and geologists, its business may be materially harmed. In some of the jurisdictions where the Group's operations and development projects are located, particularly Argentina, it may be difficult for the Group to find or hire qualified people in the mining industry who are situated in those jurisdictions or to obtain all of the necessary services or expertise locally or to conduct operations on its projects at reasonable rates.

If qualified people and services or expertise cannot be obtained in those jurisdictions, those services will need to be obtained from people located elsewhere which will require work permits and compliance with applicable laws and could result in delays and higher costs to develop its projects.

**The Group's business depends on good relations with its employees and with the communities surrounding its operations.**

Although management believes that labour and community relations are currently stable, there can be no assurance that this will continue and that disruption to the Group will not occur as a result of work slowdown, work stoppage or strike or through the failure to maintain good relations with the communities living in the localities of the Group's operations. During 2009, the Group has had to suspend briefly operations at its mines in Peru and Argentina due to industrial action and work stoppages. Work slowdowns, stoppages or other labour-related developments or community related disputes could result in a decrease in the Group's production levels and lead to adverse publicity, which could have a material adverse effect on the Group's results of operations or financial condition.

**Termination of the Group's stability arrangements could have a material adverse effect on its financial condition or operating results.**

The Group has been granted stability certificates by the Ministry of Mines in Argentina in respect of its San José mine whereby the national and provincial tax regimes are frozen for a period of 30 years from 15 May 2006 and 20 June 2006, respectively.

The termination, renegotiation or withdrawal of the Group's stability certificates, or any successful challenge as to the validity of these stability certificates could result in an increase in the amount of tax or royalties the Group might have to pay or the imposition of new duties or charges, including a claim for previous non-payment of tax or governmental royalties covered by these arrangements, which in turn could have a material adverse effect on the financial condition and operating results of the Group.

**The Group is subject to significant laws and governmental regulations, and their related costs may negatively affect the Group's business.**

The Group's operations and exploration and development activities are subject to extensive laws and regulations governing various matters. These include laws and regulations relating to environmental protection, management and use of toxic substances and explosives, management of natural resources, exploration, development of mines, production and post-closure reclamation, exports, price controls,

repatriation of capital and exchange controls, taxation, mining royalties, labour standards and occupational health and safety, including mine safety, and historic and cultural preservation.

The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, changes to existing laws and regulations (including the imposition of higher taxes and mining royalties) or more stringent enforcement or restrictive interpretation of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of the Group's operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety impacts of the Group's past and current operations, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions.

**The Group's activities are subject to environmental hazards as a result of the processes and chemicals used in the Group's extraction and production methods, which could have a material adverse effect on the Group's business, financial condition or result of operations.**

Mining activities are generally subject to environmental hazards as a result of the processes and chemicals used in the extraction and production methods. In particular, the Group employs cyanide in the production of its doré and high levels of naturally occurring arsenic may be found in its concentrate production at the Arcata unit. As a result, environmental hazards may exist at the Group's properties which are currently unknown to it or may arise irrespective of whether the Group is in compliance with current environmental regulations. In addition, the storage of tailings may present a risk to the environment, property and persons. Whilst the design of the Group's tailings dams is in accordance with governmental guidance in each of the countries where it operates and the Group has only previously experienced minor leakage from one of its dams at the Arcata unit in Peru, there remains a risk of leakage from or failure of the Group's tailings dams. Furthermore, whilst the Group treats the water discharged from its operating facilities in accordance with Peruvian, Mexican and Argentine law and current international standards, the long term implications of such discharge on the environment are difficult to predict.

The Group may be liable for losses associated with such hazards, or may be forced to undertake extensive remedial clean-up action or to pay for governmental remedial clean-up actions, even in cases where such hazards have been caused by previous or subsequent owners or operators of the property, or by the past or present owners of adjacent properties or by natural conditions. Although the Directors believe the Group is in substantial compliance with applicable laws and regulations, they cannot guarantee that any such law, regulation, enforcement or private claim will not have a material adverse effect on the Group's business, financial condition or results of operations.

In addition, Peru, Argentina and Mexico are all signatories to, and have each ratified, the Kyoto Protocol. The Kyoto Protocol is intended to limit or capture emissions of greenhouse gases such as carbon dioxide and methane. Whilst the precise nature of the revised environmental regulations and enforcement regime within these jurisdictions is yet to be finalised, compliance with new environmental requirements that may be enacted to ensure compliance with the Kyoto Protocol may require the Group to incur significant capital expenditure and failure to comply with any new legislation could result in the Group incurring fines and other penalties.

**The Group's mining concessions may be terminated in certain circumstances.**

Under the laws of the jurisdictions where the Group's operations, development projects and prospects are located, mineral resources belong to the state and government concessions are required to explore for and exploit mineral reserves. The Group holds mining, exploration and other related concessions in each of the jurisdictions where it is operating and where it is carrying on development projects and prospects. The concessions held by the Group in respect of its operations, development projects and prospects may be terminated under certain circumstances, including where minimum investment or production levels are not achieved by the Group (or a corresponding penalty is not paid), if certain fees are not paid or if environmental and safety standards are not met. Termination of any one or more of the Group's mining, exploration or other concessions could have a material adverse effect on the Group's financial condition or results of operations.

**Costs associated with the Mine Closure Laws in Peru, Argentina and Mexico could have a material adverse effect on the Group's financial condition or results of operations.**

Mine operators in Peru, Argentina and Mexico are subject to the mine closure obligations under the existing legislation or pursuant to contractual arrangements. Although the Issuer has provisions for mine closures, there can be no assurance that costs associated with closure of any of the Group's operating mines would not exceed such provisions, which could have a material adverse effect on its financial condition or results of operations.

**The Group is required to obtain governmental permits to expand operations or commence new operations. The costs and delays associated with such approvals could affect the Group's operations, reduce the Group's revenues, and negatively affect the Group's business as a whole.**

The Group is required to seek governmental permits for the expansion of existing operations or for the commencement of new operations in each of the jurisdictions where its operations, development projects and prospects are located. Obtaining the necessary governmental permits is a complex and time-consuming process often involving public hearings and costly undertakings. The duration and success of permitting efforts are contingent on many factors that are outside the Group's control. The governmental approval process may increase costs and cause delays, depending on the nature of the activity to be permitted, and could cause the Group not to proceed with the development of a mine.

***Risks relating to operating in Peru, Mexico and Argentina***

**Local economic and political conditions may have a material adverse effect on the Group's financial condition or results of operations.**

The Group's operating mines are located in Peru, Mexico and Argentina. Accordingly, the Group's business, financial condition or results of operations could be adversely affected by changes in economic or other policies of the Peruvian, Mexican or Argentinean governments or other political, regulatory or economic developments in these jurisdictions.

Latin America in general, and the jurisdictions where the Group's operations, development projects and prospects are located in particular, have had a history of political instability that has included a succession of regimes with differing policies and programmes. Past governments in each of these jurisdictions have frequently intervened in the nation's economy and social structure. Among other actions, past governments have imposed controls on prices, exchange rates and local and foreign investment as well as limitations on imports, restricted the ability of companies to dismiss employees, expropriated private sector assets (including mining companies) and prohibited the remittance of profits to foreign investors.

The Directors cannot predict future election results nor whether the elected parties will maintain policies that are conducive to a business environment within the relevant country.

**Localised violence in Mexico linked to drug-trafficking could lead to disruption in the Group's Mexican operations, development projects and prospects which, in turn, could have a material adverse effect on the Group's financial condition or results of operations.**

Certain areas in the north of Mexico have experienced outbreaks of localised violence linked to drug-trafficking in the region. Whilst the Group's Mexican operations, projects and prospects have, to date, been materially unaffected by such outbreaks, any increase in the level of violence, or a concentration of the violence in areas where the Group's Mexican operations, projects and prospects are located, could have a material adverse effect on the Group's financial condition or results of operations.

**Potential local opposition to mining could lead to disruption in the Group's mine development projects and prospects which could have a material adverse effect on the Group's financial condition or results of operations.**

There is the potential for local opposition to mine development projects and prospects. Opposition in each of the jurisdictions where the Group's operations, development projects and prospects are located has arisen in the past. Whilst the Group believes it maintains good relations with local communities, the Group cannot rule out the possibility of local opposition arising in the future in respect of its existing operations, development projects or prospects or in relation to obtaining concessions for

current or future projects. If the Group were to experience opposition in connection with its existing operations or current or future projects, it could have a material adverse effect on the Group's financial condition or results of operations.

**The courts of the jurisdictions in which the Group operates or might operate in the future may offer less certainty as to the judicial outcome or less effective forms of redress or a more protracted judicial process than is the case in the United States and western Europe which could result in risks for the Group.**

The courts and legal systems in the jurisdictions in which the Group operates or might operate in the future may offer less certainty as to judicial outcome and less effective forms of redress than is the case in the United States or western Europe. Accordingly, the Group could, *inter alia*, face risks from (i) a higher degree of discretion on the part of governmental authorities; (ii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iii) inconsistencies or conflicts between and with various laws, regulations, decrees, orders and resolutions; (iv) relative inexperience of the judiciary and courts in such matters; or (v) a more protracted judicial process resulting in delays in reaching a judicial outcome. Similarly, there may be less certainty that government officials and agencies will abide by legal requirements, licences, permits and negotiated agreements. There can be no assurance that the foregoing would not have an adverse effect on the validity or enforceability of the joint ventures, licences, permits or other legal arrangements entered into by the Group or the application or enforcement of laws and regulations to which the Group is subject.

#### ***Risks relating to the Group's structure***

**Certain principal shareholders exercise significant control over the Group and, as a result, investors may not be able to influence the outcome of important decisions in the future.**

The principal shareholder of the Issuer (the "**Principal Shareholder**"), which is controlled by Eduardo Hochschild, the Executive Chairman of the Issuer, beneficially owns over 50 per cent. of the issued Ordinary Shares in the Issuer. As a result, this Principal Shareholder will be able to exercise significant influence over all matters requiring shareholder approval, including the election of Directors and significant corporate transactions. The Issuer has entered into a relationship agreement with the Principal Shareholder and Eduardo Hochschild dated 20 October 2006 (the "**Relationship Agreement**") to ensure that the Group is capable of carrying on its business independently, and to ensure that transactions and relationships between the Group, the Principal Shareholder and Eduardo Hochschild are at arm's length and on normal commercial terms. See "*Principal Shareholder*" for further information on the Relationship Agreement.

However, the concentration of ownership may have the effect of delaying or deterring a change in control of the Group, could deprive shareholders of an opportunity to receive a premium for their Ordinary Shares as part of a sale of the Group and might affect the market price and liquidity of the Ordinary Shares.

**Because the Issuer is primarily a holding company, its ability to pay dividends depends upon the ability of its subsidiaries to pay dividends and to advance funds.**

The payment of dividends by the Issuer is subject to the Issuer having sufficient distributable reserves for such purposes. The Issuer is reliant upon receiving dividends from its subsidiaries in order to generate distributable reserves, which may impact the Issuer's ability to pay dividends. Other contractual and legal restrictions applicable to the Issuer's subsidiaries could also limit its ability to obtain cash from them, including under the terms of the secured loan agreement dated 28 January 2008 (the "**Secured Loan Agreement**"). The Issuer's rights to participate in any distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of the subsidiaries' creditors, including any trade creditors.

#### ***Risks Relating to the Bonds***

**Bonds May Not Be a Suitable Investment for All Investors.**

Each potential investor in the Bonds must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- (iii) understand thoroughly the terms of the Bonds and be familiar with the behaviour of financial markets in which they participate; and
- (iv) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

**The holding company structure of the Group means that the claims of creditors of subsidiaries of the Issuer will generally have priority over claims on the Bonds.**

The Issuer is a holding company and derives the majority of its operating income and cash flow from its subsidiaries. It must rely upon distributions from its subsidiaries to generate funds necessary to meet its obligations under the Bonds. The Bonds will constitute (subject to the provisions of Condition 2 below – see "*Terms and Conditions of the Bonds – Negative Pledge*") unsecured obligations of the Issuer and will rank *pari passu* with all other future unsecured and unsubordinated obligations of the Issuer. These obligations will also be structurally subordinated to the holders of secured and unsecured debt and other creditors of subsidiaries to the Issuer.

**There is No Established Trading Market for the Bonds.**

The Bonds are new securities which may not be widely distributed and for which there is currently no established trading market. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, the Issuer's results of operations and the market price of the Ordinary Shares. Although applications have been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UKLA**") for the Bonds to be admitted to the official list of the UKLA (the "**Official List**") and to trading on the Professional Securities Market (the "**PSM**") of the London Stock Exchange (the "**LSE**"), there is no assurance that such applications will be accepted or that an active trading market for the Bonds will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds.

**Bondholders Will Bear the Risk of Fluctuation in the Price of the Ordinary Shares.**

In recent years, the securities markets have experienced a high level of price and volume volatility and the market price of securities of many companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values of prospects of such companies. The market price of the Bonds is expected to be affected by fluctuations in the market price of the Ordinary Shares and it is impossible to predict whether the price of the Ordinary Shares will rise or fall. Trading prices of the Ordinary Shares will be influenced by, among other things, the financial position of the Issuer, the results of operations and political, economic, financial and other factors. Any decline in the market price of the Ordinary Shares may have an adverse effect on the market price of the Bonds.

Future issues of, or disposals of the Ordinary Shares by substantial shareholders may significantly affect the trading price of the Bonds or the Ordinary Shares. Even the expectation that such issues or disposals may occur may significantly affect the trading price of the Bonds and the Ordinary Shares. The Issuer has agreed to certain restrictions on its ability to issue or dispose of Ordinary Shares or related securities for 180 days after the issue of the Bonds. Except for such restrictions and the undertakings of the Issuer described in Condition 10 below (see "*Terms and Conditions of the Bonds - Undertakings*"), there is no restriction on the Issuer's ability to issue Ordinary Shares, and there can be no assurance that the Issuer will not issue Ordinary Shares or that any substantial shareholder will not dispose of, encumber, or pledge its Ordinary Shares or related securities.

**The Permanent Global Bond is Held by or on Behalf of Euroclear and Clearstream, Luxembourg.**

The Bonds will be represented by the permanent global bond ("**Permanent Global Bond**"). The Permanent Global Bond will be deposited with a common depository for Euroclear S.A/N.V ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Except in certain limited circumstances described in the Permanent Global Bond, investors will not be entitled to receive Bonds in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Permanent Global Bond. While the Bonds are represented by the Permanent Global Bond, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Bonds by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in a Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bond.

**Modification, Waivers and Substitution.**

The Trust Deed constituting the Bonds contains provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Conditions of the Bonds also provide that the Trustee may, without the consent of Bondholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Bonds or (ii) determine without the consent of the Bondholders that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of any Subsidiary of the Issuer as principal debtor under the Bonds in place of the Issuer, in the circumstances described in Condition 13 see "*Terms and Conditions of the Bonds – Meetings of Bondholders, Modification and Waiver, Substitution*".

**EU Savings Directive.**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**"), Member States of the European Union are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident, or to certain limited types of entities established, in another Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead (unless during that period they elect otherwise) operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no interest be withheld) (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008, the European Commission issued a report to the Council of the European Union on the operation of the Savings Directive, which included the European Commission's advice on the need for changes to the Savings Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Savings Directive, they would amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to the Bonds as a result of the imposition of such withholding tax. The Issuer is required to maintain a

Paying and Conversion Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

**Bondholders Have Limited Anti-Dilution Protection.**

The Conversion Price at which the Bonds may be converted into Ordinary Shares will be adjusted in the event that there is a consolidation, reclassification or subdivision of the Ordinary Shares, capitalisation of profits, the payment of any dividend or the making of a distribution by the Issuer, rights issue or grant of other subscription rights or other adjustment, including a spin-off event, which affects the Ordinary Shares, but only in the situations and only to the extent provided under "*Terms and Conditions of the Bonds – Conversion of Bonds*". There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares. Events in respect of which no adjustment is made may adversely affect the value of the Ordinary Shares and, therefore, adversely affect the value of the Bonds.

**Risks Attached to the Exercise of Conversion Rights.**

At any point when the Bonds are outstanding, depending on the performance of the Ordinary Shares, the value of the Ordinary Shares may be substantially lower than when the Bonds were initially purchased. In addition, because there will be a delay between when Conversion Rights are exercised and when Ordinary Shares are delivered, the value of the Ordinary Shares to be delivered may vary substantially between the date on which Conversion Rights are exercised and the date on which such Ordinary Shares are delivered.

**The Bonds may be redeemed prior to maturity.**

The Conditions provide that the Bonds are redeemable at the Issuer's option in certain limited circumstances and accordingly the Issuer may choose to redeem the outstanding Bonds at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security bearing an effective interest rate as high as that of the Bonds.

**There is a limited period for, and there are costs associated with, the exercise of Conversion Rights.**

A Bondholder will, subject as more fully described herein under "*Terms and Conditions of the Bonds*", have the right to convert his or her Bonds into Ordinary Shares. Conversion Rights may be exercised, subject as provided herein, at any time on or after 30 November 2009 up to: (a) the close of business (at the place where such Bond is deposited for conversion) seven calendar days prior to the Final Maturity Date; or (b) if the Bonds have been called for redemption by the Issuer before the Final Maturity Date, up to (and including) the close of business seven calendar days prior to the date fixed for redemption. If the Conversion Rights are not exercised by Bondholders during this period, the Bonds will be redeemed at their principal amount on the Final Maturity Date, together with unpaid accrued interest, unless the Bonds are previously purchased and cancelled or redeemed in accordance with the Conditions.

**Exchange rate risks and exchange controls.**

The Issuer will pay principal and interest on the Bonds in U.S. dollars, and, in certain specified circumstances, in sterling (the "**Specified Currencies**" and each, a "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currencies. These include the risk that exchange rates may significantly change (including changes due to devaluation of a Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to a Specified Currency would decrease (i) the Investor's Currency equivalent yield in the Bonds, (ii) the Investor's Currency equivalent value of the principal payable on the Bonds and (iii) the Investor's Currency equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.



**Interest rate risks.**

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bond.

**Legal investment consideration may restrict certain investment.**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

## **USE OF PROCEEDS**

The net proceeds of the offering of the Bonds, after deduction of underwriting fees, discounts, and commissions and other estimated expenses associated with the offering, will be approximately U.S.\$112.5 million.

The Issuer intends to use the net proceeds of the offering of the Bonds to, among other things, repay certain existing debt, fund acquisitions and for other general corporate purposes. Pending such use, the Issuer intends to invest the net proceeds in high quality interest-bearing investments.

## HOCHSCHILD MINING PLC

Hochschild Mining plc (for the purposes of this section, the "**Company**" and together with its subsidiary undertakings, the "**Group**") is a public limited company which was incorporated on 11 April 2006 under the Companies Act 1985 as a limited company and registered in England and Wales with registered number 05777693. The Company's registered office is located at 46 Albemarle Street, London W1S 4JL, United Kingdom (telephone number: +44 (0) 207 907 2930). The Company's headquarters are located in Peru at Calle La Colonia No. 180, Urb. El Vivero, Santiago de Surco, Lima 33 (telephone number: +511 317 2000). In addition, the Group has offices in Argentina, Chile, Mexico and the United Kingdom.

The Company was incorporated to serve as a holding company to be listed on the London Stock Exchange plc (the "**LSE**"). The Company acquired its interest in a group of companies to constitute the Hochschild Mining Group pursuant to a share exchange agreement dated 2 November 2006. On 8 November 2006, the Company's shares were admitted to the Official List of the UK Listing Authority (the "**Initial Public Offering**") and admitted to trading on the LSE's main market for listed securities. The ultimate controlling party of the Company is Mr Eduardo Hochschild, the Executive Chairman of the Company, whose beneficial interest in the Group is held through Pelham Investment Corporation, a Cayman Islands company.

### Overview

The Group is an underground precious metals producer focusing on the exploration, mining, processing and sale of silver and gold. The Group has over 40 years' experience in the exploration, evaluation and extraction of precious metal epithermal vein deposits. The Group is the third largest primary silver producer globally [source: 2008 Annual Report], having produced 16.9 million ounces of silver in 2008, and produces a significant quantity of gold (152.9 thousand ounces of gold in 2008).

The Group has three operating mines (Ares, Arcata and Pallancata) located in southern Peru, one operating mine (San José) located in Argentina, one operating mine (Santa Maria de Moris) located in northern Mexico, a plant (Selene) located in southern Peru which processes ore from Pallancata as well as a portfolio of projects located across the Americas including Canada, via its investment in Lake Shore Gold Corp and in southern Mexico via its investment in Gold Resource Corporation.

### Group strategy

The Group aims to continue its growth as a leading international underground precious metals producer by implementing the following two-pronged strategy, whilst maintaining a strong focus on responsibility and excellence:

- maximising the potential of its existing operations by focusing on efficiency and rigorous mine planning and cost controls; and
- bringing into production new and profitable precious metals projects in the Americas.

#### *Basis of the Group's strategy*

The Group's strategy is based on the following operational and financial objectives:

#### Operational:

- producing profitable ounces, meeting production targets and maintaining low operating costs;
- growing the asset base by expanding reserves and resources at existing operations and executing a cluster consolidation acquisition and joint venture strategy;
- ensuring the highest standards of health, safety and environmental performance.

#### Financial:

- generating strong cash flow;
- steadily increasing return on capital employed; and
- delivering value to shareholders.

The Group intends to execute the above strategy through a combination of organic growth, merger and acquisition growth and pipeline growth (via joint ventures and greenfield exploration).

