

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, if outside the United Kingdom, another appropriately authorised financial adviser without delay.

If you have sold or otherwise transferred, or sell or otherwise transfer, all of your registered holding of Ordinary Shares (other than ex-entitlements) before 8.00 a.m. on Thursday, 1 September 2011 (the "Ex-entitlement Date"), please forward this Prospectus and the Form of Proxy (and, if you are a Qualifying non-CREST Shareholder, the Application Form which, subject to certain exceptions, you are being sent) to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is effected for onward transmission to the purchaser or transferee. If you are a Qualifying CREST Shareholder and you have sold or otherwise transferred, or sell or otherwise transfer, all or some of your registered holding of Ordinary Shares (other than ex-entitlements) held before the Ex-entitlement Date, a claim transaction will automatically be generated by CREST which, on settlement, will transfer the relevant Open Offer Entitlement and Excess CREST Open Offer Entitlements to the purchaser or transferee. If you have sold or otherwise transferred, or sell or otherwise transfer, part of your registered holding of Ordinary Shares (other than ex-entitlements before the Ex-entitlement Date), please contact immediately your stockbroker, bank or other agent through whom the sale or transfer was effected and, for Qualifying non-CREST Shareholders, refer to the instructions regarding split applications set out in the Application Form. However, this Prospectus and, if relevant, the accompanying Application Form should not, subject to certain exceptions, be sent in or into any of the Excluded Jurisdictions or any other jurisdiction where to do so would or might contravene local securities laws or regulations.

A copy of this Prospectus, which comprises (i) a prospectus prepared in accordance with the Prospectus Rules in connection with the Issue and the applications for Admission and (ii) a circular prepared in accordance with the Listing Rules in connection with the General Meeting, has been filed with the FSA in accordance with rule 3.2 of the Prospectus Rules and rule 9.6.1 of the Listing Rules.

The directors of the Company, whose names appear on page 15 of this Prospectus, and the Company itself accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Canaccord Genuity, which is authorised and regulated in the United Kingdom by the FSA, is acting solely for the Company and for no one else in connection with the Issue and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Canaccord Genuity or for affording advice in relation to the Issue, Admission or any other matter referred to in this Prospectus. This does not exclude or limit any responsibility which Canaccord Genuity may have under FSMA or the regulatory regime established thereunder.

CITY NATURAL RESOURCES HIGH YIELD TRUST PLC

*(Incorporated in England and Wales with registered number 2978531;
an investment company under section 833 of the Companies Act 2006)*

ISSUE OF UP TO £40 MILLION NOMINAL OF 3.5 PER CENT. CONVERTIBLE UNSECURED LOAN STOCK 2018 AT 100P PER £1 NOMINAL AND NOTICE OF GENERAL MEETING

Investment Manager
New City Investment Managers

Financial Adviser, Broker & Placing Agent
Canaccord Genuity Limited

A notice convening a general meeting of the Company is set out in Part 10 of this Prospectus. That meeting will be held at the offices of Maclay Murray & Spens LLP at One London Wall, London EC2Y 5AB on Friday, 23 September 2011 commencing at 11.00 a.m. To be valid for use at the General Meeting, the accompanying Form of Proxy should be completed and returned in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by no later than 11.00 a.m. on Wednesday, 21 September 2011. Appointments of proxies in respect of Ordinary Shares held in uncertificated form may be made by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in the notes at the end of the notice convening the General Meeting in Part 10 of this Prospectus as soon as possible and, in any event, so as to be received by no later than 11.00 a.m. on Wednesday, 21 September 2011.

Applications for CULS pursuant to the Open Offer by Qualifying non-CREST Shareholders may only be made on the accompanying Application Form which, pursuant to the Open Offer, is personal to the Qualifying Shareholder(s) named on it and may not be sold, assigned or transferred except to satisfy *bona fide* market claims pursuant to the rules of the London Stock Exchange. Qualifying CREST Shareholders (none of whom will receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements which will be enabled for settlement on Thursday, 1 September 2011.

