

CARRAIGMORE RESOURCES GROUP LIMITED

£20,000,000 5yr Convertible Bond

8% Annual Interest Coupon paid Bi Annually

December 01 - 2019 to December 01 - 2024

TERMS AND CONDITIONS OF THE BOND

The following are the terms and conditions applicable to the Bonds (the "**Conditions**").

The £20,000,000 8% fixed rate convertible bond due 1st December 2024 ("**Bond**") of Carraigmore Resources Group Limited, a Company incorporated and registered in England and Wales with number 08709980 whose registered office is at 2nd Floor, Regis House, 45 King William Street, London, EC4R 9AN, United Kingdom (the "**Company**").

The Bond may be purchased in denominations of £100,000 and above by Corporate Entities Only and is defined as an "Institutional" Bond for the purposes of the Financial Services and Markets Act 2000 and is not suitable for individual investors.

1. DEFINITIONS

In these Conditions:

"**Appointee**" means any attorney, ISA Manager, agent, delegate, nominee, custodian, receiver or other person appointed by the Company under, or pursuant to, these Conditions;

"**Business Day**" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the City of London;

"**Events of Default**" means the events detailed in Condition 10.1 (Events of Default) and "Event of Default" means any of them;

"**Interest Payment Dates**" means the dates of interest payments made half yearly in each year during the Term of the Bonds, the first such payment being made on 1st June 2020 and the final payment being made on the Maturity Date or, if such date is not a Business Day, the next Business Day immediately following such Maturity Date, and "**Interest Payment Date**" means any such date;

"**Issue Date**" means, in relation to any Bond, the actual date of issue of that Bond;

"**Group Companies**" means the Company, any holding Company of the Company, any subsidiaries of the Company and any holding Company of any such subsidiaries from time to time, and "Group Company" shall mean any of them;

"**Interest Record Dates**" means the dates at the end of each consecutive half yearly interest period up to and including the date on which the Bonds are redeemed;

"**Maturity Date**" means 1st December 2024;

"Paying Agent" means the Registrar or such other person as the Company may from time to time appoint as its paying agent (and including the Company itself);

"Potential Event of Default" means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request, would constitute an Event of Default;

"Registered Bondholder" means the person(s) in whose name a Bond is, or Bonds are, registered (regardless of underlying beneficial ownership);

"Registrar" means Avenir Registrars Limited or such other registrar for the time being of the Company responsible for maintaining the Register;

"Registrar Agreement" means (i) a letter of engagement between the Company and the Registrar whereby, amongst other matters, the Registrar has been appointed as Paying Agent for the making of all payments in respect of the Bonds to Registered Bondholders on behalf of the Company, as amended and/or supplemented and/or restated from time to time and (ii) any paying agency agreement entered into between the Company and any additional or successor paying agent;

"Relevant Date" means, with respect to any payment due in respect of the Bonds, the date on which such payment becomes due but, if the full amount of the money payable has not been received by the Paying Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect is duly given to the Registered Bondholders by the Company in accordance with Condition 11 (Notices);

"Reserved Matter" means a modification of the Maturity Date or any Interest Payment Date, a reduction or cancellation of the principal or interest payable in respect of the Bonds or an alteration of the currency of payment of the Bonds;

"Relevant Fraction"

means, in relation to a meeting of Registered Bondholders:

(a) for all business other than voting on an Extraordinary Resolution, one tenth;

(b) for voting on any Extraordinary Resolution other than one relating to a Reserved Matter, 50 per cent; and

(c) for voting on any Extraordinary Resolution relating to a Reserved Matter, 75 per cent,

provided, however, that, in the case of a Meeting which has resumed after adjournment for want of a quorum, it means:

(d) for all business other than voting on an Extraordinary Resolution relating to a Reserved Matter, the fraction of the aggregate Amount of the Bonds then outstanding represented or held by the Voters actually present at the Meeting; and

(e) for voting on any Extraordinary Resolution relating to a Reserved Matter, one quarter;

"Taxes" has the meaning given to it in Condition 8.1 (Withholding);

"Term of the Bonds" means the period commencing on the Issue Date and ending on the Maturity Date;

"Voter" means, in relation to any Meeting (subject to the paragraph entitled "Record Date" below) (a) a Bondholder of Bonds, or (b) a Proxy; provided, however, that any Bondholder of any Bonds who has appointed a Proxy shall not be a "Voter" except to the extent that such appointment has been revoked and the Registrar notified in writing of such revocation prior to the Meeting.

2. FORM, DENOMINATION AND TRANSFER

2.1 The Bonds are in registered form, in the denomination of £1.00 per unit with a minimum aggregate subscription of £100,000 per investor.