#### *Organic growth*

The Group is focused on maximising the potential at its existing operations. Each site is regularly reviewed to make sure that the Group is running at optimum efficiency whilst planning for long-term growth. In 2008 this included investment in plant expansions as well as mine-site exploration. With its commitment to cash preservation in 2009, the Group is focusing on operational efficiency and effective mine planning.

In 2008, the Group completed capacity expansions at:

- Arcata (by 46 per cent.);
- San José (by 100 per cent.); and
- Selene/Pallancata (by 50 per cent.)

#### *Pipeline growth*

The Group continually assesses new opportunities at all stages of development. Projects enter the Group's pipeline either by joint venture or internal discovery (greenfield exploration) and are subject to a strict internal evaluation process. The Group's pipeline comprises a number of advanced development projects and long-term prospects in Peru, Argentina, Mexico, Chile and Canada. See "Investments" below for more information.

#### *Merger and acquisition growth*

The Group has adopted a highly selective approach to acquisitions and undertakes rigorous evaluation before pursuing opportunities to ensure that, in the long-term, all transactions are value accretive. The Group is focused on:

- high grade, underground precious metals assets;
- cluster consolidation - leveraging existing operations and management expertise;
- specific geological regions: Peru, Argentina, Mexico, Chile and Canada; and
- bolt-on acquisitions or joint ventures.

#### **Key strengths**

The Directors believe that the key strengths of the Group are as follows:

##### *One of the key leading precious metal producers globally*

The Group is a leading precious metal producer and the third largest primary silver producer globally [source: 2008 Annual Report]. It produced 16.9 million attributable ounces of silver in 2008 and is also a significant producer of gold (152.9 thousand attributable ounces of gold in 2008).

##### *Proven track record of production growth*

The Group's operating mines have a history of stable or increased production. Total production increased from 18.5 million silver equivalent ounces in 2002 to 26.1 million attributable silver equivalent ounces in 2008.

The Group's production target for 2009 is to produce 28 million attributable silver equivalent ounces, representing a 7 per cent. increase over 2008 production. In the six months ended 30 June 2009, the Group achieved record half year production, up 17 per cent. year-on-year to 13.9 million silver equivalent ounces and is on track to meet the 2009 production target.

### *Unrivalled regional knowledge and underground mining expertise*

The Group has over forty years of experience in the exploration, evaluation and extraction of precious metal deposits. Its management team has a broad-based experience ranging from greenfield exploration to developing and operating underground and open pit mines, joint ventures, as well as executing acquisitions. The Group has significant expertise in narrow epithermal veins in difficult conditions as well as in open pit mining. The Group continues to develop a network of contacts through its offices in Argentina, Chile, Mexico and Peru, and has gained significant knowledge of the social, political and cultural landscape of the region.

### *Attractive growth opportunities from both development projects and prospects*

To strengthen and expand its existing operations and project pipeline, the Group is intending to invest approximately U.S.\$30 million in brownfield and greenfield exploration in 2009. During the drill programme at Arcata, the Group's flagship silver mine in southern Peru, two new mineralised structures have been discovered in close proximity to the property's existing Mariana vein. Also in southern Peru, the Group has identified a number of high grade veins which have the potential to complement production at the Pallancata operation.

In addition, the Group has two brownfield projects which are within its operational cluster in southern Peru. Azuca, where the Group is moving towards an initial economic assessment, is 100 per cent. owned by the Group and has an initial resource of 1.8 million tonnes with 327 g/t silver and 1.34 g/t gold. Preliminary results at Crespo (southern Peru), which was acquired as part of the Group's Liam land package (a 282,000 hectare land package around the Group's four existing Peruvian operations), show gold-silver deposits with high-grade zones and the Group aims to have the first resource estimation on this project by the end of 2009.

The Group is also focused on greenfield exploration. Its project pipeline has a number of prospects in mining districts throughout the Americas at various stages of development. The Group is particularly focused on its extensive land package in southern Peru. See "*Investments*" below for further details.

### *Responsibility towards employees, the environment and local communities*

The Company is focused on maintaining its corporate culture of fostering respect for the well-being of its employees and contractors, the environment and the local communities in which it operates. Underpinning the Group's operations is also its commitment to the health and safety of all its employees.

Since the Company's Initial Public Offering in 2006 it has established a Corporate Social Responsibility ("**CSR**") Committee with delegated responsibility for various CSR issues, focusing on compliance with national and international standards and ensuring that appropriate systems and practices are in place throughout the Group to ensure the effective management of CSR-related risks. Regrettably, the Group has had three fatal accidents during 2009.

The Company continues to invest in operating controls and processes to ensure the highest standards of safety. During 2008 the Group's OHSAS18001 accreditation at its wholly owned Peruvian mines was independently audited and re-certified. The Company also achieved Level 3 in the implementation of the De Norske Veritas ("**DNV**") management information system which provides a framework to improve occupational health and safety performance, including risk and opportunity identification, analysis, target setting and measurement.

### **Operating mines**

As at the date of this Offering Circular the Group had interests in the following operating mines and plants:

#### Peru

In Peru the Group controls:

- 100 per cent. of Ares;

- 100 per cent of Arcata;
- 100 per cent of Selene; and
- 60 per cent. of Pallancata (the remaining 40 per cent. is controlled by International Minerals Corporation).

#### Mexico

In Mexico the Group controls:

- 100 per cent of Moris.

#### Argentina

In Argentina the Group controls:

- 51 per cent of San José (the remaining 49 per cent. is controlled by Minera Andes Inc.).

### **Revenue**

*Audited revenue for the two years ended 31 December 2008*

The table below sets out a summary of the Group's revenue for each mine for the two years ended 31 December 2008.

	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>%</b>
	<b>(U.S.\$)</b>	<b>(U.S.\$)</b>	<b>change</b>
<b>Silver revenue</b>			
Arcata (Peru) .....	119,284	94,754	
Ares (Peru) .....	38,196	38,078	
Selene (Peru) .....	29,168	48,593	
Pallancata (Peru).....	48,207	8,342	
San José (Argentina).....	52,942	744	
Moris (Mexico).....	992	26	
Commercial Discounts* .....	(24,712)	(11,697)	111
Net silver revenue* .....	264,077	178,840	48
<b>Gold revenue</b>			
Arcata (Peru) .....	20,344	11,924	
Ares (Peru) .....	67,899	97,469	
Selene (Peru) .....	8,714	14,807	
Pallancata (Peru).....	13,214	1,749	
San José (Argentina).....	40,095	532	
Moris (Mexico).....	24,380	347	

Commercial Discounts* .....	(5,423)	(1,578)	244
Net gold revenue* .....	169,223	125,250	35
Other revenue*/** .....	479	931	(49)
<b>Total revenue*</b>	<b>433,779</b>	<b>305,021</b>	<b>42</b>

\* the figures for the percentage changes have only been given in respect of Commercial Discounts, Net silver revenue, Net gold revenue, Other revenue and Total revenue.

\*\*"Other revenue" includes revenue from base metal components in the concentrate sold from the Arcata mine net of commercial discounts and revenue from the sale of energy.

Revenues of the Group increased by 42 per cent. from U.S.\$305 million for the year ended 31 December 2007 to U.S.\$433.8 million for the year ended 31 December 2008 (comprising net silver revenue of U.S.\$264.1 million and net gold revenue of U.S.\$169.2 million).

#### *Unaudited revenue for the six months ended 30 June 2009*

The Group's unaudited revenue from continuing operations, net of commercial discounts, for the six months ended 30 June 2009, was U.S.\$230.6 million compared to U.S.\$231.8 million for the six months ended 30 June 2008. This represents a decrease of one per cent., primarily due to lower silver prices (U.S.\$13.2/oz in the six months ended 30 June 2009 compared to U.S.\$ 17.4/oz in the six months ended 30 June 2008) and higher commercial discounts resulting from the Group's increased production of concentrate and the worsening terms relating to such. These effects were partially offset by the 17 per cent. increase in attributable production in the six months ended 30 June 2009.

#### Silver:

Gross revenue from silver increased three per cent. in the six months ended 30 June 2009 to U.S.\$164.4 million (compared to U.S.\$159.6 million in the six months ended 30 June 2008) as a result of increased production following capacity expansions at Arcata, Pallancata and San José.

#### Gold:

Gross revenue from gold increased ten per cent. in the six months ended 30 June 2009 to U.S.\$93.5 million (compared to U.S.\$85.3 million in the six months ended 30 June 2008) also as a result of increased production following capacity expansions at Arcata, Pallancata and San José.

#### Commercial discounts:

Commercial discounts primarily refer to refinery charges for processing mineral ore and are discounted from revenue on a per tonne or per ounce basis. In the six months ended 30 June 2009, commercial discounts were U.S.\$22.9 million, representing a 60 per cent. increase on the six months ended 30 June 2008. This is a result of the Group's higher production of concentrate following the capacity expansions completed in the second half of 2008 and also higher treatment charges due to a higher proportion of base metals in Arcata's concentrate. The ratio of commercial discounts to gross revenue increased from six per cent., in the six months ended 30 June 2008, to nine per cent. in the six months ended 30 June 2009.

#### **Group structure**

The Company is the holding company of the Group. The following table shows the details of the Company's significant subsidiaries. The issued share capital of each of these companies is fully paid and each will be included in the consolidated accounts of the Group.

<b>Name of Company Ownership</b>	<b>Country of Incorporation</b>	<b>General Nature of Business</b>	<b>Percentage Ownership</b>
Compañía Minera Ares S.A.C,.....	Peru	Mining	100
Minera Suyamarca S.A.C. ....	Peru	Mining	60
Minera Hochschild Mexico S.A. de C.V. ....	Mexico	Mining	100
MH Argentina S.A.....	Argentina	Mining	100
Minera Santa Cruz S.A.....	Argentina	Mining	51
Minera MH Chile Ltda.....	Chile	Mining	100

### **Description of the business**

The Group's primary business is the exploration, mining, processing and sale of silver and gold. It is the third largest primary silver producer in the world and a developing producer of gold. Approximately 61 per cent. of the Group's revenue in 2008 was derived from silver and 39 per cent. from gold. During the first six months of 2009, the Group produced 9.2 million ounces of silver, up 24 per cent. compared to the six months ended 30 June 2008 and 78 thousand ounces of gold, up five per cent. compared with the six months ended 30 June 2008.

#### *Silver market in 2008 and the first half of 2009*

The price of silver is primarily determined by changes in supply and demand, which are in turn significantly affected by changes in the global economic conditions and related industry cycles. Generally, producers of silver are unable to influence prices directly.

2008 was a volatile year for commodities, particularly in the second half of the year due to concerns about the world's banking sector and the possibility of a protracted global recession.

Silver's unique industrial properties and its role as a store of value mean that its price is impacted by the drivers for both precious and base metals. Consequently, 2008 was a volatile year for silver, which reached highs of nearly U.S.\$21/oz in March 2008 followed by lows below U.S.\$9/oz in October 2008 as the outlook for industrial demand and the general investor sell-off impacted commodity prices. Despite such fluctuations in price, in the second half of 2008 silver achieved an annual average price of U.S.\$14.98/oz, up 12 per cent. year-on-year [source: Bloomberg].

Even though during the six months ended 30 June 2009 silver prices were on average 22 per cent. lower than the equivalent period in 2008, the Group's revenues for the six months ended 30 June 2009 decreased by only one per cent. compared to the six months ended 30 June 2008.

In the six months ended 30 June 2009, the average realised sale price of silver was 13.0 U.S.\$/oz. [Source: the 2009 Interim Report].

#### *Gold market in 2008 and the first half of 2009*

In 2008 gold achieved a record annual average price of U.S.\$871.96/oz and daily nominal highs over U.S.\$1,000/oz in March 2008, as a result of soaring oil prices and significantly lower exchange rate for U.S. dollars. Strong demand from investors seeking a safe haven in gold and silver counteracted the decline in commodity prices, between March and October 2008, driven by institutional investors selling their investments in indices and baskets of securities.

The level of demand from investors remains the key driver of the price of gold. In 2008, the rising level of demand from investors counteracted lower demand for jewellery which fell four per cent. in 2008 year-on-year. On the supply side, global mine production fell by an estimated four per cent. to 2,385 tonnes and scrap volumes increased 13 per cent. as a result of higher and often volatile gold prices.



In the six months ended 30 June 2009, the average realised sale price of gold was 899.9 U.S.\$/oz. [Source: the 2009 Interim Report].

## Operations

### *Arcata, Peru*

#### *General facts*

- Group Ownership: 100 per cent.
- Start of production: 1964
- Property Size: 47,000 hectares
- Capacity: 1,750 tonnes per day
- 2008 silver production: 9,032 thousand ounces
- 2008 gold production: 24.04 thousand ounces

#### *Overview*

The Arcata site is located in the department of Arequipa in southern Peru, approximately 300 kilometres from the city of Arequipa, at an altitude of 4,600 metres above sea level.

The mine is conformed by vein systems where the epithermal vein deposits are of an intermediate sulphidation type with predominant silver values and variable quantities of gold and base metals. The veins are mined by conventional and mechanised (trackless) cut-and-fill breast or overhand stoping methods utilising timber support.

The unit operates an underground mine and a concentrator for the production of silver concentrate with gold content. The concentrator produces silver-gold bulk concentrate by flotation with a capacity to treat 1,750 thousand tonnes per day. In 2008, Arcata produced 20,639 tonnes of concentrate with 9 million ounces of silver and 24 thousand ounces of gold. The silver production was up 38 per cent. and gold production up 46 per cent. year-on-year. In 2008, Arcata's concentrate production was primarily sold to Peñoles, Traxys, Cormin and Louis Dreyfus.

#### *Production*

Arcata's production statistics for the two years ended 31 December 2008 are set out in the following table:

	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>% change</b>
Ore production (tonnes).....	557,870	415,400	34
Average head grade silver (g/t).....	571.37	560.04	2
Average head grade gold (g/t).....	1.53	1.43	7
Concentrate produced (tonnes).....	20,639	16,665	24
Silver grade in concentrate (kg/t).....	13.94	12.12	15
Gold grade in concentrate (kg/t).....	0.04	0.03	33
Silver produced (koz).....	9,032	6,553	38
Gold produced (koz).....	24.04	16.48	46

Silver sold (koz).....	8,564	6,544	31
Gold sold (koz).....	22.36	15.50	44

Arcata's production statistics for the six months ended 30 June 2009 and 2008 are set out in the following table:

	<b>For the six months ended 30 June</b>		
	<b>2009</b>	<b>2008</b>	<b>% change</b>
Ore production (tonnes)	311,506	228,561	36
Average head grade silver (g/t)	540.84	554.90	(3)
Average head grade gold (g/t)	1.61	1.38	17
Concentrate produced (tonnes)	11,388	8,376	36
Silver grade in concentrate (kg/t)	13.39	13.49	(1)
Gold grade in concentrate (kg/t)	0.04	0.03	33
Silver produced (koz)	4,970	3,633	37
Gold produced (koz)	14.08	8.89	58
Silver sold (koz)	4,174	3,550	18
Gold sold (koz)	11.98	8.34	44

#### *Exploration, reserves and resources*

In the year ended 2008, the Group incorporated 21.7 million ounces of silver equivalent into indicated resources and 19.8 million ounces of silver equivalent into reserves.

The Group continues to increase reserves and resources in the Mariana, Julia, Michelle, Soledad, Ramal Marion, Nicole and Soledad Norte veins. The Group is also exploring two new veins, Rosita and Luz and secondary structures mainly between Marion and Macarena (35,251 metres drilled in 132 holes; 4,478 metres of underground workings).

The 2009 exploration programme focuses on adding new reserves and resources primarily in the Rosita, Luz, Mariana and Nicole veins, as well as exploring new targets north of the Mariana structure through underground workings and drilling. Two new mineralised structures have been discovered in close proximity to the Mariana vein.

For statistical information on reserves and resources see section titled "*Reserves and resources*" on pages 125 to 128 of the 2008 Annual Report, incorporated by reference into this Offering Circular.

#### *Additional information*

As noted above the Group's revenue was negatively impacted by higher commercial discounts associated with the sale of concentrate. As a result, in June 2009, the Group commenced a project to convert 100 per cent. of Arcata's production to doré, which commands much lower commercial discounts than concentrate.

Arcata produced approximately 10.5 million silver equivalent ounces in 2008 which were sold in the form of concentrate to third parties for smelting and refining. By converting Arcata's concentrate to doré, the Group is intending to maximise net revenue as commercial discounts for doré are lower than the discounts applied to concentrate. Arcata should also benefit from lower working capital requirements and greater certainty over its cashflow as the sales cycle for doré is shorter (ten days on a

weighted average basis compared to 60 days for concentrate) and pricing is less volatile. In addition, selling expenses should decrease as a result of lower transportation costs, handling and shipping expenses.

The capital expenditure required to complete the project should be approximately U.S.\$25 million to U.S.\$30 million with an approximate two year pay-back. The project is scheduled to be completed in the second half of 2010.

### ***Ares, Peru***

#### *General facts*

- Group Ownership: 100 per cent.
- Start of production: 1998
- Property size: 22,700 hectares
- Capacity: 940 tonnes per day
- 2008 silver production: 1,538 thousand ounces
- 2008 gold production: 64.16 thousand ounces

#### *Overview*

The Ares site is situated 4,900 metres above sea level in the Andes Mountains, approximately 275 kilometres from the city of Arequipa, in southern Peru. The unit operates an underground mine and a processing plant with an ore production capacity of 940 thousand tonnes per day.

The underground mine is conformed by vein systems where the epithermal vein deposits represent gold and silver mineralisation of intermediate and low sulphidation type. The veins are mined by conventional and mechanised (trackless) cut-and-fill breast stoping methods utilising both rockbolts and timber as support.

The average reserve grade at Ares is declining due to the ageing and geological nature of the deposit. As a consequence, in the year ended 31 December 2008 the gold and silver production decreased, year-on-year, 57 per cent. and 43 per cent. respectively.

Ares produces 100 per cent. doré, all of which was sold to Johnson Matthey in 2008.

#### *Production*

Ares's production statistics for the two years ended 31 December 2008 are set out in the following table:

	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>% change</b>
Ore production (tonnes).....	347,910	333,800	4
Average head grade silver (g/t).....	156.95	279.25	(44)
Average head grade gold (g/t).....	6.06	14.57	(58)
Doré total (koz).....	1,608	2,593	(38)
Silver produced (koz).....	1,538	2,701	(43)

Gold produced (koz).....	64.16	149.98	(57)
Silver sold (koz)*.....	2,398	2,880	(17)
Gold sold (koz)**.....	77.44	157.77	(51)

\* Total sale figures include the sale of 746 koz of silver precipitates from San José.

\*\* Total sale figures include the sale of 11.14 koz of gold precipitates from San José.

Ares's production statistics for the six months ended 30 June 2008 and 2009 are set out in the following table:

	<b>For the six months ended 30 June</b>		
	<b>2009</b>	<b>2008</b>	<b>% change</b>
Ore production (tonnes).....	161,964	165,715	(2)
Average head grade silver (g/t).....	89.25	191.90	(53)
Average head grade gold (g/t).....	4.92	6.68	(26)
Doré total (koz).....	425.04	937	(55)
Silver produced (koz).....	399	900	(56)
Gold produced (koz).....	24.16	33.75	(28)
Silver sold (koz).....	395	1,078	(63)
Gold sold (koz).....	23.65	37.66	(37)

#### *Exploration, reserves and resources*

The average reserve grade at Ares is declining due to the geological nature of the deposit and the ageing of the mine.

During 2008 the Group drilled 5,690 metres and developed 1,062 metres of underground workings which resulted in 2.3 million ounces of silver equivalent. The Group is continuing to replace the ore in splays and tensional structures in the Victoria vein system. A new geological model was tested with 19 drill holes (6,226 metres) exploring the Apolo, Maria, Teresa and Tania vein targets, sub-parallel to the main Victoria system. In 2009, the Group's exploration efforts are focusing on developing resources and reserves at the Isabel, Tania and Maruja veins, located north of Victoria.

For statistical information on reserves and resources see section titled "Reserves and resources" on pages 125 to 128 of the 2008 Annual Report, incorporated by reference into this Offering Circular.

#### ***Selene, Peru***

##### *Overview*

The Selene site is located in the department of Apurímac in southern Peru, at an altitude of 4,600 metres above sea level and approximately 180 kilometres away from the Ares unit.

Selene was an operating mine until 28 May 2009 and produced 3,201 tonnes of concentrate with 1.6 million ounces of silver and 8.5 thousand ounces of gold in 2008. Selene's plant continues to process the ore from the Pallancata mine which is located 22 kilometres from Selene. The plant processes silver ore with associated gold to produce silver-gold bulk concentrate by flotation and operates at a capacity of 3,000 thousand tonnes per day.

## ***Pallancata, Peru***

### *General facts*

- Group Ownership: 60 per cent.
- Start of production: Third quarter of 2007
- Property size: 7,330 hectares
- Capacity: 3,000 tonnes per day (processed at Selene Plant)
- 2008 silver production: 4,188 thousand ounces
- 2008 gold production: 16.16 thousand ounces

### *Overview*

The Pallancata silver-gold property is located in the department of Ayacucho, southern Peru and approximately 180 kilometres southwest of Cuzco.

The Group owns 60 per cent. of the Pallancata operation and is the operator. The remaining 40 per cent. is held by Minera Oro Vega S.A.C. (a subsidiary of International Minerals Corporation).

The Group commenced operations on the mine in the third quarter of 2007 at an initial rate of 180 thousand tonnes per annum. The Pallancata ore is transported approximately 22 kilometres to the Group's Selene plant for processing and is sold in the form of silver-gold concentrate. Pallancata recorded strong production results in its first full year of operation, with silver and gold production increasing 495 per cent. and 486 per cent. year-on-year to 4.2 million ounces and 16.16 thousand ounces respectively. In 2008 the silver-gold concentrate from Pallancata was sold to Teck Cominco.