The latest time and date for acceptance and payment under the Open Offer is 11.00 a.m. on Tuesday, 20 September 2011. The procedure for application and payment is set out in paragraphs 3.1 (in the case of Ordinary Shares held in certificated form) and 3.2 (in the case of Ordinary Shares held in uncertificated form) of Part 4 of this Prospectus and, where relevant, in the enclosed Application Form.

Applications have been made to the UK Listing Authority for the CULS to be issued pursuant to the Issue to be admitted to the standard debt segment of the Official List and to the London Stock Exchange for such CULS to be admitted to trading on its Main Market. It is expected that Admission will occur, and that dealings in the CULS issued pursuant to the Issue will commence, at 8.00 a.m. on Monday, 26 September 2011.

This Prospectus should be read in its entirety before making any application for CULS. The attention of potential investors is drawn in particular to pages 7 to 10 of this Prospectus, which set out the principal risk factors associated with an investment in the Company.

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WHERE TO FIND HELP

If you have any questions, please telephone Equiniti's shareholder helpline (the "Shareholder Helpline") on the numbers set out below. The Shareholder Helpline is available from 8.30 a.m. to 5.30 p.m. Monday to Friday until Friday, 14 October 2011.

Shareholder Helpline telephone numbers:

0871 384 2965 (calls to this number are charged at 8p per minute (excluding VAT) from a BT landline, other service providers' costs may vary)

or

+44 121 415 0214 (from outside the United Kingdom).

Please note that for legal reasons, the Shareholder Helpline will only be able to provide information contained in this Prospectus and information relating to the Company's register of members and will be unable to give advice on the merits of the Issue or to provide financial, tax or investment advice.

SUMMARY

This summary should be read as an introduction to the full text of this Prospectus and any decision to invest in securities of the Company should be based on consideration of this Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, a plaintiff investor may, under the national legislation of an EEA State, have to bear the costs of translating this Prospectus before legal proceedings are initiated. Civil liability attaches to the Company and its Directors who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

City Natural Resources High Yield Trust plc

- The Company is an investment trust which was launched in 1994. It adopted its current investment objective and policy in 2003 and now seeks to provide Shareholders with capital growth and income predominantly from a portfolio of mining and resource equities and of mining, resource and industrial fixed interest securities.
- The Company's investment manager is CQS Cayman Limited Partnership. However, CQS has, with the agreement of the Board, delegated this function to New City Investment Managers (another member of the CQS Group).
- Since the Company completed the transition of its portfolio following the change to its current investment objective in July 2003, it has had strong absolute performance with a NAV total return per Ordinary Share of 644.9 per cent. over the period from 1 August 2003 to 26 August 2011, equivalent to 26.0 per cent. per annum. This is substantially ahead of the total return on the Company's composite benchmark, which is weighted two-thirds to the HSBC Global Mining Index (sterling adjusted) and one-third to the Credit Suisse High Yield Index (sterling adjusted), which increased by 286.6 per cent. over the same period, equivalent to 14.0 per cent. per annum (*source: F&C Asset Management plc*).
- The Company follows a progressive dividend policy with the objective of growing the dividends paid in respect of each financial year of the Company. Over the six financial years ended 30 June 2011 the Company increased its dividends by 111.0 per cent., equivalent to 13.3 per cent. per annum.
- The Company's share capital comprises only Ordinary Shares, which are listed on the premium segment of the Official List and are traded on the Main Market. The Company has an indefinite life but is subject to an annual continuation vote.
- As at 26 August 2011, the Company had gross assets of £244.0 million and Shareholders' funds of £221.6 million.