2.2 The Bonds may be held by, and issued to, Registered Bondholders in certified or uncertificated form (where such uncertificated form has been established by the Company). The Corporate entity in whose name(s) any Bonds are registered in the register (the "**Register**") relating to the Bonds maintained by the Registrar will (in the absence of manifest error) be treated at all times for all purposes (including the purpose of making payments, whether or not any such payments are overdue) as the absolute owner thereof.

2.3 The Bonds are transferable in integral multiples of £1,000 with a minimum transferable amount of £100,000 or above by transfer in CREST, if so registered. or by certificated instrument in writing in common form, or in such form as the Company may approve from time to time.

2.4 Each instrument of transfer shall be signed by the transferor, and the transferor shall be deemed to remain the owner of the Bonds until the name of the transferee is entered in the Register in respect of such Bonds.

2.5 Each instrument of transfer shall be lodged at the registered office of the Company for the time being, and shall (if held in certificated form) be accompanied by the Certificate(s) for the Bonds to be transferred and any other evidence that the Company may require to prove the title of the transferor or his right to transfer the Bonds (and, if such instrument is executed by some other person on his behalf, the authority of that person to do so). All instruments of transfer that are registered may be retained by the Company.

2.6 If any Certificate is worn out or defaced then, on production of it to the Company, it may cancel it and may issue a fresh Certificate in lieu. If any Certificate is lost or destroyed it may be replaced on such terms (if any) as to evidence and indemnity as the Company may require. An entry recording the issue of the new Certificate and indemnity (if any) shall be made in the Register.

3. STATUS

The Bonds are direct limited recourse obligations of the Company, and rank pari passu without preference or priority amongst themselves.

4. COVENANTS

4.1 General Covenants

For so long as any of the Bonds remains outstanding, the Company covenants that it will not engage in any activity, or do anything other than:

- (a) carry out the business of a Company which has as its purpose the participation in the development of oil and gas projects; and
- (b) perform any act incidental to or necessary in connection with (a) above.

4.2 Information Covenants

For so long as any of the Bonds remain outstanding, the Company shall:

(a) send (by conventional postal transmission in printed form or by electronic means, as determined by the Company in its sole discretion) to each Registered Bondholder a copy of the annual report of the Company no later than 6 months after the Company's financial year end; and

(b) at the request of Registered Bondholders holding not less than 75 per cent in principal amount of the Bonds for the time being outstanding, convene a meeting of the Registered Bondholders to discuss the financial position of the Company, provided, however, that the Company shall not be required to convene any such meeting pursuant to this Condition 6.2(b) more than once in any calendar year. Upon the request of Registered Bondholders to convene any such meeting, as aforesaid, the Company shall notify all Registered Bondholders of the date (which date shall be no more than 21 days following such request), time and place of the meeting in accordance with Condition 11 (Notices). The Company shall act in good faith in addressing any questions regarding its financial position raised at any such meeting, provided, however, that the Company shall not be obliged to disclose any information which it, in its absolute discretion, considers to be of a confidential nature. For the avoidance of doubt, the provisions of this Condition 4.2(b) are in addition to the meetings provisions set out in Condition 14 (Meetings of Registered Bondholders, Modification and Waiver).

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

Subject to Condition 5.2, the Bonds will bear interest from the Issue Date at an annual rate of 8.0 per cent, payable half yearly in arrears on each Interest Payment Date in respect of the period from and including the immediately preceding Interest Record Date to but excluding the current Interest Record Date. Interest shall be calculated on the basis of the actual number of days elapsed in the relevant period and a 365 day year.

5.2 Interest Accrual

Each of the Bonds will bear interest from the Issue Date (but not for any period prior) and cease to bear interest from (and including) its due date for redemption, unless payment of the principal in respect of the Bonds is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in this Condition 5.

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period that does not commence immediately after an Interest Record Date, it shall be calculated pro-rata on the basis of the actual number of days in the period from (and including) the date from which interest begins to accrue (the "**Accrual Date**") to (but excluding) the next interest Record Date.

6. PAYMENTS

6.1 Payments in respect of Bonds

Payments of principal in respect of each of the Bonds will be made by the Paying Agent to the relevant Registered Bondholder appearing on the Register on the Maturity Date.

6.2 Payments of interest in respect of each of the Bonds will be made 10 days after the Interest Record Date by the paying Agent to the relevant Registered Bondholder appearing on the Register on the Interest Record Date.

6.3 Method of Payment

Payments of principal and interest in respect of each of the Bonds will be made by the Paying Agent by credit to the account maintained by the relevant Registered Bondholder as at the interest Record Date.

6.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Bonds are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment.

6.5 Payment Day

If the date for payment of any amount in respect of any Bonds is not a Business Day, the holder thereof shall not be entitled to payment until the next following Business Day and shall not be entitled to further interest or other payment in respect of such delay.