### *Production*

Pallancata's production statistics for the two years ended 31 December 2008 are set out in the following table:

	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>% change</b>
Ore production (tonnes).....	468,125	78,335	498
Average head grade silver (g/t).....	312.18	310.02	1
Average head grade gold (g/t).....	1.49	1.49	0
Concentrate produced (tonnes).....	4,265	638	568
Silver grade in concentrate (kg/t).....	30.54	34.28	(11)
Gold grade in concentrate (kg/t).....	0.12	0.13	(8)
Silver produced (koz).....	4,188	704	495
Gold produced (koz).....	16.16	2.76	486
Silver sold (koz).....	3,852	550	600
Gold sold (koz).....	14.81	2.03	630

Pallancata's production statistics for the six months ended 30 June 2009 and 2008 are set out in the following table:

	<b>For the six months ended 30 June</b>		
	<b>2009</b>	<b>2008</b>	<b>% change</b>
Ore production (tonnes).....	375,840	134,410	180
Average head grade silver (g/t).....	302.75	339.64	(11)
Average head grade gold (g/t).....	1.34	1.67	(20)
Concentrate produced (tonnes).....	3,004	1,388	116
Silver grade in concentrate (kg/t).....	32.95	29.77	11
Gold grade in concentrate (kg/t).....	0.13	0.12	8
Silver produced (koz).....	3,182	1,329	139
Gold produced (koz).....	12.11	5.16	135
Silver sold (koz).....	3,190	1,187	169
Gold sold (koz).....	11.44	4.57	150

#### *Exploration, reserves and resources*

Underground workings at the Pallancata Central, Ramal Central, Cimoide 1, María and Sofía veins resulted in a major conversion of resources into reserves of 47.5 million ounces of silver equivalent.

In 2008, 5,332 metres were drilled in 67 drill holes at the Pallancata-Oeste, Pallancata-Central veins and associated secondary structures, developing an inferred resource of 10.1 million ounces of silver equivalent.

In 2009, the Group is undertaking a drill programme focusing on near-mine exploration within three kilometres of the current mine underground workings. The drill programme aims to define additional mineral resources and includes approximately 56 core drill holes (totalling approximately 16,428 metres) from surface. Several high-grade silver intercepts have been reported to date. These high-grade veins could potentially complement production at Pallancata. For statistical information on reserves and resources see section titled "*Reserves and resources*" on pages 125 to 128 of the 2008 Annual Report, incorporated by reference into this Offering Circular.

#### ***San José, Argentina***

##### *General facts*

- Group Ownership: 51 per cent.
- Start of production: Second quarter of 2007
- Property size: 40,449 hectares
- Capacity: 1,500 tonnes per day
- 2008 silver production: 4,381 thousand ounces
- 2008 gold production: 54.26 thousand ounces

### Overview

The San José silver-gold mine is located in Argentina in the province of Santa Cruz, 1,750 kilometres southwest of Buenos Aires. The mineralisation at the San José property represents a low sulphidation type with quartz sulphide veins with economic silver and gold values and displays geological and mineralogical characteristics.

San José is a joint venture with Minera Andes Inc. in which the Group controls 51 per cent. and acts as the mine operator.

San José commenced operations in June 2007 and in the second half of 2008, the plant's capacity was increased from 750 to 1,500 tonnes per day. The mine produced 4.4 million ounces of silver and 54.3 thousand ounces of gold in 2008.

In 2008, doré produced at San José was sold to Argor Heraeus S.A., a licensed trader, smelter and assayer based in Switzerland. The concentrate produced at the operation was sold to Norddeutsche Affinerie AG.

### Production

San José's production statistics for the two years ended 31 December 2008 are set out in the following table:

	For the year ended 31 December		
	2008	2007	% change
Ore production (tonnes).....	295,963	92,974	218
Average head grade silver (g/t).....	559.11	538.38	4
Average head grade gold (g/t).....	6.69	7.08	(6)
Silver produced (koz).....	4,381	958	357
Gold produced (koz).....	54.26	14.96	263
Silver sold (koz).....	4,588	92	4,887
Gold sold (koz).....	57.70	1.49	3,772

San José's production statistics for the six months ended 30 June 2009 and 2008 are set out in the following table:

	For the six months ended 30 June		
	2009	2008	% change
Ore production (tonnes).....	238,170	120,500	98
Average head grade silver (g/t).....	413.80	652.27	(37)
Average head grade gold (g/t).....	5.47	7.33	(25)
Silver produced (koz).....	2,564	2,061	24
Gold produced (koz).....	34.64	24.55	41
Silver sold (koz).....	2,547	2,608	(2)
Gold sold (koz).....	33.31	34.03	(2)

### *Exploration, reserves and resources*

In 2008, 14,453 metres were drilled in 60 drill holes along the Odin, Ayellen and Ramal Frea veins. Another 4,24 metres in 20 holes were drilled at extensions of the Huevos Verdes, Frea and Kospi veins, increasing the mineralisation potential of these structures.

For statistical information on reserves and resources see section titled "*Reserves and resources*" on pages 125 to 128 of the 2008 Annual Report, incorporated by reference into this Offering Circular.

### ***Moris, Mexico***

#### *General facts*

- Group Ownership: 100 per cent.
- Start of production: Third quarter of 2007
- Property size: 18,631 hectares
- Capacity: 3,000 tonnes per day
- 2008 silver production: 65.07 thousand ounces
- 2008 gold production: 26.85 thousand ounces

#### *Overview*

The Moris mine is the Group's only open pit operation and is located in the Moris district of Chihuahua, Mexico. Moris is the Group's only open pit mine and provided the Group with preliminary access to Mexico, which is of key strategic importance to the Group. The mineralisation represents low sulphidation quartz/sulphide epithermal veins with gold and silver values.

Moris commenced production in the third quarter of 2007 and produced 65 thousand ounces of silver and 26.9 thousand ounces of gold in 2008. Production at the operation more than doubled to 876 thousand tonnes in 2008 and the plant operates at a capacity of 3,000 tonnes per day. The rate of recovery of gold at Moris is expected to increase in 2009 compared to 2008 as a result of a more stable plant process. In 2008, all of the gold-silver doré produced at Moris was sold to Johnson Matthey.

#### *Production*

Moris's production statistics for the two years ended 31 December 2008 are set out in the following table:

	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>% change</b>
Ore production (tonnes).....	876,148	338,304	159
Average head grade silver (g/t).....	5.71	4.69	22
Average head grade gold (g/t).....	1.57	1.65	(5)
Silver produced (koz).....	65.07	12.63	415
Gold produced (koz).....	26.85	5.58	381
Silver sold (koz).....	68.27	6.44	960
Gold sold (koz).....	28.01	3.26	760



Moris's production statistics for the six months ended 30 June 2008 and 2009 are set out in the following table:

	<b>For the six months ended 30 June</b>		
	<b>2009*</b>	<b>2008</b>	<b>% change</b>
One production (tonnes).....	632,497	387,063	63
Average head grade silver (g/t).....	5.01	5.15	(3)
Average head grade gold (g/t).....	1.37	1.63	(16)
Silver produced (koz).....	49.57	32	55
Gold produced (koz).....	15.73	14.08	12
Silver sold (koz).....	50	34	47
Gold sold (koz).....	15.69	14.50	8

\* The Company increased its stake in Moris from 70 per cent. to 100 per cent. in May 2009 therefore a portion of production for the first six months of the year is attributable.

#### *Reserves and resources*

For statistical information on resources and reserves at Moris, see section titled "*Reserves and resources*" on pages 125 to 128 of the 2008 Annual Report, incorporated by reference into this Offering Circular.

#### **Group's production**

The tables below set out the Group's production statistics for the two years ended 31 December 2008 and for the six months ended 30 June 2008 and 2009:

#### **Total Group Production\* for the two years ended 31 December 2008**

	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>% change</b>
Silver production (koz).....	20,782	14,343	45
Gold production (koz).....	193.97	211.38	(8)
Total silver equivalent (koz).....	32,421	27,026	20
Total gold equivalent (koz).....	540.34	450.43	20
Silver sold (koz).....	20,593	13,717	50
Gold sold (koz).....	198.32	202.10	(2)

\* Total production includes 100 per cent. of all production, including production attributable to joint venture partners at Moris, San José and Pallancata.

**Attributable Group Production\* for the two years ended 31 December 2008**

	<b>For the year ended 31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>% change</b>
Silver production (koz).....	16,941	13,588	25
Gold production (koz).....	152.86	201.27	(24)
Attrib. silver equivalent (koz).....	26,113	25,665	2
Attrib. gold equivalent (koz).....	435.22	427.74	2

\* Attributable production includes 100 per cent. of all production from Arcata, Ares and Selene, 60 per cent. from Pallancata, 51 per cent. from San José and 70 per cent. from Moris.

**Total Group Production\* for the six months ended 30 June 2008**

	<b>For the six months ended 30 June 2009</b>		
	<b>2009</b>	<b>2008</b>	<b>% change</b>
Silver production (koz).....	11,792	8,994	31
Gold production (koz).....	103.73	92	13
Total silver equivalent (koz).....	18,016	14,516	24
Total gold equivalent (koz).....	300.27	242	24
Silver sold (koz).....	10,906	8,842	23
Gold sold (koz).....	98.62	92	7

\* Total production includes 100 per cent. of all production, including production attributable to joint venture partners at Moris, San José and Pallancata.

**Attributable Group Production\* for the six months ended 30 June 2008**

	<b>For the six months ended 30 June 2009</b>		
	<b>2009</b>	<b>2008</b>	<b>% change</b>
Silver production (koz).....	9,250	7,443	24
Gold production (koz).....	77.60	74	5
Attrib. silver equivalent (koz).....	13,906	11,865	17
Attrib. gold equivalent (koz).....	231.77	198	17

\* Attributable production includes 100 per cent. of all production from Arcata, Ares and Selene, 60 per cent. from Pallancata, 51 per cent. from San José and 70 per cent. from Moris (the Group increased its stake in Moris from 70 per cent. to 100 per cent. in May 2009 therefore a portion of production for the first six months of the year will be attributable).

## **Investments**

### *Mergers & Acquisitions*

The Group focuses its investments and acquisitions on mid-sized, underground precious metals projects in the Americas. In 2008 and early 2009, the Group secured a number of strategic investments in key mining districts with a total of U.S.\$254 million invested in 2008 and \$72 million in the first seven months of 2009.

### Lake Shore Gold

In 2008, the Group acquired a 40 per cent. interest in Lake Shore Gold, which provides the Group with a phased, low-risk exposure to high-grade gold deposits in a mineral rich region of Canada and adds a new cluster to the Group's portfolio. In February 2009, the Group participated in Lake Shore Gold's equity financing, to further the company's development into production. As a result, the Issuer maintained its ownership at 40 per cent of the company, which has a market capitalisation exceeding U.S.\$600 million. As at 19 August 2009, the total investment in Lake Shore Gold amounted to U.S.\$182.2 million.

Lake Shore Gold's most important assets are its 100 per cent. owned Timmins mine, where advanced exploration work is progressing, and its wholly-owned Bell Creek mill. In addition, the company has a 60 per cent. joint venture in Thunder Creek, an exploration project. All are located in Timmins, one of the world's largest mining districts, where approximately 75 million ounces of gold were produced over the last century.

The current production targets for Lake Shore Gold are 30,000 ounces of gold by the end of 2009, increasing to 100,000 in 2010 and 200,000 in 2011. Lake Shore Gold began processing development ore and low grade material in March 2009 with the intention of reaching commercial production from its Timmins mine in the second half of 2010.

In August 2009, Lake Shore Gold announced a definitive business combination agreement where it would acquire all of the outstanding common shares of West Timmins Mining Inc. The transaction will create the new large-scale, wholly-owned Timmins West Gold Mine Complex, an extension of the world class Timmins mining trend where approximately 75 million ounces of gold have been produced over the last century.

The Timmins West Gold Mine Complex will consist of Lake Shore Gold's adjacent 100 per cent.-owned Timmins Mine, with existing mine infrastructure, the Thunder Creek Joint Venture, where high-grade intercepts have been reported within 800 metres of the Timmins shaft, and an extensive land package of adjacent exploration properties, giving Lake Shore Gold a dominant position in this highly prospective area. The Issuer is fully supportive of the transaction.

### San Felipe

In June 2008, the Group acquired 100 per cent. of the San Felipe project, an advanced development project in northern Mexico, for U.S.\$51.5 million.

San Felipe is located approximately six kilometres west of San Felipe de Jesús in northern Sonora, Mexico and consists of ten underground mining concessions covering a total of approximately 14,498 hectares. Verification drilling undertaken in 2008 indicated attributable resources of 1.91 million tonnes, primarily at La Ventana, with 7.32 per cent. zinc, 71 g/t silver, 3.19 per cent. lead and 0.14 per cent. copper.

As a result of declining zinc prices in the second half of 2008 and the Group's commitment to reduce capital expenditure, in November 2008 the Group decided to delay the development of the San Felipe project but it continues to review the timing of the project.

### Liam

In Peru, the Group originally purchased 50 per cent. of a 282,000 hectare land package (Liam) around the Group's four existing Peruvian operations - a joint venture with Southwestern Resources

Corporation ("**Southwestern**"), a Canadian listed mineral exploration company with a number of gold, silver and base metals projects in southern Peru.

In May 2009, the Group completed the acquisition of the remaining 50 per cent. of the Liam joint venture through the purchase of 100 per cent. of Southwestern, for a total cash consideration of U.S.\$19.2 million. The acquisition consolidates the Group's position around its four existing Peruvian operations and enables it to leverage existing infrastructure and knowledge of the regional geology.

The Southwestern land package adds several early stage gold, silver and copper projects to the Group's pipeline in southern Peru, including (i) 50 per cent. of the Millo project (Millo is located adjacent to the Group's 100 per cent. owned Azuca project), a joint venture with a subsidiary of Yamana Gold Inc. which is gaining a 70 per cent. ownership by producing a prefeasibility study and (ii) a 48 per cent. interest in Zincore Metals Inc a listed mining exploration company with zinc and base metal projects and prospects in southern Peru and Mexico.

### GRC

In Mexico, in 2008, the Group entered into a strategic alliance with Gold Resource Corporation ("**GRC**") and in 2009 increased its ownership interest in GRC from 5 per cent. to 24 per cent. for a total of U.S.\$33 million, bringing the Group's total spend in GRC, which had, as at the date of this Offering Circular, a market capitalisation in excess of U.S.\$300 million, to U.S.\$38.0 million.

GRC is a precious metals mining company with a number of wholly-owned, high grade development projects in southern Mexico, including the El Aguila project, which is scheduled to begin production in the second half of 2009 at 70,000 ounces of gold in the first full year (4.2 million silver equivalent ounces).

### *Exploration*

The Group remains committed to its long-term goal of achieving a resource and reserve life of four years at each of its operations and in 2008 spent U.S.\$23.8 million on exploration.

The Group's project pipeline has a number of opportunities in Peru, Argentina, Mexico, Chile and Canada at various stages of development. The Group is constantly evaluating opportunities, focusing on mid-sized, high grade, underground precious metals deposits in key mining districts.

### Azuca

Azuca is the Group's 100 per cent.-owned project located in southern Peru, near the Group's existing operations. In 2008 the Group identified two laterally extensive mineralised vein systems, Azuca and Canela, which have resulted in the development of a significant inferred resource containing 23.3 million silver equivalent ounces. Additional mineralised vein systems have been identified at the property and the Group intends to confirm their continuity and metal content in 2009. There is a high probability that an additional resource will be defined in 2009.

### Liam

At the date of this Offering Circular, 38 prospects have been identified and partially evaluated. The most important is the Crespo project where previous exploration led to the drilling of approximately 6,400 metres in 41 holes.

Data review, core re-logging and preliminary exploration work were also carried out at the Huacullo, Astana-Farallón and Ibel prospects. These areas are a significant part of the Group's generative programme in Peru.

### Encrucijada

Encrucijada, which is located in Chile, is a joint venture project with Andina Minerals Inc., in which the Group will gain a 51 per cent. stake by spending U.S.\$3 million on exploration. Encrucijada is located approximately 210 kilometres north of Copiapo, and is in the same geological district as the El Peñon mine which produced 0.4 million ounces of gold equivalent in 2008. The Group can further

increase its ownership to 60 per cent. by investing an additional U.S.\$3 million towards a feasibility study in a single project.

#### Vaquillas project

A joint venture letter of intent with Iron Creek Capital Corp. to explore the precious metal properties within their Vaquillas project in Chile was signed in September 2008. Under the terms of the agreement the Group can gain a 60 per cent. interest in the Vaquillas project by contributing U.S.\$6.75 million over a five year period. Field work started during the first week in October 2008. The first drilling programme was completed in December 2008. The remaining targets will be explored during 2009.

#### **Recent developments**

On 12 October 2009 the Company issued and allotted 30,735,000 new ordinary shares of 25 pence each (the "**Placing Shares**" and each a "**Placing Share**") pursuant to a placing agreement dated 7 October 2009 entered into by, *inter alios*, Goldman Sachs International and J.P. Morgan Cazenove (the "**Placing Agreement**") at a price of 295 pence per Placing Share (the "**Placing**"), raising gross proceeds of approximately U.S.\$145 million (£90.7 million). The Placing Shares issued represented approximately 9.99% of the Issuer's issued ordinary share capital prior to the Placing and have been admitted to listing on the Official List of the UKLA and to trading on the main market for listed securities of the LSE.

#### **Litigation**

Neither the Company nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings, of which the Company is aware, which are pending or threatened and which may have, or have had during the 12 months prior to the date of this document, a significant effect on the Company and/or the financial position or profitability of the Group.

#### **Environment**

For information on environment see section titled "*Corporate social responsibility*" on page 30 of the 2008 Annual Report, incorporated by reference into this Offering Circular.

#### **Social responsibility**

For information on social responsibility see section titled "*Corporate social responsibility*" on page 30 of the 2008 Annual Report, incorporated by reference into this Offering Circular.

#### **Health and safety**

For information on health and safety see section titled "*Corporate social responsibility*" on page 30 of the 2008 Annual Report, incorporated by reference into this Offering Circular.

## DIRECTORS AND MANAGEMENT

### Board of Directors

The Company's directors (for the purposes of this section, "**Directors**" and each a "**Director**") as at the date of this Offering Circular were as follows:

Name (Age)	Title	Principal activities outside the Group
Eduardo Hochschild (45)	Executive Chairman	Executive Chairman of Cementos Pacasmayo S.A.A and Director of Banco de Crédito del Perú, El Pacifico Peruano-Suiza Compañía de Seguros y Reaseguros S.A and TECSUP
Roberto Dañino (58)	Deputy Chairman and Executive Director	Non-Executive Director of Gold Fields Limited
Miguel Aramburú (46)	Chief Executive Officer	Non-Executive Director of El Pacifico Peruano-Suiza Compañía de Seguros y Reaseguros S.A
Ignacio Rosado (40)	Chief Financial Officer	None
Sir Malcolm Field (72)	Senior Non-Executive Director	Non-Executive Director of Petropavlovsk PLC and Ray Berndtson
Jorge Born Jr. (47)	Non-Executive Director	President and Chief Executive Officer of Bomagra S.A and Director of Caldenes S.A.
Nigel Moore (65)	Non-Executive Director	Chairman, TEG Environmental plc and a Non-Executive Director of The Vitec Group plc, JKK Oil & Gas plc, Ascent Resources plc and Production Services Network Limited.
Dionisio Romero (73)	Non-Executive Director	Director of Banco de Crédito e Inversiones, Chile and TECSUP (Trujillo)
Fred Vinton (71)	Non-Executive Director	Director of the Unipart Group of Companies UK, MBA Latin America Opportunity Fund, GP Investments Ltd, Dinamia SCR S.A. and EQMC Europe Development Capital Fund plc

The board of directors (the "**Board**") is responsible for approving the Company's strategy and monitoring its implementation, for managing the operations of the Company and for providing leadership and support to the executive management team in achieving sustainable added value for shareholders. It is also responsible for enabling the efficient operation of the various businesses by providing adequate financial and human resources and an appropriate system of financial control to ensure these resources are fully monitored and utilised.

### Aggregate ownership of securities

As at the date of this Offering Circular, and to the best knowledge of the Company, the Directors and officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 184,268,776 Ordinary Shares constituting approximately 55 per cent. of the issued Ordinary Shares.

Details of the beneficial interests of the Directors in the share capital of the Company as at the date of this Offering Circular are shown below:

Name	Number of Ordinary Shares held
Eduardo Hochschild* .....	182,415,206
Roberto Dañino** .....	1,725,000
Dionisio Romero .....	100,000
Sir Malcolm Field.....	14,285
Nigel Moore .....	14,285
Ignacio Rosado .....	0
Jorge Born Jr. ....	0
Fred Vinton.....	0
Miguel Aramburú .....	0

\* Eduardo Hochschild holds an indirect interest in the Company through an intermediate holding company which he controls and which owns the entire issued share capital of Pelham Investment Corporation which, in turn, owns shares in the Company.

\*\* Roberto Dañino's shareholding is held through Navajo Overseas Corporation.

### Conflicts of interest and external appointments

The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts of interest of directors where the Company's Articles of Association (the "**Articles**") contain a provision to that effect. Shareholders approved amendments to the Articles at the annual general meeting held on 9 May 2008 which included provisions giving the Directors authority to authorise matters which may result in the Directors breaching their duty to avoid a conflict of interest.