The Placing and Open Offer

- Notwithstanding the current uncertain economic environment and recent stockmarket volatility, the Board and the Investment Manager have confidence in the long-term prospects for investing in the natural resources sector and believe that gearing should enable the Company to generate increased total returns over the longer term. Accordingly, the Company is proposing to raise up to £40 million through a placing and open offer of CULS at an issue price of 100p per £1 nominal of CULS.
- The Directors believe that an issue of CULS will have a number of advantages, in particular:
 - CULS will provide the Company with long-term structural gearing at a fixed cost that is competitive with the cost of other forms of gearing that the Company might have employed and which has the potential to be converted into the permanent capital base of the Company;
 - CULS will provide the Company with additional investable funds, thereby increasing the Company's ability to make new investments of the kind that have contributed significantly to its performance in the past;
 - following any conversion of CULS, the Company would have an increased number of Ordinary Shares in issue, which should, in due course, enhance the liquidity in the market for the Ordinary Shares; and
 - the capital base of the Company would increase following any conversion of CULS, allowing the Company's fixed operating costs to be spread across a larger number of Ordinary Shares, which should cause the Company's total expense ratio to fall.

- Qualifying Shareholders will have the opportunity to subscribe for up to £15 million nominal of CULS under the Open Offer on a pre-emptive basis. Qualifying Shareholders will also be able to apply for up to a maximum amount equal to 100 per cent. of their Open Offer Entitlement under the Excess Application Facility. The Excess Application Facility will apply to the extent that other Qualifying Shareholders do not take up their Open Offer Entitlements in full.
- Canaccord Genuity has conditionally placed £40 million nominal of CULS available under the Issue with institutional investors and private client stockbrokers at the Issue Price, subject to claw back of up to £15 million nominal of CULS to satisfy valid applications made by Qualifying Shareholders under the Open Offer (including the Excess Application Facility).
- Under its investment policy, the Company may borrow up to an amount equal to 25 per cent. of Shareholders' funds (measured at the time of draw down). Accordingly, if £40 million nominal of CULS would exceed that amount at the Calculation Date, the size of the Issue will be scaled back so that the nominal amount of CULS issued pursuant to the Issue does not exceed an amount equal to 25 per cent. (or, at the Board's discretion, 20 per cent.) of Shareholders' funds at the Calculation Date, with the Placing (after taking into account any claw back under the Open Offer) and the Open Offer being scaled back *pro rata*. **For illustrative purposes only**, had the Calculation Date been 26 August 2011, £40 million nominal of CULS would have been equal to 18.0 per cent. of Shareholders' funds at that date.
- The Placing has ensured that the Issue will be fully subscribed, irrespective of the result of Qualifying Shareholders applying under the Open Offer, which gives some certainty regarding the proceeds of the Issue (although it should be noted that the Issue has not been underwritten). If the Issue is fully subscribed and £40 million nominal of CULS is issued, the costs of the Issue, which will be borne by the Company, are expected to be equivalent to approximately 0.4 per cent. of the Company's net assets as at 26 August 2011.
- The Directors intend to apply the Net Issue Proceeds, which will be approximately £39.2 million (on the assumption that the Issue is fully subscribed and £40 million nominal of CULS is issued), to repay borrowings drawn down under the existing Bank Facility, of which £22.4 million was drawn down as at 26 August 2011. The balance of the Net Issue Proceeds will be available for investment by the Investment Manager in accordance with the Company's investment policy.
- The Issue is conditional, *inter alia*, upon:
 - Shareholders approving the Issue at a general meeting of the Company which is being convened for 11.00 a.m. on Friday, 23 September 2011;
 - the Placing Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission; and
 - Admission taking place no later than 8.00 a.m. on Monday, 26 September 2011 (or such later date as the Company and Canaccord Genuity agree, not being later than Friday, 7 October 2011).

In the event that these conditions are not satisfied, the Issue will not proceed. Any application monies which have been received will be returned (at the applicant's sole risk) without payment of interest, as soon as possible thereafter.

The CULS

- The CULS will provide CULS Holders with:
 - an attractive yield of 3.5 per cent. per annum, which is significantly above the dividend yield on the Ordinary Shares (1.5 per cent. based on the most recent annual dividend of 4.22p per Ordinary Share and an Ordinary Share price of 285.3p at the close of business on 26 August 2011);
 - capital protection through repayment at par, with that repayment being well covered by the assets of the Company (more than six times covered based on an Issue of £40 million nominal of CULS, repayment of the borrowings drawn down under the existing Bank Facility and the Company's unaudited net assets of £221.6 million as at 26 August 2011); and
 - the potential to participate in further growth in the NAV per Ordinary Share through the ability, semi-annually, to convert the CULS into new Ordinary Shares over the next seven years.