6.6 Initial Paying Agent

The initial Paying Agent has been appointed under the Registrar Agreement. The Company reserves the right at any time, to vary or terminate the Registrar Agreement and/or to terminate the appointment of the Paying Agent and to appoint additional or other Paying Agents provided that there will at all times be at least 1 paying agent for the Bonds.

Notice of any termination of appointment of a Paying Agent will be given to the Registered Bondholders promptly by the Company in accordance with Condition 11 (Notices).

7. REDEMPTION, CONVERSION, PURCHASE AND TERM EXTENSION

7.1 Redemption at Maturity

Subject to Conditions 7.2 to 7.9 inclusive, unless previously redeemed or purchased and cancelled as specified in these Conditions, the Bonds will be redeemed by the Company at their principal amount on the Maturity Date, payable to the Bondholder registered as the owner on the Maturity Date.

7.2 Early Redemption by the Company

At any time after [1 December 2020], the Company may, by giving the relevant Bondholder not less than 14 days' notice in writing (a "**Company Redemption Notice**"), redeem from any Bondholder, the principal amount of such number of Bonds stated in such Company Redemption Notice together with any accrued interest thereon on the date specified in such Company Redemption Notice. In the event that the Company seeks to redeem less than all of

the Bonds then outstanding the selection of Bondholders whose Bonds are to be redeemed shall be determined at the sole discretion of the Company. The service of a Company Redemption Notice under this Condition 7.2 is irrevocable.

7.3 Registered Bondholder Put Request

Following the death of a beneficiary a Registered Bondholder may by notice accompanied by a copy of the death certificate of the relevant beneficiary together with evidence of such beneficial ownership, request the Company to redeem some or all of the Bonds attributable to such beneficiary (the “**Registered Bondholder Put Request**”) not later than 360 days after the date on which the relevant request is given to the Company (the “**Put Request Date**”), together with any interest accrued up to but excluding the Put Request Date.

On the Put Request Date, the Company may in its discretion redeem all of the Bonds in respect of which a Registered Bondholder Put Request has been exercised, at their aggregate principal amount together with any interest accrued up to but excluding the Put Request Date.

7.4 Notice of Early Redemption

Notice of any early redemption in accordance with Condition 7.3 (Registered Bondholder Put Request) above shall be given by the Company to the Paying Agent in accordance with Condition 11 (Notices), as promptly as practicable.

7.5 Calculations

Each calculation, by or on behalf of the Company, for the purposes of this Condition 7 shall, in the absence of manifest error, be final and binding on all persons. If the Company does not at any time for any reason calculate amounts referred to in this Condition 7, such amounts may be calculated by an agent appointed (at the expense of the Company) based on information supplied to it by the Company, and each such calculation shall be deemed to have been made by the Company.

7.6 Purchase of Bonds by the Company

The Company may purchase Bonds at any time.

7.7 Cancellation of purchased or redeemed Bonds

All Bonds redeemed by the Company pursuant to clause 7.1 to 7.9 shall be cancelled and may not be issued or resold.

7.8 Conversion of Bonds to Equity

A Registered Bondholder may, during the lifetime of the bond convert (in whole only) his/her bond holding to Ordinary shares of the Company, by giving seven (7) days written notice to the Company of the intention to convert.

On receipt of such notice and the return of the Bondholder certificate, the Company shall calculate based on the value of the conversion of the redeemed bond, the number of Ordinary shares to be issued to the Bondholder upon conversion and subsequent cancellation. The calculation shall be based on the quoted securities exchange market price of the Company's ordinary shares on the day of conversion less a discount of ten (10%) percent. If the ordinary shares of the Company are not listed on a public exchange at the time of the conversion that the exchange rate shall be based on the latest private placement price as advised by the Company for the exchange of its ordinary shares less a discount of ten (10%) percent.

The Company may at its sole discretion during the lifetime of the Bond, convert in whole or in part any Bond issued to a Registered Bondholder into Ordinary shares of the Company, having given the Registered Bondholder seven (7) days' notice of such conversion. The Company shall calculate based on the value of the conversion of the redeemed bond, the number of Ordinary shares to be issued to the Bondholder upon conversion and subsequent cancellation.

The calculation shall be based on the quoted securities exchange market price of the Company's Ordinary shares less a discount of thirty (30% percent) on the day of conversion. If the Ordinary shares of the Company are not listed on a public exchange at the time of the conversion, then the exchange rate shall be based on the latest private placement price as advised by the Company for the exchange of its Ordinary shares, less a discount of thirty (30%) percent. The service of a Company Conversion Notice under this Condition 7.8 is irrevocable.