The Board has established procedures to enable the Directors to notify the Company of any actual or potential conflict situations and for those situations to be reviewed and, if appropriate, to be authorised by the Board, subject to any conditions that may be considered appropriate. Such interests that have been so disclosed and approved, include Roberto Dañino's membership of the board of directors of Gold Fields La Cima S.A., the Peruvian subsidiary of Gold Fields Limited, which is a major producer of gold operating in the same sector and country as the Company.

Directors who have an interest in matters under discussion at Board meetings are required to declare this interest and to abstain from voting on the relevant matters. Any related party transactions are approved by a committee of the Board consisting solely of independent Directors. Directors' conflict situations are reviewed annually.

By virtue of the fact that Eduardo Hochschild, the Executive Chairman of the Company, is also the ultimate controlling shareholder of the Company, a potential conflict of interest may exist. For a description of the agreement regulating the relationship between the controlling shareholder and the Company, see "*Principal Shareholders*" on page 44 of the Offering Circular.

At the date of this Offering Circular, except for the potential conflicts set out above in respect of Roberto Dañino and Eduardo Hochschild, no other director or executive officer has a potential conflict of interest between any duties to the Company and his private interests and/or other duties.

**Business address**

The business address for the directors and senior management is Compañía Minera Ares S.A.C., Calle La Colonia No. 180, Urb. El Vivero Santiago de Surco Lima 33.



## PRINCIPAL SHAREHOLDERS

As at the date of this Offering Circular the Company had been notified of the following interests in the Company's Ordinary Share capital in accordance with Chapter 5 of the Financial Services Authority's Disclosure Rules and Transparency Rules:

Shareholder	Number of Ordinary Shares	Percentage of Issued Share Capital (%)
Eduardo Hochschild*/** .....	182,415,206	53.96
Vanguard Precious Metals and Mining Fund** .....	27,840,000	8.23
Blackrock Global Funds** .....	15,267,500	4.52
Altima Global Special Situations Master Fund Limited** .....	12,003,175	3.55

\* Eduardo Hochschild holds an indirect interest in the Company through an intermediate holding company which he controls and which owns the entire issued share capital of Pelham Investment Corporation which, in turn, owns shares in the Company.

\*\* The figures for the number of Ordinary Shares and percentage of the issued share capital have been updated to reflect the issue and allotment of 30,735,000 Ordinary Shares by the Issuer on 12 October 2009. See "*Hochschild Mining plc - Recent Developments*".

As stated above, the ultimate controlling party of the Company is Eduardo Hochschild, the Executive Chairman of the Company, whose beneficial interest in the Group is held through Pelham Investment Corporation, a Cayman Islands company.

Prior to the Initial Public Offering, Pelham Investment Corporation, Eduardo Hochschild and Alberto Beeck (collectively the "**Controlling Shareholders**") and the Company entered into an agreement regulating their ongoing relationship (the "**Relationship Agreement**"). The principal purpose of the Relationship Agreement is to ensure that the Company and its subsidiaries are capable of carrying on their business independently of the Controlling Shareholders and any of their respective associates, and that transactions and relationships with the Controlling Shareholders and any of their respective associates are at arm's length and on normal commercial terms. The Relationship Agreement contains provisions restricting the Controlling Shareholders' rights to exercise their voting rights to procure an amendment to the Company's Articles of Association that would be inconsistent with the Relationship Agreement; and contains an undertaking by the Controlling Shareholders that they will, and procure that their associates (as defined in the Relationship Agreement) will, abstain from voting on any resolution to approve a transaction with a related party (as defined in the UKLA Listing Rules) involving the Controlling Shareholders or their associates.

The Company and Pelham Investment Corporation agreed in the Relationship Agreement to comply with the applicable obligations under the UKLA Listing Rules and to exercise their powers so far as they are able to ensure that the Company is managed in accordance with the Combined Code on Corporate Governance (the "**Code**"). Under the Relationship Agreement, Pelham Investment Corporation has the right to appoint up to two non-executive Directors to the Board for so long as the Pelham Investment Corporation holds an interest of 30 per cent. or more in the Company and the right to appoint one non-executive Director for so long as it has an interest of 15 per cent. or more in the Company, and in each case to remove any such Director(s) previously appointed.

The Relationship Agreement continues for so long as the Company's shares are traded on the LSE or until such times as the Controlling Shareholders (including Eduardo Hochschild) cease to own or control in aggregate a minimum of 15 per cent. or more of the issued share capital or voting rights of the Company.

The Directors believe that the undertakings given in the Relationship Agreement by Pelham Investment Corporation and Eduardo Hochschild, ensure that the Company is managed in accordance with the

Code. Accordingly, the Board believes that the Company is structured so as to ensure that no individual had unfettered powers of decision making.

## DESCRIPTION OF THE ORDINARY SHARES

The following summarises certain provisions of the Issuer's Articles of Association (the "**Articles**"). This summary does not purport to be complete and is subject to and is qualified in its entirety by references to the Articles.

### 1. **Share Capital**

As at the date of this Offering Circular, the Issuer has an issued and fully paid share capital of £84,521,306.50 comprising 338,085,226 Ordinary Shares.

The principal legislation under which the issued Ordinary Shares have been created is the Companies Act 1985, the Companies Act 2006 and the regulations made thereunder.

If all Bonds are converted into the Issuer's Ordinary Shares in accordance with the Conditions, the issued share capital of the Issuer will increase by approximately 5.37 per cent.

### 2. **Share rights**

Subject to the provisions of the Companies Act 2006 (the "**Companies Act**"), and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Issuer may by ordinary resolution determine or, subject to and in default of such determination, as the Board may determine.

Subject to the Articles and the provisions of the Companies Act, the Issuer may issue any shares which are to be redeemed, or which at the option of the Issuer or the holder are liable to be redeemed.

Subject to the Articles and the provisions of the Companies Act, the unissued shares of the Issuer (whether forming part of the original or any increased capital) are at the disposal of the Board.

### 3. **Voting rights**

Subject to the provisions of the Companies Act, to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting every member who is present in person and every proxy present who has been duly appointed by a member entitled to vote on the resolution shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is the holder.

Unless the Board otherwise determines, no member is entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares, either in person or by proxy, or to exercise any other right or privilege as a member in respect of any share held by him unless and until all calls or other sums presently due and payable by him in respect of that share whether alone or jointly with any other person together with interest and expenses (if any) have been paid to the Issuer or if he or any other person appearing to be interested in shares has been issued with a notice pursuant to section 793 of the Companies Act (requiring disclosure of interest in shares) and has failed in relation to any shares to give the Issuer the information there by required within 14 days from the service of the notice.

### 4. **Dividends**

Subject to the provisions of the Companies Act and of the Articles, the Issuer may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Issuer. However, no dividend shall exceed the amount recommended by the Board.

Subject to the provisions of the Companies Act, the Board may declare and pay such interim dividends as appear to the Board to be justified by the profits of the Issuer available for distribution. If at any time the share capital of the Issuer is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. Provided that the Board acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those with preferential rights.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid but no amount paid up on a share in advance of the date on which a call is payable shall be treated for the purposes of this Article as paid up on the share. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

The Board may deduct from any dividend or other money payable to any person on or in respect of a share all such sums as may be due from him to the Issuer on account of calls or otherwise in relation to the shares of the Issuer.

The Board may, with the authority of an ordinary resolution of the Issuer, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways. Where any difficulty arises in regard to such distribution, the Board may settle it as it thinks fit. In particular, the Board may:

- (a) issue fractional certificates (or ignore fractions);
- (b) fix the value for distribution of such assets or any part thereof and determine that cash payments may be made to any members on the footing of the value so fixed, in order to adjust the rights of members; and
- (c) vest any such assets in trustees on trust for the persons entitled to the dividend.

The Board may also, with the prior authority of an ordinary resolution of the Issuer and subject to such conditions as the Board may determine, offer to holders of ordinary shares the right to elect to receive ordinary shares, credited as fully paid, instead of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.

Unless the Board otherwise determines, the payment of any dividend or other money that would otherwise be payable in respect of shares will be withheld, and the Issuer shall have no obligation to pay interest on it, if such shares represent at least 0.25 per cent. of the nominal value of the issued share capital of their class and the holder, or any other person appearing to be interested in those shares, has been issued with a notice under section 793 of the Act and has failed to supply the information required by notice within 14 days. Furthermore such a holder shall not be entitled to elect to receive shares instead of a dividend.

All dividends, interest or other sum payable and unclaimed for 12 months after having become payable may be invested or otherwise used by the Board for the benefit of the Issuer until claimed and the Issuer shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Issuer.

## **5. Division of assets on a winding-up**

If the Issuer is wound up the liquidator may, with the sanction of a special resolution of the Issuer and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Issuer and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members, but if any division is resolved otherwise than in accordance with such rights, the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 110 of the Insolvency Act 1986. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine, but no member shall be compelled to accept any assets on which there is a liability.

## 6. **Lien and forfeiture**

The Issuer will have a first and paramount lien on every share (not being a fully paid share) for all amounts payable to the Issuer (whether presently payable or not) in respect of that share. The Issuer may sell, in such manner as the Board determines, any share on which the Issuer has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

The Board may from time to time make calls upon the members in respect of any amounts unpaid on their shares. Each member shall, subject to receiving at least 14 days' notice, pay to the Issuer the amount called on his/her shares. In the event of non-payment, the Board may give to the person from whom it is due a notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Issuer by reason of non-payment. The notice shall name a further day being not less than seven days from the date of the service of the notice where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

## 7. **Transfer of shares**

Subject to any applicable restrictions, each member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect of it.

The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a share (or renunciation of a renounceable letter of allotment) unless:

- (i) it is in respect of a share which is fully paid up;
- (ii) it is in respect of only one class of shares;
- (iii) it is in favour of a single transferee or not more than four joint transferees;
- (iv) it is duly stamped (if so required); and
- (v) it is delivered for registration to the registered office of the Issuer or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued or in the case of a renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so provided that the Board shall not refuse to register any transfer or renunciation of partly paid shares which are listed on the LSE on the grounds that they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

Unless the Board otherwise determines, a transfer of shares will not be registered if the transferor or any other person appearing to be interested in the transferor's shares has been issued with a notice under section 793 of the Act, has failed to supply the information required by such notice within 14 days and the shares in respect of which such notice has been served represent at least 0.25 per cent. of their class, unless the member is not himself in default as regards supplying the information required and proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless the transfer is an excepted transfer or after seven days (or such shorter period as the Board may determine) following receipt by the Issuer of the information required by the notice and the Board being fully satisfied that such information is full and complete.

## 8. **Variation of rights**

If at any time the share capital of the Issuer is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Issuer (and notwithstanding that the Issuer may be or be about to be in liquidation) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as hereinafter provided (but not otherwise).

The provisions governing general meetings apply *mutatis mutandis* to every meeting of the holders of any class of shares. The Board may convene a meeting of the holders of any class of shares whenever it thinks fit and whether or not the business to be transacted involves a variation or abrogation of class rights. The quorum at every such meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class. Every holder of shares of the class, present in person or by proxy, may demand a poll. Each such holder shall on a poll be entitled to one vote for every share of the class held by him. If at any adjourned meeting of such holders such quorum as aforesaid is not present, not less than one person holding shares of the class who is present in person or by proxy shall be a quorum.

Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the reduction of the capital paid up on such shares or by the purchase or redemption by the Issuer of its own shares in accordance with the provisions of the Companies Act and the Articles.

## 9. **Purchase of own shares**

Subject to the Companies Act and without prejudice to any relevant special rights attached to any class of shares, the Issuer may purchase any of its own shares (including any redeemable preference shares).

## 10. **Alteration of share capital**

The Issuer in general meeting may from time to time by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amounts as the resolution prescribes;
- (ii) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;
- (iii) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (iv) subject to the provisions of the Companies Act, sub-divide its shares, or any of them, into shares of smaller amount, and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Issuer has power to attach to unissued or new shares.

Subject to the provisions of the Companies Act and to any rights for the time being attached to any shares, the Issuer may by special resolution reduce its share capital or any capital redemption reserve or share premium account in any way.

## 11. **Allotment of shares**

Subject to the provisions of the Companies Act and to any relevant authority of the Issuer in general meeting required by the Companies Act, unissued shares at the date of adoption of the Articles and any shares thereafter created shall be at the disposal of the Board, which may allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of them or

rights to subscribe for or convert any security into shares to such persons (including the Directors themselves), at such times and generally on such terms and conditions as the Board may decide, provided that no share shall be issued at a discount.

Subject to the provisions of the Companies Act and to any special rights for the time being attached to any existing shares, any share may be issued which is, or at the option of the Issuer or of the holder of such share is liable, to be redeemed on such terms and in such manner as the Articles may provide.

**12. Power to attach rights**

Subject to the provisions of the Companies Act and to any special rights for the time being attached to any existing shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other special rights or restrictions whether in regard to dividends, voting, transfer, returned capital or otherwise, as the Issuer may from time to time by ordinary resolution determine or, if no such resolution has been passed or, so far as the resolution does not make specific provision, as the Board shall determine.

**13. Untraced shareholders**

Subject to the Articles, the Issuer may sell any shares in the Issuer registered in the name of a member remaining untraced for 12 years who fails to communicate with the Issuer following advertisement of an intention to make such a disposal. Until the Issuer can account to the member, the net proceeds of sale may either be employed in the business of the Issuer or invested in whatever investments as the Board sees fit, in either case at the discretion of the Board. The proceeds will not carry interest.

**14. Non-United Kingdom shareholders**

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the ordinary shares. However, non-United Kingdom shareholders are not entitled to receive notices of general meetings unless permitted by the Board in its absolute discretion, or if they have given an address in the United Kingdom to which such notices may be sent.

## TERMS AND CONDITIONS OF THE BONDS

*The following, subject to completion and amendment, is the text of the Terms and Conditions of the Bonds which is incorporated by reference into the Global Bond and will be endorsed on the Bonds in definitive form (if issued).*

The issue of the U.S.\$115,000,000 5.75 per cent. Convertible Bonds due 2014 (the "**Bonds**", which expression shall, unless otherwise indicated, include any Further Bonds) was (save in respect of any such Further Bonds) authorised by resolutions of a committee of the Board of Directors of Hochschild Mining plc (the "**Issuer**") passed on 6 October 2009. Such committee was duly constituted by resolutions of the Board of Directors of the Issuer passed on 1 October 2009. The Bonds are constituted by a trust deed to be dated on 20 October 2009 (the "**Trust Deed**") between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed) as trustee for the Bondholders (as defined below). The statements set out in these Terms and Conditions (the "**Conditions**") are summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Bonds and the interest coupons relating to them (the "**Coupons**"). The Bondholders and Couponholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions applicable to them which are contained in the Paying and Conversion Agency Agreement to be dated 20 October 2009 (the "**Agency Agreement**") relating to the Bonds between the Issuer, the Trustee and Citibank, N.A. (the "**Principal Paying and Conversion Agent**", which expression shall include any successor as Principal Paying and Conversion Agent under the Agency Agreement) and the Paying and Conversion Agents for the time being (such persons, together with the Principal Paying and Conversion Agent, being referred to below as the "**Paying and Conversion Agents**", which expression shall include their successors as Paying and Conversion Agents under the Agency Agreement).

Copies of the Trust Deed and the Agency Agreement are available for inspection at the office of the Trustee at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, and at the specified offices of the Paying and Conversion Agents.

Capitalised terms used but not defined in these Conditions shall have the meanings attributed to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

### 1. **Form, Denomination, Title and Status**

#### (a) *Form and Denomination*

The Bonds are in bearer form in the principal amount of U.S.\$100,000 each with Coupons attached on issue.

#### (b) *Title*

Title to the Bonds and Coupons will pass by delivery. The holder of any Bond or Coupon will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss or anything written on it) and no person will be liable for so treating the holder.

#### (c) *Status*

The Bonds and Coupons constitute direct, unconditional, unsubordinated and (subject to Condition 2) unsecured obligations of the Issuer ranking *pari passu* and rateably, without any preference among themselves, and equally with all other existing and future unsecured and unsubordinated obligations of the Issuer but, in the event of a winding-up, save for such obligations that may be preferred by provisions of law that are mandatory and of general application.

### 2. **Negative Pledge**

So long as any of the Bonds remains outstanding (as defined in the Trust Deed), the Issuer shall not and will procure that none of its Material Subsidiaries will create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part



of its undertaking or assets, present or future, to secure any Relevant Debt, or any guarantee or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Bonds, the Coupons and the Trust Deed either (a) are secured equally and rateably therewith to the satisfaction of the Trustee, or (b) have the benefit of such other Security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

### 3. Definitions

In these Conditions, unless otherwise provided:

"**Additional Ordinary Shares**" has the meaning provided in Condition 5(c).

"**Bondholder**" means the holder of any Bond.

"**business day**" means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place.

"**Cash Settled Amount**" means an amount calculated in accordance with the following formula:

$$CSA = \sum_{n=1}^N \frac{1}{N} \times S \times P_n$$

where:

CSA	=	the Cash Settled Amount
S	=	the number of Reference Ordinary Shares
P <sub>n</sub>	=	the Volume Weighted Average Price of an Ordinary Share on the nth dealing day of the Cash Settlement Calculation Period
N	=	20, being the number of dealing days in the Cash Settlement Calculation Period

"**Cash Settlement Calculation Period**" means the period of 20 consecutive dealing days commencing on the relevant Conversion Date (or the next dealing day if such date is not a dealing day).

a "**Change of Control**" shall occur if:

- (i) 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 associate of the offeror (as defined in Section 988(1) of the Companies Act)), to acquire all or a majority of the issued ordinary share capital of the Issuer 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 or having become effective) 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 Issuer ("**Voting Rights**") has or will become unconditionally vested in any person and/or any associate of that person (as defined in Section 988(1) of the Companies Act); or
- (ii) the right to cast more than 60 per cent. of the Voting Rights has or will become unconditionally vested in a Relevant Person and/or any associate (as defined in Section 988(1) of the Companies Act) of that Relevant Person. For these purposes "**Relevant Person**" means the ultimate controlling shareholder of the Issuer as at the date of issue of the Bonds; or

- (iii) the right to cast more than 50 per cent. of the Voting Rights has or will become unconditionally vested in any person or persons acting together by reason of the acquisition of Ordinary Shares or Voting Rights from a Relevant Person.

"**Change of Control Conversion Price**" has the meaning provided in Condition 5(b)(x).

"**Change of Control Notice**" has the meaning provided in Condition 5(g).

"**Change of Control Period**" means the period commencing on the occurrence of a Change of Control and ending 60 calendar days following the Change of Control or, if later, 60 calendar days following the date on which a Change of Control Notice is given to Bondholders as required by Condition 5(g).

"**Change of Control Put Date**" has the meaning provided in Condition 6(d).

"**Change of Control Put Exercise Notice**" has the meaning provided in Condition 6(d).

"**Closing Date**" means 20 October 2009.

"**Companies Act**" means the Companies Act 2006.

"**Conversion Date**" has the meaning provided in Condition 5(h).

"**Conversion Notice**" has the meaning provided in Condition 5(h).

"**Conversion Period**" has the meaning provided in Condition 5(a).

"**Conversion Price**" has the meaning provided in Condition 5(a).

"**Conversion Right**" has the meaning provided in Condition 5(a).

"**Couponholder**" means the holder of any Coupon.

"**Current Market Price**" means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each of the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said five-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 or transferred and delivered 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), in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit; or
- (b) if the Ordinary Shares to be issued or transferred and delivered 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 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), in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that if on each of the said five 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 or transferred and delivered 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, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five dealing days (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that five-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 by an Independent Financial Adviser.

**"dealing day"** means a day on which the Relevant Stock Exchange or relevant market is open for business and on which Ordinary Shares, Securities or Spin-Off Securities (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant market is scheduled to or does close prior to its regular weekday closing time).

**"Dividend"** means any dividend or distribution to Shareholders (including a Spin-Off) whether of cash, assets or other property, and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to holders upon or in connection with a reduction of capital (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

(1) a Dividend in cash 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 cash, then the Dividend in question shall be treated as a cash Dividend of an amount equal to the greater of (i) the Fair Market Value of such cash amount and (ii) the Current Market Price of such Ordinary Shares or, as the case may be, the Fair Market Value of such other property or assets, in any such case, as at the date of the first public announcement of such Dividend or capitalisation (as the case may be), or, in any such case, if later, the date on which the number of Ordinary Shares (or amount of such other property or assets, as the case may be) which may be issued or delivered is determined; or

(2) there shall be any issue of Ordinary Shares by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) where such issue is or is expressed to be in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Dividend in question shall be treated as a cash Dividend of an amount equal to the Current Market Price of such Ordinary Shares as at the Effective Date in respect of the relevant Dividend or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, if later, the date on which the number of Ordinary Shares to be issued or delivered is determined;

(b) any issue of Ordinary Shares falling within Condition 5(b)(ii) shall be disregarded;

(c) a purchase or redemption or buy back of share capital of the Issuer by or on behalf of the Issuer or any of its Subsidiaries shall not constitute a Dividend unless, in the case of a purchase or redemption or buy back of Ordinary Shares by or on behalf of the Issuer or any of its Subsidiaries, the weighted average price per Ordinary Share (before expenses) on any one day (a **"Specified Share Day"**) in respect of such purchases or redemptions or buy backs

(translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such day) exceeds by more than 5 per cent. the average of the closing prices of the Ordinary Shares on the Relevant Stock Exchange (as published by or derived from the Relevant Stock Exchange) on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buy backs approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buy back Ordinary Shares at some future date at a specified price or where a tender offer is made, on the five dealing days immediately preceding the date of such announcement or the date of first public announcement of such tender offer (and regardless of whether or not a price per Ordinary Share, a minimum price per Ordinary Share or a price range or formula for the determination thereof is or is not announced at such time), as the case may be, in which case such purchase, redemption or buy back shall be deemed to constitute a Dividend in the Relevant Currency to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased, redeemed or bought back by or on behalf of the Issuer or, as the case may be, any of its Subsidiaries (translated where appropriate into the Relevant Currency as provided above) exceeds the product of (i) 105 per cent, of the average closing price of the Ordinary Shares determined as aforesaid and (ii) the number of Ordinary Shares so purchased, redeemed or bought back;

- (d) if the Issuer or any of its Subsidiaries shall purchase, redeem or buy back any depositary or other receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) above shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser; and
- (e) where a dividend or distribution is paid or made to Shareholders pursuant to any plan implemented by the Issuer for the purpose of enabling Shareholders to elect, or which may require Shareholders, to receive dividends or distributions in respect of the Ordinary Shares held by them from another person or person other than (or in addition to) the Issuer, such dividend or distribution shall for the purposes of these Conditions be treated as a dividend or distribution made or paid to Shareholders by the Issuer, and the foregoing provisions of this definition, and the provisions of these Conditions shall be construed accordingly.