- Interest on the CULS will be payable semi-annually in arrears on 31 March and 30 September in each year (with the first interest payment on 31 March 2012) in respect of the period from (and including) the date of Admission (expected to be Monday, 26 September 2011) to (but excluding) the date of final repayment of the CULS (expected to be 30 September 2018).
- CULS Holders will be entitled to convert their CULS into Ordinary Shares twice annually throughout the life of the CULS, commencing 31 March 2012, and all outstanding CULS will be repayable at par on 30 September 2018. The Conversion Price (being the nominal amount of CULS required to convert into one Ordinary Share) will be set at a 10 per cent. premium to the unaudited NAV (including income) per Ordinary Share as at Tuesday, 20 September 2011. **By way of illustration**, had the Conversion Price been set by reference to the unaudited NAV (including income) per Ordinary Share at 26 August 2011 of 331.52p, the Conversion Price would have been 364.6720p and a holder of £1,000 nominal of CULS would have been entitled to 274 Ordinary Shares on conversion of their CULS. Exercise in full of the CULS (assuming an issue of £40 million nominal) would (at the above illustrative Conversion Price) result in 10,968,760 Ordinary Shares being issued, which would represent an increase of 16.4 per cent. in the current issued Ordinary Share capital.
- If, at any time after 30 September 2013, the middle market price of the Ordinary Shares is 20 per cent. or more above the Conversion Price for at least 20 dealing days during a period of 30 consecutive dealing days, the Company will be able to require CULS Holders to redeem their CULS at par. In such event, CULS Holders would be given a final opportunity to convert their outstanding CULS into Ordinary Shares. Following conversion of 80 per cent. or more of the nominal amount of the CULS originally issued, the Company will be entitled to require remaining CULS Holders to convert their outstanding CULS into Ordinary Shares after they have been given an opportunity to have their CULS redeemed.
- Any CULS not previously redeemed, purchased or converted will be repaid by the Company on 30 September 2018 at its nominal amount.
- The CULS Trust Deed will not contain any restriction on borrowings (including borrowings ranking ahead of the CULS), the disposal of assets or the creation of charges by, or changes in the nature of the business of, the Company.
- The CULS will be taken into account in calculating the maximum level of borrowings that is permitted by the Company's investment policy, being an amount equal to 25 per cent. of Shareholders' funds (measured at the time of draw down).
- The investment management fee payable under the Investment Management Agreement will not be affected by the introduction of the CULS as that fee is calculated by reference to the value of the Company's net assets and the CULS will have been deducted in the calculation of that value.

Summary of Principal Risk Factors

- The price of shares of companies in the mining and resources sector can be volatile and this may be reflected by increased volatility in the NAV and market price of the Ordinary Shares and, as a result, the market price of the CULS.
- The past performance of the Company is not, and should not be relied upon as, a guide to the future performance of the Company and the Company's investment objective is a target only. Accordingly, there can be no guarantee that the Company will achieve its investment objective.
- Securities issued by the Company are designed to be held over the long-term and may not be suitable as short-term investments. There can be no guarantee that any appreciation in the value of the Company's investments will occur and the value of securities issued by the Company may go down as well as up. Accordingly, investors may not get back the full value of their original investment in any such securities.
- There can be no guarantee that a liquid market will exist in securities issued by the Company and it may be difficult to realise an investment in such securities at their quoted market price.
- The market price of the CULS will be influenced by a number of factors, including:
 - the supply of, and demand for, CULS;
 - the price, NAV and dividend yield of the Ordinary Shares;
 - prevailing interest rates;
 - market conditions; and

- investor sentiment, either general or specific to the Company;
- and there can be no guarantee that the market price of the CULS will fully reflect any value inherent in their convertibility into Ordinary Shares.
- The market price of the Ordinary Shares will be influenced by a number of factors, including:
 - the supply of, and demand for, Ordinary Shares;
 - the NAV and dividend yield of the Ordinary Shares;
 - the potential dilution of the NAV per Ordinary Share for existing Shareholders that will arise when any CULS converts into Ordinary Shares at a time when the NAV per Ordinary Share is greater than the Conversion Price;
 - market conditions; and
 - investor sentiment, either general or specific to the Company.