7.9 Term Extension

The Company may at its sole discretion, having given all Bond holders thirty (30) days' notice in writing, extend the principal term of the Bond from its maturity date of December 1st, 2024, by a further two (2) years, whilst maintaining all other terms and conditions of the Bond.

No additional term extensions will be permitted. The service of a Company Term Extension Notice under this Condition 7.9 is irrevocable.

8. TAXATION

8.1 Withholding

To the extent required by law, payments of principal and interest in respect of the Bonds by or on behalf of the Company shall be made subject to withholding and/or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of the United Kingdom or any political subdivision or authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or authority thereof or therein having power to tax to which the Company becomes subject in respect of payments made by it of principal and interest on the Bonds.

8.2 No obligation to pay additional amounts

Neither the Company, nor the Paying Agent shall be obliged to pay any additional amounts to the Registered Bondholders as a result of any withholding or deduction made in accordance with Condition 8.1 (Withholding).

9. PRESCRIPTION

Claims in respect of the Bonds will become void unless made within a period of 10 years (in the case of principal) and 5 years (in the case of interest) after the Relevant Date therefor.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default

(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 twenty eight (28) days in the case of principal and fifty six (56) days in the case of interest; or

(b) (i) if any other present or future indebtedness of the Company for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Company 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 (b) have occurred equals or exceeds £1,000,000 or its equivalent in other currencies; or

(c) if any order is made by any competent court or resolution passed for the winding-up or dissolution of the Company save for the purposes of reorganisation on terms previously approved in writing by an Extraordinary Resolution of Registered Bondholders; or

(d) if the Company stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(e) if any proceedings are initiated against the Company under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, liquidator, ISA Manager, administrator or other similar official, or an administrative or other receiver, liquidator, ISA Manager, administrator or other similar official is appointed, in relation to the Company or, as the case may be, in relation to all or substantially all of the Company's undertaking or assets, or an encumbrancer takes possession of all or substantially all of the Company's undertaking or assets, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the Company's undertaking or assets and (B) in any case (other than the appointment of an administrator) is not discharged within fifty six (56) days; or

(f) if the Company initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium); or

(g) if the Company makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(h) if it is or will become unlawful for the Company to perform or comply with any of its obligations under or in respect of the Bonds.

10.2 Enforcement

No Registered Bondholder shall be entitled to (i) take any steps or action against the Company to enforce the performance of any of the provisions of the Paying Agency Agreement or (ii) take any other action (including lodging an appeal in any proceedings) in respect of or concerning the Company, in each case.

11. NOTICES

11.1 To Registered Bondholders

Notices to be given to Registered Bondholders regarding the Bonds will be deemed to be validly given if sent by first class pre-paid post to the Registered Bondholders at their addresses entered in the Register or by means of electronic communication if a Registered Bondholder has so directed and has provided electronic communication details. Any such notices will be deemed to have been given on the date 2 business days after the date of posting such letters or on the same day in the case of electronic transmission. The Company shall also ensure that notices are duly published in a manner which complies with the rules of any bonds exchange or other relevant authority on which the Bonds are for the time being listed or by which they have been admitted to trading. If, in the opinion of the Company (acting reasonably), publication as provided above is not practicable, a notice shall be validly given if published in a leading daily English language newspaper with general circulation in Europe.

11.2 From Registered Bondholders

Notices to be given by any Registered Bondholder shall be in writing and will be deemed to be validly given if sent by first class signed for pre-paid post to the then-current registered office of the Company. Any such notices will be deemed to have been given on the date 5 business days after the date of posting such letters.

12. MEETINGS OF REGISTERED BONDHOLDERS, MODIFICATION AND WAIVER

12.1 Meetings of Registered Bondholders

A resolution in writing signed by or on behalf of Registered Bondholders holding not less than 75 per cent in principal amount of the Bonds for the time being outstanding or a consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of Registered Bondholders holding not less than 75 per cent in principal amount of the Bonds for the time being outstanding, shall, in each case, be as valid and effective as an Extraordinary Resolution passed at a meeting of the Registered Bondholders.

13. FURTHER BONDS

The Company may create and issue further bonds (other than this Bond) without the consent of the Registered Bondholders.

14. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce these Conditions under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

15. GOVERNING LAW

15.1 These Conditions and any dispute or claim arising out of or in connection with them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England.

15.2 the parties to this Deed irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this Conditions or their subject matter or formation (including non-contractual disputes or claims).



Carraigmore Resources Group Limited

Registered office:

2nd Floor, Regis House, 45 King William Street, London, EC4R 9AN, United Kingdom

Telephone: +44 (0) 203 752 9938

Email Address: ir@carraigmore.com

Website: www.carraigmore.com