**"Effective Date in respect of the relevant Dividend"** means (for the purposes of the definition of "Dividend") the first date on which the Ordinary Shares are traded ex- the relevant Dividend or entitlement on the Relevant Stock Exchange.

**"Exempt Newco Scheme"** means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the ordinary shares of Newco or depositary or other receipts or certificates representing ordinary shares of Newco are (1) admitted to trading on the Relevant Stock Exchange or (2) admitted to listing on such other regulated, regularly operating, recognised stock exchange or securities market as the Issuer or Newco may determine.

**"Extraordinary Resolution"** has the meaning provided in the Trust Deed.

**"Fair Market Value"** means, with respect to any property on any date, the fair market value of that property as determined by an Independent Financial Adviser provided that (i) the Fair Market Value of a cash Dividend 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 Securities, 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 Securities or Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Securities or 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 five dealing days on the relevant market commencing on such date (or, if later, the first such dealing day such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded) or such shorter period as such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded; (iv) where Securities, Spin-Off Securities, options, warrants or other rights are not publicly traded (as aforesaid), the Fair Market Value of such Securities, Spin-Off Securities, options, warrants or other rights shall be determined by an Independent Financial Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers

appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Securities, Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof. Such amounts shall, in the case of (i) above, be translated into the Relevant Currency (if declared or paid or payable in a currency other than the Relevant Currency) 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 the Relevant Currency; and in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (i) and (ii) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.

**"Final Maturity Date"** means 20 October 2014.

**"Fixed Rate of Exchange"** means £1.00 = U.S.\$1.59.

**"Further Bonds"** has the meaning given to it in Condition 17.

**"Independent Financial Adviser"** means an independent financial institution of international repute appointed at its own expense by the Issuer and approved in writing by the Trustee or, if the Issuer fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its sole discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser and otherwise in connection with such appointment, appointed by the Trustee (without liability for so doing) following notification to the Issuer.

**"Interest Payment Date"** has the meaning provided in Condition 4(a).

**"London Stock Exchange"** means the London Stock Exchange plc.

**"Material Subsidiary"** means, at any particular time, a Subsidiary of the Issuer:

- (a) whose (i) total assets or (ii) gross revenues (in each case (x) attributable to the Issuer and (y) consolidated in respect of a Subsidiary which itself has Subsidiaries) are equal to or greater than 10 per cent. of the consolidated total assets or consolidated gross revenues, as the case may be, of the Issuer, in each case as calculated by reference to the then latest audited consolidated or, as the case may be, unconsolidated financial statements of the relevant Subsidiary or Subsidiaries and the then latest audited consolidated financial statements of the Issuer provided that (i) in the case of a Subsidiary acquired or an entity which becomes a Subsidiary after the end of the financial period to which the then latest audited consolidated accounts of the Issuer relate, the reference to the then latest audited consolidated accounts of the Issuer for the purposes of the above calculation shall, until the consolidated audited accounts of the Issuer are published for the financial period in which the acquisition is made or, as the case may be, in which such entity becomes a Subsidiary, be deemed to be a reference to the then latest audited consolidated accounts of the Issuer adjusted in such manner as may be appropriate to consolidate the latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary in such accounts and (ii) in the case of a Subsidiary which itself has Subsidiaries and is not required by law to produce audited consolidated financial statements, the reference to the then latest audited consolidated financial statements of the Subsidiary for the purposes of the above calculation shall be to a consolidation approved by the auditors for the time being of the Issuer acting in good faith (but without any obligation on the relevant Subsidiary to prepare audited consolidated financial statements); or
- (b) to which is transferred all or substantially all of the business, assets and undertaking of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary of the Issuer shall immediately cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary (subject to the provisions of paragraph (a) above).

**"Newco Scheme"** means a scheme of arrangement or analogous proceeding ("**Scheme of Arrangement**") which (i) effects the interposition of a limited liability company ("**Newco**") between

the Shareholders of the Issuer immediately prior to the Scheme of Arrangement (the "**Existing Shareholders**") and the Issuer; (ii) in respect of which the Issuer and the Trustee agree, immediately prior to the implementation of such Newco Scheme, to make such amendments to the Conditions and the Trust Deed as are necessary, in the opinion of the Trustee, to ensure that (a) the Bonds may be converted into or exchanged for ordinary shares in Newco (or depositary or other receipts representing such ordinary shares) *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed and (b) the Trust Deed and the Conditions (including, without limitation, the adjustment provisions (in Condition 5), the Events of Default (in Condition 9) and the Undertakings (in Condition 10)) provide at least the same protections and benefits to the Trustee and the Bondholders following the implementation of such Newco Scheme as they provided to the Trustee and the Bondholders prior to the implementation of the Newco Scheme, *mutatis mutandis*; provided that (A) only ordinary shares of Newco or depositary or other receipts or certificates representing ordinary shares of Newco are issued to Existing Shareholders; (B) immediately after completion of the Scheme of Arrangement the only shareholders of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares of Newco are Existing Shareholders; (C) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly owned Subsidiaries of Newco are) the only shareholder of the Issuer; (D) all Subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer (or of Newco) immediately after completion of the Scheme of Arrangement; and (E) immediately after completion of the Scheme of Arrangement the Issuer (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement.

"**Optional Redemption Date**" has the meaning provided in Condition 6(b).

"**Optional Redemption Notice**" has the meaning provided in Condition 6(b).

"**Ordinary Shares**" means fully paid ordinary shares in the capital of the Issuer currently with a par value of £0.25 each.

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, unincorporated association, limited liability company, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

"**Presentation Date**" means a day which:

- (a) is or falls after the relevant due date for payment, but, if the due date for payment is not or was not a business day in London and New York, is or falls after the next following such business day; and
- (b) is a business day in the place of the specified office of the Paying and Conversion Agent at which the Bond is presented for payment.

"**Prevailing Rate**" means, in respect of any currency on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (London time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (London time) on the immediately preceding day on which such rate can be so determined or if such rate cannot be so determined by reference to the Relevant Page, the rate determined in such other manner as an Independent Financial Adviser shall prescribe.

"**Reference Date**" means, in relation to a Retroactive Adjustment, the date as of which the relevant Retroactive Adjustment takes effect or, in any such case, if that is not a dealing day, the next following dealing day.

"**Reference Ordinary Shares**" means the number of Ordinary Shares (including any fraction of an Ordinary Share) determined by dividing the principal amount of a Bond (translated into sterling at the Fixed Rate of Exchange) by the Conversion Price on the relevant Conversion Date.

"**Relevant Currency**" means sterling or, if at the relevant time or for the purposes of the relevant calculation or determination, the London Stock Exchange is not the Relevant Stock Exchange, the currency in which the Ordinary Shares are quoted or dealt in on the Relevant Stock Exchange at such time.

**"Relevant Date"** means, in respect of any Bond or Coupon, whichever is the later of:

- (i) the date on which payment in respect of it first becomes due; and
- (ii) if any amount of the money payable is improperly withheld or refused the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given by the Issuer to the Bondholders in accordance with Condition 16 that, upon further presentation of the Bond or Coupon, where required pursuant to these Conditions, being made, such payment will be made, provided that such payment is in fact made as provided in these Conditions.

**"Relevant Debt"** means any present or future indebtedness which is in the form of, or represented by, bonds, notes, debentures, loan stock or other debt securities which are, for the time being, or are capable of being, quoted, listed or dealt in or traded on any stock exchange, over-the-counter or other securities market.

**"Relevant Page"** means the relevant page on Bloomberg or such other information service provider that displays the relevant information.

**"Relevant Stock Exchange"** means the London Stock Exchange or if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the London Stock Exchange, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or accepted for dealing.

**"Retroactive Adjustment"** has the meaning provided in Condition 5(c).

**"Scheme of Arrangement"** has the meaning provided in the definition of "Newco Scheme".

**"Securities"** means any securities including, without limitation, Ordinary Shares, or options, warrants or other rights to subscribe for or purchase or acquire Ordinary Shares.

**"Shareholders"** means the holders of Ordinary Shares.

**"Specified Date"** has the meaning provided in Conditions 5(b)(vii) and (viii).

**"Spin-Off"** means:

- (a) a distribution of Spin-Off Securities by the Issuer to Shareholders as a class; or
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than the Issuer) 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 ordinary shares (or depositary or other receipts or certificates representing such ordinary shares) by Newco to Existing Shareholders as a class), pursuant in each case to any arrangements with the Issuer or any of its Subsidiaries.

**"Spin-Off Securities"** means equity share capital of an entity other than the Issuer or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Issuer.

**"Subsidiary"** has the meaning provided in Section 1159 of the Companies Act.

**"UK Listing Authority"** means the Financial Services Authority in its capacity as competent authority for the purposes of the Financial Services and Markets Act 2000.

**"U.S.\$", "U.S. dollars"** and **"U.S. cents"** mean the lawful currency for the time being of the United States of America.

**"Volume Weighted Average Price"** means, in respect of an Ordinary Share, Security or, as the case may be, a Spin-Off Security on any dealing day, the order book volume-weighted average price of an Ordinary Share, Security or, as the case may be, a Spin-Off Security published by or derived (in the case of an Ordinary Share) from Bloomberg page VAP or (in the case of a Security (other than Ordinary Shares) or Spin-Off Security) from the principal stock exchange or securities market on which such Securities or 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, Security 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 or as an Independent Financial Adviser might otherwise determine in good faith to be appropriate.

"£" and "sterling" means the lawful currency for the time being of the United Kingdom.

References to "ordinary share capital" has the meaning provided in Section 832 of the Income and Corporation Taxes Act 1988 and "equity share capital" has the meaning provided in Section 548 of the Companies Act.

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

References to any issue or offer or grant to Shareholders or Existing 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 or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

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 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.

For the purposes of Conditions 5(a), (b), (c), (h) and (i) and Condition 10 only, (a) references to the "issue" of Ordinary Shares or Ordinary Shares being "issued" shall include the transfer and/or delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Issuer or any of its Subsidiaries, and (b) Ordinary Shares held by or on behalf of the Issuer or any of its respective Subsidiaries (and which, in the case of Condition 5(b)(iv) and (vi), do not rank for the relevant right or other entitlement) shall not be considered as or treated as "in issue" or "issued" or entitled to receive the relevant Dividend, right or other entitlement.

References in these Conditions to listing on the London Stock Exchange (or like or similar references) shall be construed as admission to the Official List of the UK Listing Authority and admission to trading on the EEA Regulated Market of the London Stock Exchange and references to "EEA Regulated Market" means a market as defined by Article 4.1(14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

#### 4. Interest

##### (a) Interest Rate

The Bonds bear interest from (and including) the Closing Date at the rate of 5.75 per cent. per annum calculated by reference to the principal amount thereof and payable:

- (i) on 28 January 2010 (the "First Interest Payment Date") in respect of the period from (and including) the Closing Date to (but excluding) the First Interest Payment Date (the "First Interest Period");
- (ii) thereafter semi-annually in arrear in equal instalments on 28 July and 28 January in each year until and including 28 July 2014 (each a "Regular Interest Period");
- (iii) on the Final Maturity Date in respect of the period from (and including) 28 July 2014 to (but excluding) the Final Maturity Date (the "Last Interest Period").

Each such date for payment of interest is an "Interest Payment Date".



The amount of interest payable in respect of a Bond in respect of the First Interest Period and the Last Interest Period, or any other period which is shorter than a Regular Interest Period, shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

**"Interest Period"** means the period beginning on (and including) the Closing Date and ending on (but excluding) the First Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(b) *Accrual of Interest*

Each Bond will cease to bear interest (i) where the Conversion Right shall have been exercised by a Bondholder, from the Interest Payment Date immediately preceding the relevant Conversion Date or, if none, the Closing Date (subject in any such case as provided in Condition 5(j)) or (ii) where such Bond is redeemed or repaid pursuant to Condition 6 or Condition 9, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of the principal in respect of the Bond is improperly withheld or refused, in which event interest will continue to accrue at the rate specified in Condition 4(a) (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying and Conversion Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

5. **Conversion of Bonds**

(a) *Conversion Period and Conversion Price*

Subject to and as provided in these Conditions, each Bond shall entitle the holder (such right a **"Conversion Right"**) (i) subject to and after the Issuer has given notice to holders in accordance with this Condition 5(a), to convert such Bond into new and/or existing Ordinary Shares as determined by the Issuer, credited as fully paid and (ii) until the Issuer has given such notice, to redeem such Bond at the Cash Settled Amount (the **"Cash Settlement Right"**). The Cash Settled Amount shall be payable as provided in Condition 7(a).

The number of Ordinary Shares to be issued or transferred and delivered on exercise of a Conversion Right in respect of a Bond shall be determined by dividing the principal amount of such Bond to be converted (translated into sterling at the Fixed Rate of Exchange) by the conversion price (the **"Conversion Price"**) in effect on the relevant Conversion Date.

The initial Conversion Price is £3.9825. The Conversion Price is subject to adjustment in the circumstances described in Condition 5(b).

A Bondholder may exercise the Conversion Right in respect of a Bond by delivering such Bond, together with a Conversion Notice (as defined below), to the specified office of any Paying and Conversion Agent in accordance with Condition 5(h).

Subject to and as provided in these Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time subject to any applicable fiscal or other laws or regulations and as hereinafter provided) from 30 November 2009 to the close of business (at the place where the relevant Bond is delivered for conversion) on the date falling seven calendar days prior to the Final Maturity Date (both days inclusive) or, if such Bond is to be redeemed pursuant to Condition 6(b) prior to the Final Maturity Date, then up to (and including) the close of business (at the place aforesaid) on the seventh calendar day before the date fixed for redemption thereof pursuant to Condition 6(b) unless there shall be a default in making payment in respect of such Bond on such date fixed for redemption, in which event the Conversion Right shall extend up to (and including) the close of business (at the place aforesaid) on the date on which the full amount of such payment becomes available for payment and notice of such availability has been duly given in accordance with Condition 16 or, if earlier, the Final Maturity Date or, if the Final Maturity Date is not a London business day, the immediately preceding London business day; provided that, in each case, if such final date for the exercise of Conversion Rights is not a business day at the place aforesaid, then the period for exercise

of Conversion Rights by Bondholders shall end on the immediately preceding business day at the place aforesaid.

Conversion Rights may not be exercised (i) following the giving of notice by the Trustee pursuant to Condition 9 (Events of Default) or (ii) in respect of a Bond in respect of which the relevant Bondholder has exercised its right to require the Issuer to redeem that Bond pursuant to Condition 6(d).

The period during which Conversion Rights may (subject as provided below) be exercised by a Bondholder is referred to as the "**Conversion Period**".

Conversion Rights may only be exercised in respect of the whole of the principal amount of a Bond.

The Issuer may at any time by notice to the Trustee and to the Bondholders given in accordance with Condition 16, from the time specified in the notice, not being earlier than the date which is 7 days after the date such notice is given, provide that the Conversion Right (and the corresponding obligation of the Issuer) shall be solely to convert Bonds into Ordinary Shares and that from such specified date, Bondholders shall accordingly have no right to receive nor the Issuer to satisfy a Conversion Right by payment of a Cash Settled Amount.

Fractions of Ordinary Shares will not be issued or delivered on exercise of Conversion Rights or pursuant to Condition 5(c) and no cash payment or other adjustment will be made in lieu thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Ordinary Shares to be delivered on conversion or pursuant to Condition 5(c) are to be registered in the same name, the number of such Ordinary Shares to be delivered in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Ordinary Shares.

The Issuer will procure that Ordinary Shares to be issued or delivered on exercise of Conversion Rights will be issued or delivered to the holder of the Bonds completing the relevant Conversion Notice or his nominee. Such Ordinary Shares will be deemed to be issued or delivered as of the relevant Conversion Date. Any Additional Ordinary Shares to be issued or transferred and delivered pursuant to Condition 5(c) will be deemed to be issued or delivered as of the relevant Reference Date.

(b) *Adjustment of Conversion Price*

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

- (i) If and whenever there shall be a consolidation, reclassification or subdivision in relation to the Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification or subdivision by the following fraction:

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

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and
- B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.

- (ii) If and whenever the Issuer shall issue any Ordinary Shares credited as fully paid to 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 or are to be issued instead of the whole or part of a Dividend in cash which the Shareholders

would or could otherwise have elected to receive, (2) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares or (3) where any such Ordinary Shares are or are expressed to be issued in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), 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 number of Ordinary Shares in issue immediately before such issue; and

B is the aggregate number of Ordinary Shares in issue immediately after such issue.

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

- (ii) If and whenever the Issuer shall pay or make any Dividend to Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

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

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the portion of the Fair Market Value of the aggregate Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend (or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares by or on behalf of the Issuer or any Subsidiary of the Issuer, by the number of Ordinary Shares in issue immediately following such purchase, redemption or buy back, and treating as not being in issue any Ordinary Shares, or any Ordinary Shares represented by depositary or other receipts or certificates, purchased, redeemed or bought back).

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Dividend is capable of being determined as provided herein.

**"Effective Date"** means, in respect of this sub-paragraph (b)(iii), the first date on which the Ordinary Shares are traded ex- the relevant Dividend on the Relevant Stock Exchange or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares, the date on which such purchase, redemption or buy back is made or, in the case of a Spin-Off, on the first date on which the Ordinary Shares are traded ex- the relevant Spin-Off on the Relevant Stock Exchange.

For the purposes of the above, Fair Market Value shall (subject as provided in paragraph (a) of the definition of "Dividend" and in the definition of "Fair Market Value") be determined as at the Effective Date.

In making any calculations for the purposes of this paragraph (b)(iii), such adjustments (if any) shall be made as an Independent Financial Adviser may determine in good faith to be appropriate to reflect (i) any consolidation or sub-division of any Ordinary Shares or the issue of Ordinary Shares by way of capitalisation of profits or reserves (or any like or similar event) or any change in the number of Ordinary Shares in issue in relation to the financial year in question, or (ii) any change in the fiscal year of the Guarantor.

- (iv) If and whenever the Issuer shall issue Ordinary Shares to Shareholders as a class by way of rights, or shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase Ordinary Shares, or any Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a price per Ordinary Share which is less than 95 per cent., of the Current Market Price per Ordinary Share on the Effective Date 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 on the Effective Date;
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Securities 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 thereof, would purchase at such Current Market Price per Ordinary Share; and
- C is the number of Ordinary Shares to be 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 or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.

Such adjustment shall become effective on the Effective Date.

"**Effective Date**" means, in respect of this sub-paragraph (b)(iv), the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

- (v) If and whenever the Issuer 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:

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

where:

- A is the Current Market Price of one Ordinary Share on the first day 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 (or, if that is not a dealing day, the immediately preceding dealing day) 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 the Relevant Stock Exchange.

- (vi) If and whenever the Issuer shall issue (otherwise than as mentioned in sub-paragraph (b)(iv) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary

Shares issued on conversion of the Bonds or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, Ordinary Shares) or issue or grant (otherwise than as mentioned in sub-paragraph (b)(iv) 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 Bonds, which term shall for this purpose include any Further Bonds), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on 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 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 Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

- (vii) If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity (otherwise than as mentioned in sub-paragraphs (b)(iv), (b)(v) or (b)(vi) above) shall issue wholly for cash or for no consideration any Securities (other than the Bonds which term shall for this purpose exclude any Further Bonds) which by their terms of issue carry (directly or indirectly) 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 95 per cent. of the Current Market Price per Ordinary Share on 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, purchased or acquired by the Issuer or any Subsidiary of the Issuer (or at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued, purchased or acquired);
- 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 thereto 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 sub-paragraph (b)(vii), 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 sub-paragraph (b)(vii), "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.

- (viii) If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such Securities (other than the Bonds, which term shall for this purpose include any Further Bonds) as are mentioned in sub-paragraph (b)(vii) 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 95 per cent. of the Current Market Price per Ordinary Share on 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, or purchase or acquisition of, Ordinary Shares which have been issued, purchased or acquired by the Issuer or any Subsidiary of the Issuer (or at the direction or request or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) for the purposes of or in connection with such Securities, less the number of such Ordinary Shares so issued, purchased or acquired);
- 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, purchase or acquisition attached to the Securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange, subscription, purchase or acquisition price or rate 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, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as an Independent Financial Adviser shall consider appropriate for any previous adjustment under this sub-paragraph (b)(viii) or sub-paragraph (b)(vii) above;

provided that if at the time of such modification (as used in this sub-paragraph (b)(viii), 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, purchase or acquisition are exercised or at such other time as may be provided), then for the purposes of this sub-paragraph (b)(viii), "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 had taken place on the Specified Date.