As a result, the market price of the Ordinary Shares may vary considerably from the NAV per Ordinary Share (representing either a discount or a premium to that NAV) and may fall when the underlying NAV per Ordinary Share is rising, or *vice versa*.

- The Company will only pay dividends on the Ordinary Shares to the extent that it has profits available for that purpose, which will largely depend on the amount of income that the Company receives on its investments and the timing of such receipt. Accordingly, the amount of dividends payable by the Company may fluctuate.
- Shareholders, including those who apply for up to their full entitlements under the Open Offer, will suffer a reduction in their proportionate ownership and voting interest in the share capital of the Company as represented by their holding of Ordinary Shares upon any conversion of the CULS.
- The CULS will, following the Issue, provide gearing for the Company. Whilst the use of gearing should enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the costs associated with the gearing, it will have the opposite effect where the return on the Company's underlying assets is rising at a lower rate than the costs associated with the gearing or falling, further reducing the total return on the Ordinary Shares. In addition, the use of borrowings by the Company may increase the volatility of the NAV and market price of the Ordinary Shares and, as a result, the market price of the CULS.
- The Company will account for its activities, report its results and the NAV per Ordinary Share and declare and pay dividends in sterling while a significant proportion of its investments will be made and realised in other currencies. The movement of exchange rates between sterling and the other currencies in which the Company's investments are denominated may have a material effect, favourable or unfavourable, on the returns otherwise experienced on the investments made by the Company.
- On a winding-up of the Company, the nominal amount of the CULS will rank ahead of the Ordinary Shares but will be subordinated to the Company's other borrowings and creditors.
- An investment in the Company should constitute part of a diversified investment portfolio and is only suitable for investors capable of evaluating the risks (including the potential risk of capital loss) and merits of such investment and who have sufficient resources to bear any loss which may result from such investment.

Board Recommendation

The Board considers the Placing and the Open Offer to be in the best interests of Shareholders as a whole. Accordingly, the Board is recommending that Shareholders vote in favour of the resolution approving the Issue to be proposed at the General Meeting, as they intend to do in respect of their own beneficial holdings of Ordinary Shares amounting, in aggregate, to 345,143 Ordinary Shares (representing 0.5 per cent. of the issued Ordinary Share capital).

RISK FACTORS

Prospective investors should consider carefully the risks described below, together with all the other information set out in this Prospectus and their own circumstances, before deciding to invest in the CULS or the Ordinary Shares.

The risks described below are all of the material risks relating to the Company and an investment in CULS or Ordinary Shares known to the Directors at the date of this Prospectus. If any of the adverse events described below actually occur, the financial condition, performance or prospects of the Company, and the market price of CULS and/or the Ordinary Shares, could be materially adversely affected. Additional risks which were not known to the Directors at the date of this Prospectus, or that the Directors considered at the date of this Prospectus to be immaterial, may also have a material adverse effect on the financial condition, performance or prospects of the Company, and the market price of CULS and/or the Ordinary Shares.

If prospective investors are in any doubt as to the consequences of their acquiring, holding or disposing of CULS and/or Ordinary Shares or whether an investment in the Company is suitable for them, they should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, in the case of investors outside the United Kingdom, another appropriately authorised independent financial adviser.