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

- (ix) If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall offer any Securities in connection with which 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 sub-paragraphs (b)(ii), (b)(iii), (b)(iv), (b)(vi) or (b)(vii) above or (b)(x) below (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day) or under sub-paragraph (b)(v) 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 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 the Relevant Stock Exchange.

- (x) If a Change of Control shall occur, then upon any exercise of Conversion Rights during the Change of Control Period, the Conversion Price (the "**Change of Control Conversion Price**") shall be determined as set out below:

$$\text{COCCP} = \text{CP} / (1 + (\text{EP} \times c/t))$$

where:

COCCP = means the Change of Control Conversion Price

CP = means the Conversion Price in effect immediately prior to Change of Control

EP = means 35 per cent. (expressed as fraction)

c = means the number of days from and including the date the Change of Control occurs to but excluding the Final Maturity Date

t = means the number of days from and including the Closing Date to but excluding the Final Maturity Date

- (xi) If the Issuer 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 5(b) (even if the relevant circumstance is specifically excluded from the operation of subparagraphs 5(b)(i) to 5(b)(x)), the Issuer 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 thereof and the date on which such adjustment (if any) 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 subparagraph 5(b)(xi) 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 and if the adjustment would result in a reduction of the Conversion Price.

Notwithstanding the foregoing provisions:

- (a) where the events or circumstances giving rise to any adjustment pursuant to this Condition 5(b) 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 reasonable opinion of the Issuer, 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
- (b) such modification shall be made to the operation of these Conditions as may be advised by an Independent Financial Adviser to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once and (ii) to ensure that the economic effect of a Dividend is not taken into account more than once.

For the purpose of any calculation of the consideration receivable or price pursuant to subparagraphs (b)(iv), (b)(vi), (b)(vii) and (b)(viii), 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 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 which are attributed by the Issuer 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 thereto 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 thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the date of the first



public announcement of the terms of issue of such Ordinary Shares or, as the case may be, Securities;

- (d) in determining the 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 options, warrants or rights, or otherwise in connection therewith; and
- (e) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity.

(c) *Retroactive Adjustments*

If the Conversion Date in relation to the conversion of any Bond shall be after the record date in respect of any consolidation, reclassification or sub-division as is mentioned in Condition 5(b)(i), or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in Condition 5(b)(ii), (iii) (iv), (v) or (ix), or after the date of the first public announcement of the terms of any such issue or grant as is mentioned in Condition 5(b)(vi) and (vii) or of the terms of any such modification as is mentioned in Condition 5(b)(viii), but before the relevant adjustment to the Conversion Price becomes effective under Condition 5(b) (such adjustment, a "**Retroactive Adjustment**"), then the Issuer shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued or transferred and delivered to the converting Bondholder, in accordance with the instructions contained in the Conversion Notice, such additional number of Ordinary Shares (if any) (the "**Additional Ordinary Shares**") as, together with the Ordinary Shares issued or to be transferred and delivered on conversion of the relevant Bonds, is equal to the number of Ordinary Shares which would have been required to be issued or delivered on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective immediately prior to the relevant Conversion Date.

(d) *Decision of an Independent Financial Adviser*

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, and following consultation between the Issuer and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect thereof shall be conclusive and binding on the Issuer, the Bondholders and the Trustee, save in the case of manifest error.

(e) *Share or Option 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, 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 Issuer or any of its Subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme.

(f) *Rounding Down and Notice of Adjustment to the Conversion Price*

On any adjustment, the resultant Conversion Price, if not an integral multiple of £0.01, shall be rounded down to the nearest whole multiple of £0.01. 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 and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustment to the Conversion Price shall be given by the Issuer to Bondholders in accordance with Condition 16 and to the Trustee promptly after the determination thereof.

The Conversion Price (as translated into U.S. dollars at the Fixed Rate of Exchange) shall not in any event be reduced to below the nominal value of the Ordinary Shares. The Issuer undertakes that it shall not take any action, and shall procure that no action is taken, that would otherwise result in an adjustment to the Conversion Price to below such nominal value or any minimum level permitted by applicable laws or regulations.

(g) *Change of Control*

Within 14 calendar days following the occurrence of a Change of Control, the Issuer shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 16 (a "**Change of Control Notice**"). The Change of Control Notice shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 6(e).

The Change of Control Notice shall also specify:

- (i) all information material to Bondholders concerning the Change of Control;
- (ii) the Conversion Price immediately prior to the occurrence of the Change of Control and the Change of Control Conversion Price;
- (iii) the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of the Change of Control Notice;
- (iv) the last day of the Change of Control Period;
- (v) the Change of Control Put Date;
- (vi) whether or not the Issuer has made an election pursuant to Condition 6(e); and
- (vii) such other information relating to the Change of Control as the Trustee may require.

The Trustee shall not be required to monitor or take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

(h) *Procedure for exercise of Conversion Rights*

Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering the relevant Bond to the specified office of any Paying and Conversion Agent, during its usual business hours, accompanied by a duly completed and signed notice of conversion (a "**Conversion Notice**") in the form (for the time being current) obtainable from any Paying and Conversion Agent. 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 specified office of the Paying and Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If such delivery is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the relevant Paying and Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

Any determination as to whether a Conversion Notice has been duly completed and properly delivered shall be made by the relevant Paying and Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee, the Paying and Conversion Agents and the relevant Bondholder.

A Conversion Notice, once delivered, shall be irrevocable.

The conversion date in respect of a Bond (the "**Conversion Date**") shall be the business day in London immediately following the date of the delivery of the relevant Bond and the Conversion Notice as

provided in this Condition 5(h) and, if applicable, the making of any payment to be made as provided below.

Each Bond should be delivered upon exercise of Conversion Rights together with all Coupons relating to it which mature on or after the relevant Conversion Date, failing which the relevant Bondholder will be required to pay the full amount of any such missing Coupon. Each amount so paid will be repaid in the manner specified in Condition 5 against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant missing Coupon at any time after the relevant Conversion Date and before the expiry of 10 years after the Relevant Date in respect of the relevant Bond (whether or not a Coupon would otherwise have become void pursuant to Condition 9), but not thereafter.

A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any taxes and capital, stamp, issue and registration and transfer taxes and duties arising on conversion (other than any taxes or capital, stamp, issue and registration and transfer taxes and duties payable in the United States, Belgium, Luxembourg or the United Kingdom in respect of the issue or transfer and delivery of any Ordinary Shares in respect of such exercise (including any Additional Ordinary Shares), which shall be paid by the Issuer). If the Issuer shall fail to pay any taxes and capital, stamp, issue and registration and transfer taxes and duties payable for which it is responsible as provided above, the relevant holder shall be entitled to tender and pay the same and the Issuer as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

Such Bondholder must also pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Conversion Rights by it. The Trustee shall not be responsible for determining whether such taxes or capital, stamp, issue and registration and transfer taxes and duties are payable or the amount thereof and it shall not be responsible or liable for any failure by the Issuer to pay such taxes or capital, stamp, issue and registration and transfer taxes and duties.

The Ordinary Shares will not be available for issue (i) to, or to a nominee or agent for, Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom 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 of the United Kingdom, in each case at any time prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom.

Ordinary Shares to be delivered on exercise of Conversion Rights (including any Additional Ordinary Shares) will be delivered in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, unless at the relevant time the Ordinary Shares are not a participating security in CREST. Where Ordinary Shares are to be delivered through CREST, they will be delivered to the account specified by the relevant Bondholder 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 Ordinary Shares, not later than seven London business days following the Reference Date). Where Ordinary Shares are to be delivered 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 Bondholder or as it may direct in the relevant Conversion Notice within 14 days following the relevant Conversion Date or, as the case may be, the Reference Date.

(i) *Ordinary Shares*

- (i) Ordinary Shares (or any Additional Ordinary Shares) issued or transferred and delivered on exercise of Conversion Rights will be fully paid 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 Ordinary Shares, on the relevant Reference Date, except in any such case for any right excluded by mandatory provisions of applicable law and except that such Ordinary Shares or, as the case may be, Additional Ordinary Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the relevant Conversion Date or, as the case may be, the relevant Reference Date.

- (ii) Save as provided in Condition 5(j), no payment or adjustment shall be made on exercise of Conversion Rights for any interest which otherwise would have accrued on the relevant Bonds since the last Interest Payment Date preceding the Conversion Date relating to such Bonds (or, if such Conversion Date falls before the first Interest Payment Date, since the Closing Date).

(j) *Interest on Conversion*

If any notice requiring the redemption of the Bonds is given pursuant to Condition 6(b) on or after the fifteenth London business day prior to a record date in respect of any Dividend or distribution payable in respect of the Ordinary Shares which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Closing Date) where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall accrue at the rate provided in Condition 4(a) on Bonds 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 Issuer shall pay any such interest by not later than 14 days after the relevant Conversion Date by transfer to a U.S. dollar account with a bank in London in accordance with instructions given by the relevant Bondholder in the relevant Conversion Notice.

(k) *Purchase or Redemption of Ordinary Shares*

The Issuer or any Subsidiary of the Issuer may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares of the Issuer (including Ordinary Shares) or any depositary or other receipts or certificates representing the same without the consent of the Bondholders or Couponholders.

(l) *No Duty to Monitor*

Neither the Trustee nor a Paying and Conversion Agent shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or as to the amount of any adjustment actually made and will not be responsible or liable to the Bondholders for any loss arising from any failure by it to do so.

(m) *Additional Cash Amount*

If there is a Retroactive Adjustment to the Conversion Price following the exercise of Cash Settlement Rights by a Bondholder, the Issuer shall pay to the relevant Bondholder by way of increase in the Cash Settlement Amount, an additional amount (the "**Additional Cash Amount**") equal to the Market Price of such number of Ordinary Shares equal to that by which the number of Reference Ordinary Shares would have been increased if the relevant adjustment to the Conversion Price had been made and become effective immediately after the relevant record date, including for this purpose any fraction of an Ordinary Share.

The Issuer will pay the Additional Cash Amount in accordance with Condition 7(a) not later than seven days following the Reference Date.

"**Market Price**" means the Volume Weighted Average Price of an Ordinary Share on the Reference Date (or if that is not a dealing day, on the next following dealing day).

6. **Redemption and Purchase**

(a) *Final Redemption*

Unless previously purchased and cancelled, redeemed or converted as herein provided, the Bonds will, subject to Condition 6(e), be redeemed at their principal amount on the Final Maturity Date. The Bonds may only be redeemed at the option of the Issuer prior to the Final Maturity Date in accordance with Condition 6(b)).

(b) *Redemption at the Option of the Issuer*

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee, the Principal Paying and Conversion Agent and to the Bondholders in accordance with Condition 16, the Issuer may, subject to an election by it pursuant to Condition 6(e), redeem all but not some only of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount, together with accrued but unpaid interest to such date:

- (i) at any time on or after 20 October 2012 (the "**First Call Date**"), if on each of not less than 20 dealing days during any period of 30 consecutive dealing days ending not earlier than the fifth dealing day prior to the giving of the relevant Optional Redemption Notice, the Volume Weighted Average Price of an Ordinary Share exceeds 130 per cent. of the Conversion Price in effect (or deemed to be in effect) on each such dealing day; or
- (ii) at any time if prior to the date the relevant Optional Redemption 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 Bonds originally issued (which shall for this purpose include any Further Bonds).

For the purposes of Condition 6(b)(i), if on any dealing day in such 30 dealing day period the Volume Weighted Average Price on such dealing day shall have been quoted cum-Dividend (or cum-any other entitlement), the Volume Weighted Average Price of an Ordinary Share on such dealing day shall 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 (or, if that is not a dealing date, the immediately preceding dealing day) of first public announcement of such Dividend (or entitlement).

(c) *Optional Redemption Notices*

Any Optional Redemption Notice shall be irrevocable. Any such notice shall specify (i) the Optional Redemption Date, which shall be a London business day, (ii) the Conversion Price, (iii) the aggregate principal amount of the Bonds outstanding and the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange, in each case as at the latest practicable date prior to the publication of the Optional Redemption Notice, (iv) the last day on which Conversion Rights may be exercised by Bondholders, (v) the amount of accrued interest payable on the Optional Redemption Date and (vi) if the Issuer is electing to make payment in sterling pursuant to Condition 6(e), that such election is being made.

(d) *Redemption at the Option of Bondholders Upon a Change of Control*

Following the occurrence of a Change of Control, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Change of Control Put Date at, subject to Condition 6(e), its principal amount, together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Bond must deliver such Bond, together with, subject to Condition 5(c), all Coupons relating to it which mature after the Change of Control Put Date, to the specified office of any Paying and Conversion Agent, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying and Conversion Agent (a "**Change of Control Put Exercise Notice**"), at any time during the Change of Control Period. The "**Change of Control Put Date**" shall be the fourteenth calendar day after the expiry of the Change of Control Period.

Payment in respect of any such Bond shall be made by transfer to a U.S. dollar or, if the Issuer has given prior notice to the Bondholders in the Change of Control Notice, sterling account with a bank in London as specified by the relevant Bondholder in the relevant Change of Control Put Exercise Notice.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date.

(e) *Issuer option to redeem in sterling*

The principal amount of the Bonds to be paid by the Issuer on the due date (the "**Redemption Date**") for redemption of the Bonds, together with any accrued but unpaid interest up to (but excluding) the

Redemption Date (together, the "**Redemption Amount**") will be payable in accordance with these Conditions in U.S. dollars unless the Issuer elects to make payment in sterling, in which case the Issuer shall:

- (i) in the case of redemption in accordance with Condition 6(a), give not less than 20 nor more than 60 days' notice prior to the Final Maturity Date to the Trustee and the Principal Paying and Conversion Agent and to the Bondholders in accordance with Condition 16; or
- (ii) in the case of redemption in accordance with Condition 6(b), give notice thereof in the Optional Redemption Notice; or
- (iii) in the case of redemption in accordance with Condition 6(d), give notice thereof to Bondholders in the Change of Control Put Exercise Notice, as the case may be.

The sterling amount payable shall in respect of each Bond be calculated by multiplying the Redemption Amount per Bond in U.S. dollars by 1.005 and converting such U.S. dollar amount into sterling at the Prevailing Rate on the second London business day prior to the relevant Redemption Date and rounding the resulting figure, if necessary, to the nearest £0.01, with £0.005 being rounded upwards. Such calculation shall be made by the Issuer. If the Issuer so elects to pay in sterling, the Issuer shall deliver to the Trustee on the Redemption Date a certificate signed by two authorised signatories (as defined in the Trust Deed) of the Issuer stating the amount in sterling to be paid in respect of each U.S.\$100,000 principal amount of Bonds and stating that such calculation complies with this Condition 6(e).

(f) *Purchase*

Subject to the requirements (if any) of any stock exchange on which the Bonds may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, the Issuer or any Subsidiary of the Issuer may at any time purchase any Bonds (provided that all unmatured Coupons relating to them are purchased therewith or attached thereto) in the open market or otherwise at any price. Such Bonds may be held, reissued, resold or, at the option of the Issuer, surrendered to the for cancellation.

(g) *Cancellation*

All Bonds which are redeemed or in respect of which Conversion Rights are exercised will be cancelled (together with all relative unmatured Coupons attached to the Bonds or surrendered with the Bonds) and may not be reissued or resold. Bonds purchased by the Issuer or any of its Subsidiaries may be surrendered to the Principal Paying and Conversion Agent for cancellation and if so surrendered, shall be cancelled forthwith and may not be reissued or re-sold.

(h) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 6, the first of such notices to be given shall prevail.

**7. Payments**

(a) *Principal*

Payment of principal in respect of the Bonds and payment of accrued interest payable on a redemption of the Bonds (other than on an Interest Payment Date) will be made against presentation and surrender (or in the case of partial payment only, endorsement) of the Bond, at the specified office of any Paying and Conversion Agent.

Any Cash Settled Amount shall be paid by the Issuer by not later than the fifth dealing day following the end of the Cash Settled Calculation Period, or if that is not a business day, the next following such day.

(b) *Interest and other amounts*

- (i) Payments of interest due on an Interest Payment Date will be made against presentation and surrender (or in the case of partial payment only, endorsement) of the relevant Coupons, at the specified office outside the U.S. of any of the Paying and Conversion Agents.
- (ii) Payments of all amounts other than as provided in Condition 7(a) and (b)(i) will be made as provided in these Conditions.

(c) *Coupons*

Each Bond should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, the proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of the relevant Bond (whether or not the Coupon would otherwise have become void pursuant to Condition 11) or, if later, five years after the date on which the Coupon would have become void pursuant to Condition 11, but not thereafter.

(d) *Payments*

Each payment in respect of the Bonds pursuant to Condition 7(a) and (b)(i) will be made by transfer to a U.S. dollar account maintained by the payee with a bank in London or, if the Issuer elects to make payment in sterling pursuant to Condition 6(e), by transfer to a sterling account maintained by the payee with a bank in London.

(e) *Payments subject to fiscal laws*

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations.

(f) *Presentation Date*

A holder shall be entitled to present a Bond or Coupon for payment only on a Presentation Date and shall not be entitled to any further interest or other payment if the due date for payment is not a Presentation Date or if the relevant Bond or Coupon is presented for payment after the due date.

(g) *Paying and Conversion Agents, etc.*

The initial Paying and Conversion Agents and their initial specified offices are listed below. The Issuer reserves the right under the Agency Agreement at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying and Conversion Agent and appoint additional or other Paying and Conversion Agents, provided that it will (i) maintain a Principal Paying and Conversion Agent and (ii) maintain a Paying and Conversion Agent (which may be the Principal 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 or any other European Union 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. Notice of any change in the Paying and Conversion Agents or their specified offices will promptly be given by the Issuer to the Bondholders in accordance with Condition 16.

(h) *No Charges*

None of the Paying and Conversion Agents shall make or impose on a Bondholder any charge, expense or commission in relation to any payment or conversion in respect of the Bonds.

(i) *Fractions*

When making payments to Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

8. **Taxation**

All payments made by or on behalf of the Issuer in respect of the Bonds and the Coupons will be made subject to and after deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax required to be made by law. The Issuer will not be required to pay any additional or further amounts in respect of such deduction or withholding.

9. **Events of Default**

If any of the following events (each an "**Event of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution and provided in each case that it is indemnified and/or secured and/or prefunded to its satisfaction shall, give notice to the Issuer at its registered office that the Bonds are, and they shall thereby immediately become due and repayable at their principal amount together with accrued interest (if any) to the date of payment:

- (a) if default is made in the payment of any principal or interest due in respect of the Bonds or any of them and the default continues for a period of five calendar days in the case of principal and ten calendar days in the case of interest; or
- (b) if the Issuer fails to perform or observe any one or more of its other obligations under these Conditions or the Trust Deed or fails to perform or observe any obligation under Condition 10 which would, but for the provision of applicable law, be a breach thereof and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 calendar days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer of notice specifying such failure and requiring the same to be remedied; or
- (c) (i) any other present or future indebtedness of the Issuer or any of its Material Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any event of default (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, at the end of any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred and is continuing equals or exceeds at any time in aggregate U.S.\$30,000,000 (or its equivalent in any other currency or currencies); or
- (d) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries and is not discharged, removed, stayed or paid within 45 days or any such longer period as the Trustee may agree; or
- (e) if any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries over all or a substantial part of its property or assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person) unless such enforcement is discharged within 45 days or is the subject of a bona fide dispute; or
- (f) an administrator is appointed or an order is made or an effective resolution passed for the winding up or dissolution or administration of the Issuer or any of its Material Subsidiaries, or



the Issuer or any of its Material Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases or threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or by an Extraordinary Resolution of the Bondholders or (ii) in the case of a Material Subsidiary, whereby (A) the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another of the Issuer's Subsidiaries or (B) under which all or substantially all of its business or operations are transferred to a third party or parties for full consideration by a Material Subsidiary of the Issuer on an arm's length basis and where such consideration is applied within 6 months of the date of such transfer in the acquisition of other assets or business or in the furtherance of the operations of the Issuer or its Subsidiaries; or

- (g) if the Issuer or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, or stops, suspends or threatens to stop or suspend payment of all or a material part of (or a particular type of) its debts, or proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries; or
- (h) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order to (i) enable the Issuer lawfully to enter into and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) ensure that those obligations are legally binding and enforceable and (iii) make the Bonds and the Trust Deed admissible in evidence in the courts of England is not taken, fulfilled or done; or
- (i) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or
- (j) any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any part of paragraphs (d), (e), (f) or (g),

provided that the Trustee shall (in the case of (b), (d), (e), (f), (g) or (j) above) have certified that, in its opinion, such event is materially prejudicial to the interests of the Bondholders.

#### 10. **Undertakings**

Whilst any Conversion Right remains exercisable, the Issuer will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in its opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval:

- (a) other than in connection with a Newco Scheme, not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:
  - (i) by the issue of fully paid Ordinary Shares to Shareholders and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive Ordinary Shares or other shares or Securities on a capitalisation of profits or reserves; or
  - (ii) by the issue of Ordinary Shares paid up in full (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a cash dividend; or
  - (iii) by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares); or
  - (iv) by the issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding

executive office, of the Issuer or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any one or more of them,

unless, in any such case, the same constitutes a Dividend or otherwise gives (or, in the case of an issue or payment up of Securities in connection with a Change of Control, will give) rise (or would, but for the provisions of Condition 5(f) relating to roundings or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price or is (or, in the case of any issue or payment up of Securities in connection with a Change of Control, will be) otherwise taken into account for the purposes of determining whether such an adjustment should be made;

- (b) not modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more favourable than the rights attaching to the Ordinary Shares but so that nothing in this Condition 10(b) shall prevent:
  - (i) any consolidation, reclassification or subdivision of the Ordinary Shares; or
  - (ii) any modification of such rights which is not, in the opinion of an Independent Financial Adviser, materially prejudicial to the interests of the holders of the Bonds; or
  - (iii) any issue of equity share capital where the issue of such equity share capital results, or would, but for the provisions of Condition 5(f) relating to roundings or the carry forward of adjustments or, where comprising Ordinary Shares, the fact that the consideration per Ordinary Share receivable therefor is at least 95 per cent. of the Current Market Price per Ordinary Share, otherwise result, in an adjustment to the Conversion Price; or
  - (iv) without prejudice to any rule of law or legislation (including regulations made under Sections 783, 784(3), 785 and 788 of the Companies Act or any other provision of that or any other legislation), the conversion of Ordinary Shares into, or the issue of any Ordinary Shares in, uncertificated form (or the conversion of Ordinary Shares in uncertificated form to certificated form) or the amendment of the Articles of Association of the Issuer to enable title to securities in the Issuer (including Ordinary Shares) to be evidenced and transferred without a written instrument or any other alteration to the Articles of Association of the Issuer made in connection with the matters described in this Condition 10(b) or which is supplemental or incidental to any of the foregoing (including any amendment made to enable or facilitate procedures relating to such matters and any amendment dealing with the rights and obligations of holders of Securities, including Ordinary Shares, dealt with under such procedures); or
  - (v) any issue of equity share capital or modification of rights attaching to the Ordinary Shares, where prior thereto the Issuer shall have instructed an Independent Financial Adviser to determine what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Financial Adviser shall have determined either that no adjustment is required or that an adjustment resulting in a decrease in the Conversion Price is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly); or
  - (vi) without prejudice to Conditions 5(b)(x) and 6(d), the amendment of the articles of association of the Issuer following a Change of Control to ensure that any Bondholder exercising its Conversion Right after the occurrence of a Change of Control will receive the same consideration for the Ordinary Shares of the Issuer as it would have received had it exercised its Conversion Right at the time of the Change of Control;
- (c) procure that no Securities (whether issued by the Issuer or any Subsidiary of the Issuer or procured by the Issuer or any Subsidiary of the Issuer to be issued or issued by any other person pursuant to any arrangement with the Issuer or any Subsidiary of the Issuer) issued

without rights to convert into, or exchange or subscribe for, Ordinary Shares shall subsequently be granted such rights exercisable at a consideration per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share at the close of business on the last dealing day preceding the date of the first public announcement of the proposed inclusion of such rights unless the same gives rise (or would, but for the provisions of Condition 5(f) relating to roundings or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price and that at no time shall there be in issue Ordinary Shares of differing nominal values, save where such Ordinary Shares have the same economic rights;

- (d) not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on the exercise of Conversion Rights, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;
- (e) not reduce its issued share capital, share premium account, or any uncalled liability in respect thereof, or any non-distributable reserves, except:
  - (i) pursuant to the terms of issue of the relevant share capital; or
  - (ii) by means of a purchase or redemption of share capital of the Issuer to the extent, in any such case, permitted by applicable law; or
  - (iii) as permitted by Section 610(2) and (3) of the Companies Act; or
  - (iv) where the reduction does not involve any distribution of assets; or
  - (v) solely in relation to a change in the currency in which the nominal value of the Ordinary Shares is expressed; or
  - (vi) a reduction of its share premium account or merger reserve to facilitate the writing off of goodwill arising on consolidation which requires the confirmation of the High Court and which does not involve the return, either directly or indirectly, of an amount standing to the credit of the share premium account or merger reserve of the Issuer and in respect of which the Issuer shall have tendered to the High Court such undertaking as it may require prohibiting, so long as any of the Bonds remains outstanding, the distribution (except by way of capitalisation issue) of any reserve which may arise in the books of the Issuer as a result of such reduction; or
  - (vii) to create distributable reserves; or
  - (viii) pursuant to a Newco Scheme; or
  - (ix) by way of transfer to reserves as permitted under applicable law; or
  - (x) where the reduction is permitted by applicable law and the Trustee is advised by an Independent Financial Adviser, acting as an expert, that the interests of the Bondholders will not be materially prejudiced by such reduction; or
  - (xi) where the reduction is permitted by applicable law and results (or, in the case of a reduction in connection with a Change of Control, will result) in (or would, but for the provisions of Condition 5(f) relating to roundings or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is (or, in the case of a reduction in connection with a Change of Control, will be) otherwise taken into account for the purposes of determining whether such an adjustment should be made,

provided that, without prejudice to the other provisions of these Conditions, the Issuer may exercise such rights as it may from time to time be entitled pursuant to applicable law to purchase, redeem or buy back its Ordinary Shares and any depositary or other receipts or certificates representing Ordinary Shares without the consent of Bondholders;

- (f) 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) Shareholders other than the offeror and/or any associates of the offeror (as defined in Section 988(1) of the Companies Act or any modification or re-

enactment thereof)) to acquire the whole or any part of the issued Ordinary Shares, or if any person proposes a scheme with regard to such acquisition (other than a Newco Scheme), give notice of such offer or scheme to the Bondholders at the same time as any notice thereof is sent to the Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices of the Paying and Conversion Agents and, where such an offer or scheme has been recommended by the board of directors of the Issuer, or where such an offer has become or been declared unconditional in all respects or such scheme has become effective, use all 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 by the Bondholders and/or to the holders of the Bonds (which like offer or scheme of arrangement in respect of such Bondholders shall entitle any such Bondholder to receive the same type and amount of consideration it would have received had it held the number of Ordinary Shares to which such Bondholder would be entitled assuming he were to exercise his Conversion Rights in the relevant Change of Control Period);

- (g) in the event of a Newco Scheme, take (or shall procure that there is taken) all necessary action to ensure that (to the satisfaction of the Trustee) as soon as reasonably practicable after completion of any Scheme of Arrangement:
  - (i) such amendments are made to these Conditions and the Trust Deed as are necessary, in the opinion of the Trustee, to ensure that the Bonds may be converted into or exchanged for ordinary shares in Newco *mutatis mutandis* in accordance with and subject to these Conditions and the Trust Deed (and the Trustee shall (at the expense of the Issuer) be obliged to concur in making any such amendments provided that the Trustee shall not be obliged to concur in making any such amendments if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to further liabilities or reduce its protections);
  - (ii) the Trust Deed and the Conditions (including, without limitation, the adjustment provisions (in Condition 5), the Events of Default (in Condition 9) and the Undertakings (in Condition 10)) provide at least the same protections and benefits to the Trustee and the Bondholders following the implementation of such Newco Scheme as they provided to the Trustee and the Bondholders prior to the implementation of the Newco Scheme, *mutatis mutandis*; and
  - (iii) the ordinary shares of Newco are (A) admitted to the Relevant Exchange or admitted to listing on another regulated, regularly operating, recognised stock exchange or securities market or (B) are listed, quoted or dealt on any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or dealt in;
- (h) use all reasonable endeavours to ensure that the Ordinary Shares issued upon exercise of Conversion Rights will, as soon as is practicable, be admitted to listing and to trading on the Relevant Stock Exchange and will be listed, quoted or dealt in, as soon as is practicable, on any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or dealt in;
- (i) for so long as any Bond remains outstanding, use all reasonable endeavours to ensure that its issued and outstanding Ordinary Shares shall be admitted to listing on the Relevant Stock Exchange;
- (j) at all times keep available for issue, free from pre-emptive rights out of its authorised but unissued capital, sufficient authorised but unissued Ordinary Shares to enable the exercise of all Conversion Rights, and all other rights of subscription and exchange for Ordinary Shares, to be satisfied in full; and
- (k) procure that it shall not become domiciled or resident in or subject generally to the taxing authority of any jurisdiction (other than the United Kingdom) unless it would not thereafter be required pursuant to then current laws and regulations to withhold or deduct for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature

imposed or levied by or on behalf of such jurisdiction or any political subdivision thereof or therein having power to tax in respect of any payment on or in respect of the Bonds.

The Issuer has undertaken in the Trust Deed to deliver to the Trustee annually a certificate of two authorised signatories of the Issuer, as to there not having occurred an Event of Default or Potential Event of Default (as defined in the Trust Deed) since the Closing Date or the date of the last such certificate or if such event has occurred as to the details of such event. The Trustee will be entitled to rely on such certificate and shall not be obliged independently to monitor compliance by the Issuer with the undertakings set forth in this Condition 10 or otherwise in the Trust Deed, nor be liable to any person for not so doing.

#### 11. **Prescription**

Claims against the Issuer for payment in respect of the Bonds or Coupons shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of such payment subject to Conditions 9(c).

Claims in respect of any other amounts payable in respect of the Bonds or Coupons shall be prescribed and become void unless made within 10 years following the due date for payment thereof.

#### 12. **Replacement of Bonds**

If any Bond or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying and Conversion Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

#### 13. **Meetings of Bondholders, Modification and Waiver, Substitution**

##### (a) *Meetings of Bondholders*

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if requested in writing by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to change the Final Maturity Date or the First Call Date (other than deferring the First Call Date) or the dates on which interest is payable in respect of the Bonds, (ii) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Condition 6 (b) or (d), (iii) to reduce or cancel the principal amount of, or interest on, the Bonds or to reduce the amount payable on redemption of the Bonds, (iv) to modify the basis for calculating the interest payable in respect of the Bonds, (v) to modify the provisions relating to, or cancel, the Conversion Rights (other than pursuant to or as a result of any amendments to these Conditions and the Trust Deed made pursuant to and in accordance with the provisions of Condition 10(g) ("**Newco Scheme Modification**")), and other than a reduction to the Conversion Price), (vi) to increase the Conversion Price (other than in accordance with these Conditions or pursuant to a Newco Scheme Modification), (vii) to change the currency of the denomination or any payment in respect of the Bonds, (viii) to change the governing law of the Bonds, the Trust Deed or the Agency Agreement (other than in the case of a substitution of the Issuer (or any previous substitute or substitutes) under Condition 13(c)) or (ix) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one or more persons holding or representing not less than two-thirds or at any adjourned meeting not less than one-third, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held.

No consent or approval of Bondholders or Couponholders shall be required in connection with any Newco Scheme Modification.

(b) *Modification and Waiver*

The Trustee may agree, without the consent of the Bondholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds, the Coupons or these Conditions which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest error or an error which, to the opinion of the Trustee, is proven, or to comply with mandatory provisions of law, and (ii) any other modification to the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds, the Coupons or these Conditions (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds, the Coupons or these Conditions which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. The Trustee may, without the consent of the Bondholders or the Couponholders, determine any Event of Default or a Potential Event of Default should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby. Any such modification, authorisation, waiver or determination shall be binding on the Bondholders and the Couponholders and, if the Trustee so requires, shall be notified to the Bondholders promptly in accordance with Condition 16.

(c) *Substitution*

The Trustee may, without the consent of the Bondholders or Couponholders, agree to the substitution of a Newco in place of the Issuer as principal debtor under the Bonds, the Coupons and the Trust Deed for the purposes of and in connection with a Newco Scheme as provided in Condition 10(g) or to the substitution in place of the Issuer (or any previous substitute or substitutes under this Condition) as the principal debtor under the Bonds, the Coupons and the Trust Deed of any Subsidiary of the Issuer subject to (a) the Bonds being unconditionally and irrevocably guaranteed by the Issuer, (b) except in case of a Newco Scheme where the provisions of Condition 10(g) will apply, the Bonds continuing to be convertible or exchangeable into Ordinary Shares *mutatis mutandis* as provided in these Conditions, with such amendments as the Trustee shall consider appropriate provided that in any such case, (c) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, and (d) certain other conditions set out in the Trust Deed being complied with. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders or the Couponholders, to a change of the law governing the Bonds and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders or the Couponholders. Any such substitution shall be binding on the Bondholders and the Couponholders and shall be notified to the Bondholders promptly in accordance with Condition 16.

(d) *Entitlement of the Trustee*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Bondholders as a class and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

#### 14. **Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Bonds and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Bonds or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

#### 15. **The Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders and to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith. The Trustee may rely, without liability to the Bondholders or the Couponholders, on a report, confirmation or certificate or any advice of any accountants, financial advisers or financial institution, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee shall be obliged to accept and be entitled to rely on any such report, confirmation or certificate or advice where the Issuer procures delivery of the same pursuant to its obligation to do so under any provision of these Conditions or the Trust Deed and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee, the Bondholders and the Couponholders in the absence of manifest error.

#### 16. **Notices**

All notices regarding the Bonds will be valid if published in one leading daily newspaper in the United Kingdom (which is expected to be the *Financial Times*) or, if this is not possible, in one other leading English language daily newspaper with general circulation in Europe and (so long as the Bonds are listed on the London Stock Exchange and the Rules of the London Stock Exchange so permit or require) given by filing a notice with a Regulatory Information Service approved by the UK Listing Authority. The Issuer shall also 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 Bonds are for the time being listed. 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 newspaper or in more than one manner, on the date of the first such publication in all the required newspapers or 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 Trustee may approve.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition.

#### 17. **Further Issues**

The Issuer may from time to time without the consent of the Bondholders or the Couponholders 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 Bonds and, in such case, referred to herein as the "**Further Bonds**") or in all respects except for the first payment of interest on them and the first date on which conversion rights may be exercised 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 Bonds) or upon such terms as to interest, conversion, premium, redemption and otherwise as the Issuer 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 Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other notes, bonds or debentures may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of notes, bonds or debentures of other series in certain circumstances where the Trustee so decides.

**18. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

**19. Governing Law**

The Trust Deed, the Agency Agreement, the Bonds, the Coupons and any non-contractual obligation arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.



## SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Temporary Global Bond and the Permanent Global Bond contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Bonds set out in this document. The following is a summary of certain of those provisions. References to the Conditions are to a Condition of the relevant Bonds.

### 1. General

The Bonds will initially be represented by a Temporary Global Bond without coupons attached.

On the Closing Date the Temporary Global Bond will be deposited on behalf of the subscribers of the Bonds with the Common Depository. Upon deposit of the Temporary Global Bond, Euroclear or Clearstream, Luxembourg (as the case may be) will credit each subscriber of Bonds with the principal amount of Bonds for which it has subscribed and paid.

### 2. Exchange

Interests in the Temporary Global Bond will be exchangeable on or after the first calendar day following the expiry of 40 calendar days after the Closing Date, for interests in a Permanent Global Bond without coupons attached to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bonds are not United States persons or persons who have purchased such interests for resale to any United States person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg (as the case may be) has given an equivalent certification (based on the certifications it has received) to the Principal Paying Agent. The Permanent Global Bond will be exchangeable in whole but not in part (free of charge to the holder) for the Definitive Bonds defined below (i) if not less than 60 days' written notice is given by Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Bond) to the Principal Paying and Conversion Agent as described therein (ii) if the Permanent Global Bond is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (iii) if the Issuer would suffer a material disadvantage in respect of the Bonds as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction in which the Issuer is for the time being incorporated which would not be suffered were the Bonds represented by such Permanent Global Bond in definitive form and a certificate to such effect signed by two authorised signatories of the Issuer is delivered to the Trustee. Thereupon (in the case of (i) and (ii) above) the holder may give notice to the Principal Paying and Conversion Agent, and (in the case of (iii) above) the Issuer may give notice to the Principal Paying and Conversion Agent and the Bondholders, of its intention to exchange the Permanent Global Bond for Definitive Bonds (as defined below) on or after the Exchange Date (as defined below) specified in the notice.

On or after the Exchange Date (as defined below) the holder of the Permanent Global Bond may (or, in the case of (ii) above, shall) surrender the Permanent Global Bond to or to the order of the Principal Paying and Conversion Agent. In exchange for the Permanent Global Bond the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Bonds (the "**Definitive Bonds**") (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Bond), security printed in accordance with applicable legal and stock exchange requirements substantially in the form set out in Schedule 1 to the Trust Deed. On exchange in full of the Permanent Global Bond, the Issuer will procure that it is cancelled.

"**Exchange Date**" means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying and Conversion Agent is located and, except in the case of exchange pursuant to (ii) above, in the cities in which the relevant clearing system is located.

3. **Legend**

The Bonds and Coupons will bear the following legend:

**"Any United States Person (as defined in the Internal Revenue Code of the United States of America) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code of the United States of America".**

The sections referred to in the legend provide that United States holders will not, with certain exceptions, be permitted to deduct any loss and will not be eligible for favourable capital gains treatment with respect to any gain realised on a sale, exchange or redemption of any Bond or Coupon.

4. **Payments**

No person shall be entitled to receive any payment on the Temporary Global Bond unless exchange for the relevant interest in the Permanent Global Bond is improperly withheld or refused. Payments of principal and interest in respect of the Permanent Global Bond will be made against presentation for endorsement and, if no further payment falls to be made on it, surrender of the Permanent Global Bond to or to the order of the Principal Paying and Conversion Agent or such other Paying and Conversion Agent as shall have been notified to the Bondholders for this purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Permanent Global Bond, which endorsement will be prima facie evidence that such payment has been made.

5. **Notices**

So long as the Bonds are represented by the Permanent Global Bond and the Permanent Global Bond is held on behalf of a clearing system approved by the Trustee, notices required to be given to Bondholders may be given by delivery to that clearing system rather than by publication as required by the Conditions provided that, so long as the Bonds are admitted to the Official List and admitted to trading on the PSM, the notice requirements of the UKLA and the LSE have been complied with. Any such notice shall be deemed to have been given to the Bondholders on the day following the day on which notice is delivered to such clearing system.

6. **Prescription**

Claims against the Issuer in respect of principal, interest and any other amount payable on the Bonds represented by the Permanent Global Bond will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the Conditions).

7. **Meetings**

The holder of the Permanent Global Bond will be treated at any meeting of Bondholders as having one vote in respect of each U.S.\$100,000 in principal amount of Bonds.

8. **Purchase and Cancellation**

Cancellation of any Bond represented by the Permanent Global Bond required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the Permanent.

9. **Accountholders**

For so long as any Bonds are represented by the Permanent Global Bond and the Permanent Global Bond is held by or on behalf of the common depositary for Euroclear and/or Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Bonds (each an "**Accountholder**") (in which regard any book entry certificate or other document

issued by the clearing system as to the principal amount of Bonds standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Bonds for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Bondholders) other than with respect to the payment of principal and interest on such principal amount of such Bonds, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the Permanent Global Bond in accordance with and subject to its terms and the Trust Deed. Each Accountholder must look solely to its relevant clearing system for its share of each payment made to the bearer of the Permanent Global Bond.

10. **Conversion Rights**

The Conversion Rights in respect of the Bonds may be exercised at any time during the Conversion Period by the relevant Accountholder giving notice to the Principal Paying and Conversion Agent in accordance with the standard procedures for Euroclear and/or Clearstream, Luxembourg (which may include notice being given on such Accountholder's instructions by Euroclear and/or Clearstream, Luxembourg or any common depository for them to the Principal Paying and Conversion Agent by electronic means) and in a form acceptable to Euroclear and/or Clearstream, Luxembourg, of the principal amount of Bonds in respect of which Conversion Rights are exercised and at the same time presenting or procuring the presentation of the Permanent Global Bond to the Principal Paying and Conversion Agent for endorsement of exercise within the time limits specified in Condition 5.

11. **Redemption at the Option of the Bondholder**

The Bondholders' put option in Condition 6(d) may be exercised by the holder of the Permanent Global Bond giving notice to the Principal Paying and Conversion Agent in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg (which may include notice being given on such Accountholder's instructions by Euroclear and/or Clearstream, Luxembourg or any common depository for them to the Principal Paying and Conversion Agent by electronic means) and in a form acceptable to Euroclear and/or Clearstream, Luxembourg of the principal amount of Bonds in respect of which such option is exercised and at the same time presenting or procuring the presentation of the Permanent Global Bond to the Principal Paying Agent for endorsement of exercise within the time limits specified in Condition 6(d).

12. **Euroclear and Clearstream, Luxembourg**

References in the Permanent Global Bond and this summary to Euroclear and Clearstream, Luxembourg shall be deemed to be references to any other clearing system approved by the Trustee.

## TAXATION

*The following summary is based upon UK law and what is understood by the Issuer to be HM Revenue and Customs' practice as at the date of this document. Both law and practice may change, possibly with retrospective effect. The summary is intended as a general guide, not a complete analysis, and may not apply to certain categories of Bondholder, such as Bondholders who hold their Bonds for the purposes of a trade, and deals with only some of the UK tax consequences of acquiring, holding and disposing of Bonds and Ordinary Shares.*

*Bondholders who are in any doubt as to their tax position, whether resident in the UK or elsewhere and whether subject to tax in the UK or under the laws of any other jurisdiction, should consult their professional advisers without delay.*

### **Withholding Tax**

There is generally an obligation to withhold or deduct an amount for or on account of UK income tax from payments of interest on interest-bearing securities where the interest in question has a UK source. The interest payable on the Bonds is from a UK source. However, the Bonds should constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 (the "**ITA 2007**") for so long as they carry a right to interest and continue to be listed on a recognised stock exchange within the meaning of section 1005 ITA 2007. The LSE is a recognised stock exchange for these purposes and the Bonds will be treated as listed if they are included in the Official List of the UKLA (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the LSE. HM Revenue and Customs ("**HMRC**") have confirmed that securities that are admitted to trading on the Professional Securities Market satisfy the condition of being admitted to the LSE. While the Bonds are and continue to be "quoted Eurobonds", payments of interest on the Bonds may be made without withholding or deduction for or on account of UK income tax as the withholding obligation does not apply to quoted Eurobonds.

If the Bonds cease to be listed on a recognised stock exchange, interest on the Bonds will, from the time that the Bonds cease to be listed, generally be paid under deduction of UK income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

The Issuer will not be required to withhold or deduct any amount for or on account of UK tax from dividend payments on the Ordinary Shares.

### **Provision of Information**

Bondholders should note that where any interest on the Bonds is paid or credited to them (or to any person acting on their behalf) by any person in the UK acting on behalf of the Issuer (a "**Paying Agent**") or is received by any person in the UK acting on behalf of the relevant Bondholder (other than solely by clearing or arranging the clearing of a cheque) (a "**Collecting Agent**"), then the Paying Agent or the Collecting Agent (as the case may be) may, in certain circumstances, be required to supply to HMRC details of the payment and certain details relating to the Bondholder (including the Bondholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of UK income tax and whether or not the Bondholder is resident in the UK for UK tax purposes. Where the Bondholder is not so resident, the details provided to HMRC may, in certain circumstances, be passed by HMRC to the tax authorities of the jurisdiction in which the Bondholder is resident for tax purposes.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual or certain other residual entities resident in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg may instead apply withholdings in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the of interest or other similar income may request that no interest be withheld) deducting tax at rates rising over time to 35 per cent., unless during such period they elect otherwise. The transitional period is to terminate at the end of the first

full fiscal year following agreement with certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, including Switzerland, and certain dependent or associated territories of certain member states, have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependant or associated territories in relation to payments made by a person in a Member State to an individual or certain other residual entities resident in one of those territories.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008, the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made to the Directive, they may amend or broaden the scope of the requirements described above. Investors who are in any doubt as to these positions should consult their professional advisers.

### **Taxation of Returns on the Bonds**

The tax treatment of a Bondholder that is within the charge to United Kingdom corporation tax will be substantially dependent on the Bondholder's accounting treatment in respect of the Bonds (including, in particular, as to whether the Bonds are to be bifurcated into a host contract and an embedded derivative in the Bondholder's accounts).

Bondholders (whether corporate or non-corporate) are recommended to seek their own professional advice on the tax treatment in their hands of acquiring, holding and exercising rights under the Terms and Conditions of the Bonds.

Subject to the above, Bondholders (other than, in particular, certain trustees) who are not resident in the United Kingdom for tax purposes, and who do not carry on a trade, profession or vocation in the United Kingdom through a United Kingdom permanent establishment, branch or agency in connection with which the return on the Bonds is received or to which the relevant Bonds are attributable, will generally not be liable to United Kingdom tax on the return on the Bonds.

### **UK Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

No United Kingdom stamp duty or stamp duty reserve tax ("SDRT") should be payable on the issue of the Bonds.

No United Kingdom stamp duty will be payable on the transfer by delivery of Bonds. No SDRT will generally be payable on an agreement to transfer the Bonds, while they and the Ordinary Shares into which they can convert are listed on a recognised stock exchange (HMRC have confirmed that securities that are admitted to trading on the PSM satisfy the condition of being admitted to the LSE, and that the LSE is a recognised stock exchange for these purposes).

No UK stamp duty or SDRT is payable on any issue of Ordinary Shares other than an issue to issuers of depositary receipts or providers of clearance services (or their nominees or agents (see further below)).

The written conveyance or transfer on sale of an Ordinary Share will be liable to ad valorem stamp duty, generally at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer, and rounded-up to the nearest £5. The purchaser normally pays the stamp duty. An exemption from ad valorem stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

An unconditional agreement to sell an Ordinary Share will generally give rise to a liability on the purchaser to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration for the sale. If a duly stamped transfer in respect of the agreement is produced within six years of the date that the

agreement is entered into or (if later) the date that it becomes unconditional, any SDRT paid is repayable generally with interest, and the SDRT charge (including any outstanding liability to SDRT) is cancelled.

Issues or transfer of Ordinary Shares (1) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts within section 67 or section 93 of the Finance Act 1986 or (2) to, or to a nominee or agent for, a person providing a clearance service within section 70 or section 96 of the Finance Act 1986, will generally be subject to stamp duty or SDRT at 1.5 per cent. of the amount or value of the consideration or, in certain circumstances, the value of the shares transferred (rounded up to the nearest £5 in the case of stamp duty) unless, in the case of a transfer to a clearance service, the clearance service in question has made an election under section 97A of the Finance Act 1986 which applies to the Ordinary Shares. Under section 97A of the Finance Act 1986, clearance services may, provided they meet certain conditions, elect for the 0.5 per cent. rate of stamp duty or SDRT to apply to transfers of securities within such services instead of the 1.5 per cent. rate applying to an issue or transfer of such securities into the clearance service.

The European Court of Justice decision in *HSBC Holdings plc and Vidacos Nominees Ltd. v. HMRC* handed down on 1 October 2009 found that this 1.5 per cent. charge on issuing UK shares into clearance services is contrary to EU law, at least in certain circumstances. Also on 1 October 2009, HMRC announced that, with immediate effect, it will not seek to apply the 1.5 per cent. SDRT charge on the issue of shares into a clearance service within the European Union, and that new legislation will be introduced. It remains to be seen what changes will be made to UK legislation. Accordingly, specific professional advice should be sought before any transfer or issue of Ordinary Shares into a clearance service.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of Ordinary Shares into the CREST system unless such transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise. Paperless transfers of Ordinary Shares within CREST will be liable to SDRT rather than stamp duty.

**IF YOU ARE NOT RESIDENT IN THE UK OR ARE SUBJECT TO TAX IN ANY OTHER JURISDICTION OR IF YOU ARE IN ANY DOUBT AS TO YOUR TAX POSITION, YOU SHOULD CONSULT AN APPROPRIATE PROFESSIONAL ADVISER WITHOUT DELAY.**

**THIS SUMMARY DOES NOT DETAIL THE INCOME TAX, CORPORATION TAX OR CAPITAL GAINS TAX CONSEQUENCES OF A DISPOSAL OR HOLDING OF ORDINARY SHARES**

## SUBSCRIPTION AND SALE

Pursuant to an Underwriting Agreement dated 7 October 2009 (the "**Underwriting Agreement**") among the Issuer, Goldman Sachs International and J.P. Morgan Securities Ltd. (together, the "**Managers**"), the Issuer has agreed to issue the Bonds to the Managers at a price equal to 100 per cent. of their principal amount and the Managers have agreed severally but not jointly to subscribe for the aggregate principal amount of the Bonds set opposite their respective names in the table below.

	<u>Principal Amount of Bonds (U.S.\$)</u>
Goldman Sachs International.....	34,500,000
J.P. Morgan Securities Limited.....	80,500,000
<b>Total</b> .....	<b>115,000,000</b>

The Issuer has agreed to pay to the Managers a commission in consideration of the agreement to act as Managers. The Issuer has also agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Bonds.

The Issuer has agreed to indemnify the Managers in respect of certain matters pursuant to the Underwriting Agreement. The Underwriting Agreement contains provisions entitling the Managers to terminate the Underwriting Agreement in certain circumstances prior to the closing of the issue of the Bonds.

The Issuer has agreed that for a period of 180 days after the Closing Date the Issuer will not, and will procure that none of its subsidiaries will, without the prior written consent of the Managers, (a) directly or indirectly, offer, issue, lend, sell or contract to sell, issue options in respect of or otherwise dispose of, directly or indirectly, or (b) announce an offering or issue of any Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Ordinary Shares or (c) enter into any transaction with the same economic effect as, or agree to do, any of the foregoing. The foregoing sentence shall not apply to (i) the issue of the Bonds or (ii) any Ordinary Shares issued pursuant to conversion of the Bonds or (iii) the payment of scrip dividends or capitalisation issues associated with dividends, or (iv) the grant or exercise of options or other rights to acquire Ordinary Shares or rights related to Ordinary Shares or the issue of Ordinary Shares under the Issuer's executive long term incentive plan, provided that the terms of the executive long term incentive plan are satisfactory to the Managers (acting reasonably) or (v) the issue and allotment of new Ordinary Shares pursuant to the Placing. See "*Hochschild Mining plc – Recent Developments*".

### **United States**

Each Manager agreed that it understands that the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States pursuant to an exemption from, or in a transaction subject to, the registration requirements of under the Securities Act. Each Manager has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act ("**Regulation S**").

Each Manager has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used above have the meaning given to them by Regulation S.

The Bonds are in bearer form and are subject to U.S. tax law requirements. They may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act, if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

## **United Kingdom**

Each of the Managers has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

## **Singapore**

The Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the Bonds will be offered pursuant to the exemptions under Section 274 and 275 of the Securities and Futures Act, Chapter 289 of Singapore (the "**Securities and Futures Act**"). Accordingly, the Managers have agreed that the Bonds may not be offered or sold or made the subject of an invitation for subscription or purchase nor may the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of such Bonds be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (1) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (2) to a relevant person under Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (3) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

## **Hong Kong**

Each Manager has represented and agreed that:

- (a) it has not offered, sold, delivered or transferred and will not offer, sell, deliver or transfer in Hong Kong, by means of any document, any Bonds other than (i) to "professional investors", as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation, prospectus or other offering material or other document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## **General**

No action has been or will be taken in any country or jurisdiction by the Issuer or any Manager that would permit a public offering of the Bonds, or possession or distribution of the Offering Circular or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Bonds or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief on reasonable grounds, result in compliance with any applicable laws and regulations.



## GENERAL INFORMATION

### 1. Listing

Application has been made to the Financial Services Authority ("FSA") in its capacity as competent authority under the Financial Services and Markets Act 2000 ("FSMA") for the Bonds to be admitted to the official list of the UK Listing Authority (the "UKLA") (the "Official List"). Application has been made to the London Stock Exchange ("LSE") for the Bonds to be admitted to trading on the Professional Securities Market (the "PSM"). It is expected that admission of the Bonds to the Official List and admission to trading of the Bonds on the PSM will be granted on or around 22 October 2009, subject to the issue of the Bonds. It is expected that dealings in the Bonds will commence on 23 October 2009.

The Issuer has undertaken to apply to have the Ordinary Shares issuable upon conversion of the Bonds listed for trading on the LSE.

### 2. Stock Exchange

The listing of the Bonds on the LSE will be expressed in U.S. dollars as a percentage of their principal amount (exclusive of accrued interest). Transactions will normally be effected for settlement in U.S. dollars for delivery on the third business day in London after the date of the transaction.

### 3. Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds. The creation and issue of the Bonds has been authorised by a resolution of the Board of Directors of the Issuer dated 1 October 2009 and a resolution of a committee of the Board of Directors dated 7 October 2009.

### 4. Expenses

The Issuer estimates that the total expenses related to the issue of the Bonds will be approximately U.S.\$ 2.5 million.

### 5. Clearing

The Bonds have been accepted for clearance through Clearstream, Luxembourg and Euroclear. The Common Code for the Bonds is 045779467. The International Securities Identification Number for the Bonds is XS0457794674. The address of Euroclear is 1 Boulevard du Roi Albert I, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.

### 6. Financial and Trading Position

There has been no material adverse change in the prospects of the Issuer since 31 December 2008, nor has there been any significant change in the financial or trading position of the Group since 30 June 2009.

### 7. Financial Information

The consolidated financial statements of the Issuer have been audited without qualification for the two financial years ended 31 December 2008 by Ernst & Young of 1 More London Place, London SE1 2AF, United Kingdom, a member of the Institute of Chartered Accountants.

### 8. Material Contracts

#### (a) *Contracts relating to the Bonds*

The following contracts directly concerning the issue of the Bonds have been entered into by a member of the Group immediately preceding the publication of this Offering Circular or will, shortly after the date of this Offering Circular, be entered into by a member of the Group and are, or may be, material:

- (i) the Trust Deed to be dated 20 October 2009 between the Issuer and Citicorp Trustee Company Limited as Trustee, *inter alia*, constituting the Bonds and appointing the Trustee to act on that capacity and under which such commission in respect of the service of the Trustee as shall be agreed between the Issuer and the Trustee are to be paid;
  - (ii) the Paying and Conversion Agency Agreement to be dated 20 October 2009 between, *inter alios*, the Issuer and Citicorp Trustee Company Limited as Trustee setting out, *inter alia*, the terms of the appointment and duties of Citibank, N.A. in its capacity as Principal Paying and Conversion Agent and under which such commissions in respect of the services of the agents as shall be agreed between them and the Issuer are to be paid; and
  - (iii) the Underwriting Agreement.
- (b) *Other Contracts*

The following contracts concern the Issuer and may be material to the Issuer's obligations in respect of the Bonds:

- (i) the Placing Agreement dated 7 October 2009, between, *inter alios*, the Issuer, Goldman Sachs International and J.P. Morgan Cazenove (the "**Placing Agreement**") setting out, *inter alia*, the terms on which the Placing Agents would act as agents of the Issuer in connection with the issue and allotment of 30,735,000 new ordinary shares of 25 pence in the share capital of the Issuer;
- (ii) the Relationship Agreement between, *inter alios*, the Issuer and Eduardo Hochschild, the Executive Chairman and ultimate controlling shareholder of the Issuer, dated 20 October 2006, which ensures that the Group is capable of carrying on its business independently, and that transactions and relationships between, *inter alios*, the Group and Eduardo Hochschild are at arm's length and on normal commercial terms; and
- (iii) a secured term loan facility agreement dated 28 January 2008 (the "**Facility Execution Date**"), as amended, between the Issuer and a syndicate of lenders with JP Morgan Chase Bank N .A. acting as the administrative agent (the "**Secured Term Loan Facility Agreement**"). Under the Secured Term Loan Facility Agreement, the Group has a total secured term loan facility of up to U.S.\$200 million with an effective interest rate of LIBOR + one per cent. and a maturity of five years following the Facility Execution Date. The loans may be incurred in up to five draw-downs available during the 180 days following the Execution Date and the Group has the option to increase the facility by U.S.\$150 million before the fifth anniversary of the Execution Date. In relation to the Secured Term Loan Facility, the Group has granted a first-priority perfected security interest over all of the equity share capital, free and clear of any liens, of Compañía Minera Ares S.A.C.

## 9. Documents on Display

Copies of the following documents may be inspected during normal business hours at the offices of the Paying and Conversion Agent during the 12 months starting on the date on which this Offering Circular is made available to the public as required by the prospectus rules made by the Financial Services Authority:

- (a) the Memorandum and Articles of Association of the Issuer;
- (b) the Issuer's 2007 Annual Report, which contains the annual audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2007, together with the notes thereto and the auditor's report thereon;
- (c) the Issuer's 2008 Annual Report, which contains the annual audited consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2008, together with the notes thereto and the auditors' report thereon;
- (d) the Issuer's 2009 Interim Report, which contains the unaudited consolidated financial statements of the Issuer for the six months ended 30 June 2009, together with the notes thereto;

- (e) the Issuer's Interim Management Statement for the three months ended 30 September 2009;
- (f) the Trust Deed; and
- (g) the Paying and Conversion Agency Agreement.

In addition, this Offering Circular is also available at the website of the Regulatory News Service operated by the LSE at [www.londonstockexchange.com/gbpricenews/marketnews](http://www.londonstockexchange.com/gbpricenews/marketnews)

**10. Information relating to the Ordinary Shares**

(a) Information relating to the Ordinary Shares, including past and future performance, can be obtained at: [www.londonstockexchange.com/exchange/prices-and-news/stocks/summary/company-summary.html?fourWayKey=GB00B1FW5029GBGBXSTMM](http://www.londonstockexchange.com/exchange/prices-and-news/stocks/summary/company-summary.html?fourWayKey=GB00B1FW5029GBGBXSTMM)

(b) The International Securities Identification Number for the Ordinary Shares is GB00B1FW5029.

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## GLOSSARY AND ABBREVIATIONS

"assay"	The analysis of the percentage of particular elements or compounds in a given sample.
"assayer"	a person who analyses the percentage of particular elements or compounds in a given sample.
"assessment"	environmental risks and impacts in its area of influence and identifies ways of improving project design and implementation by preventing, minimising, mitigating, or compensating for adverse environmental impacts and by enhancing positive impacts.
"brownfields"	Previously used industrial sites suitable for redevelopment.
"concentrate"	Material that has been separated from an ore which has a higher concentration of mineral values than the mineral values originally contained in the ore. Concentrates are produced in a plant called a concentrator.
"concentrator"	Equipment used in the reduction of ore.
"core"	A cylindrical sample taken using a core barrel and usually a diamond drill.
"cut and fill"	A method of stoping in which ore is removed in slices, and the resulting excavation filled with waste material (backfill) which supports the walls of the stope when the next cut is mines.
"deposit"	An area of mineral resources or reserves identified by surface mapping, drilling or development.
"development"	(i) The initial stages of opening up a new mine, and/or (ii) The tunnelling to access, prove the location and value, and allow the extraction of ore.
"diamond drilling" or core drilling"	A drilling method, where the rock is cut with a diamond bit, attached to hollow rods. It cuts a core of rock, recovered in cylindrical sections for geological analysis.
"disposal"	Final placement or destruction of toxic, radioactive, or other wastes; surplus or banned pesticides or other chemicals; polluted soils, and drums containing hazardous materials from removal actions or accidental releases.
"doré"	Doré bullion is an impure alloy of gold and silver and is generally the final product of mining and processing; the doré bullion will be transported to be refined to high purity metal.
"environmental"	The sum of all external conditions affecting the life, development, and survival of an organism.
"epithermal"	Near-surface ore-forming processes from which the mineral phases characteristically occur in veins.
"exploration"	Prospecting, sampling, mapping, diamond drilling and other work involved in the search for mineralisation.
"feasibility study"	A comprehensive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to define the technical and economic viability of a project and to support the search for project financing.
"flotation"	A recovery process by which valuable minerals are separated from waste to produce a concentrate. Selected minerals are induced to become attached to air bubbles and float.
"grade"	The relative quality or percentage of metal content.
"hydrothermal"	Processes related to hot aqueous solutions, commonly related to magmatic sources, which transport and concentrate ore-forming minerals
"koz"	Thousand troy ounces.
"mineralisation"	Any mass of host rock in which minerals of potential commercial value occurs.
"monitoring"	Periodic or continuous surveillance or testing to determine the level of compliance with statutory requirements or pollutant levels in various media or in humans, animals, and other living things.
"open pit"	Surface mining in which the ore is extracted from a pit. The geometry of the pit may vary with the characteristics of the orebody.
"ore"	Material that contains one or more minerals, at least one of which has commercial value and which can be recovered at a profit.

"orebody"	A continuous well defined mass of material of sufficient mineral content to make extraction economically feasible. The term orebody is often used to denote locations of mineralised deposits may or may not be economic.
"ounce" or "oz"	A troy ounce.
"permit"	An authorisation, licence, or equivalent control document issued by an approved agency to implement the requirements of an environmental regulation; e.g. a permit to operate a wastewater treatment plant or to operate a facility that may generate harmful emissions.
"plant"	Fixed or moveable equipment required in the process of winning or processing the ore.
"pollutant"	Generally, the presence of matter or energy whose nature, location, or quantity produces pollution.
"prospect"	A mineral deposit with insufficient data available on the mineralisation to determine if it is economically recoverable, but warranting further investigation.
"pyrite"	Mineral-iron sulphide, FeS <sub>2</sub> .
"recoverable"	When applied to reserves and resources, equivalent to run-of-mine basis, i.e. the grade and tonnage of material produced at the pit rim or shaft collar stated on a dry basis.
"refinery"	An industrial installation where a substance is refined.
"reserve base"	Those parts of the identified resources that meet specified minimum modifying factors (consideration of mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors). The reserve base is the sum of the insitu demonstrated (measured plus indicated) resource from which the reserves are estimated.
"reserve(s)"	Refer to Joint Ore Reserve Committee (JORC) Code.
"reserves"	Virgin and/or accessed parts of a reserve base, which could be economically extracted or produced at the time of determination, considering environmental, legal and technological constraints. Reserves do not include losses due to mining or geological factors and include dilution.
"residual"	Amount of a pollutant remaining in the environment after a natural or technological process has taken place, e.g., the sludge remaining after initial waste water treatment, or particulates remaining in air after the air passes through a scrubbing or other pollutant removal process.
"resource(s)"	Refer to Joint Ore Reserve Committee (JORC) Code.
"sampling"	Taking small pieces of rock at intervals along exposed mineralised for assay (to determine the mineral content).
"smelting"	Thermal processing whereby molten metal is liberated from beneficiated ore or concentrate with impurities separating as lighter slag. The plant where this is performed is called a smelter.
"spot"	The purchase price of a commodity at the current price, normally this is at a discount to the long term contract price.
"stope"	The underground excavation from which ore is extracted.
"stoping"	The act of excavating ore, either above or below a set level, in a series of steps in an underground mine.
"sulphidation"	Terminology applied to two types of fundamentally different precious metal epithermal deposits: low sulphidation deposits deposited from hydrothermal systems dominated by meteoric water; high sulphidation systems formed from fluids dominated by magmatic sources.
"sulphide"	A mineral characterised by the bonds of sulphur with a metal or semi-metal. such as pyrite, FeS <sub>2</sub> (iron sulphide). Also a zone in which sulphide minerals occur.
"trackless"	Mining without the use of locomotives.
"wastes"	Unwanted materials left over from a manufacturing process.
"wastewater"	Spent or used water from individual homes, communities, farms, or industries that contains dissolved or suspended matter.
"working capital"	Accounts receivable less accounts payable.

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