Introduction

- Securities issued by the Company are designed to be held over the long-term and may not be suitable as short-term investments. There can be no guarantee that any appreciation in the value of the Company's investments will occur and the value of securities issued by the Company may go down as well as up. Accordingly, investors may not get back the full value of their original investment in any such securities.
- The past performance of the Company is not, and should not be relied upon as, a guide to the future performance of the Company and the Company's investment objective is a target only. Accordingly, there can be no guarantee that the Company will achieve its investment objective.
- Market liquidity in the securities of London-listed closed-end investment companies is frequently inferior to the market liquidity in shares issued by larger companies traded on the Main Market. There can be no guarantee that a liquid market will exist in securities issued by the Company and it may be difficult to realise an investment in such securities at their quoted market price.
- An investment in the Company should constitute part of a diversified investment portfolio and is only suitable for investors capable of evaluating the risks (including the potential risk of capital loss) and merits of such investment and who have sufficient resources to bear any loss which may result from such investment.

CULS

- The market price of the CULS will be influenced by a number of factors, including:
 - the supply of, and demand for, CULS;
 - the price, NAV and dividend yield of the Ordinary Shares;
 - prevailing interest rates;
 - market conditions; and
 - investor sentiment, either general or specific to the Company;

and there can be no guarantee that the market price of the CULS will fully reflect any value inherent in their convertibility into Ordinary Shares. Accordingly, the value of an investment in the CULS may go down as well as up and CULS Holders may not be able to realise the amount of their original investment.

- If, at any time after 30 September 2013, the middle market price of the Ordinary Shares is 20 per cent. or more above the Conversion Price for at least 20 dealing days during a period of 30 consecutive dealing days, the Company will be able to require CULS Holders to redeem their CULS at par. In such event, CULS Holders would be given a final opportunity to convert their CULS into Ordinary Shares. Following conversion of 80 per cent. or more of the CULS originally issued, the Company will be entitled to require remaining CULS Holders to convert their

outstanding CULS into Ordinary Shares after they have been given an opportunity to have their CULS redeemed. If either of these situations were to occur, CULS Holders would not be able to hold their CULS until the final maturity date of the CULS of 30 September 2018 and to have their CULS redeemed for cash on that date.

- The CULS Trust Deed will not contain any restriction on borrowings (including borrowings ranking ahead of the CULS), the disposal of assets or the creation of charges by, or changes in, the nature of the business of the Company. Any material increase in the Company's borrowings, material disposal of assets or creation of charges by, or material changes in, the nature of the Company's business could adversely affect the rights of the CULS Holders and the value of the CULS and/or the Ordinary Shares.
- On a winding-up of the Company, the nominal amount of the CULS will rank ahead of the Ordinary Shares but will be subordinated to the Company's other borrowings and creditors. Therefore, the rights and remedies available to the Trustee and CULS Holders may be limited by applicable winding-up, insolvency, re-organisation, moratorium or similar provisions relating to or affecting creditors' rights generally.

Ordinary Shares

- The market price of the Ordinary Shares will be influenced by a number of factors, including:
 - the supply of, and demand for, Ordinary Shares;
 - the NAV and dividend yield of the Ordinary Shares;
 - the potential dilution of the NAV per Ordinary Share for existing Shareholders that will arise when any CULS converts into Ordinary Shares at a time when the NAV per Ordinary Share is greater than the Conversion Price;
 - market conditions; and
 - investor sentiment, either general or specific to the Company.

As a result, the market price of the Ordinary Shares may vary considerably from the NAV per Ordinary Share (representing either a discount or a premium to that NAV) and may fall when the underlying NAV per Ordinary Share is rising, or *vice versa*. Accordingly, the value of an investment in the Ordinary Shares may go down as well as up and Shareholders may not be able to realise the amount of their original investment.

- The Company does not have a fixed winding-up date and Shareholders have no right to have their Ordinary Shares repurchased by the Company. Accordingly, unless Shareholders vote to wind up the Company, Shareholders wishing to realise their investment in the Company will be required to dispose of their Ordinary Shares through the market and they may be unable to realise their Ordinary Shares at their quoted market price.
- The Company will only pay dividends on the Ordinary Shares to the extent that it has profits available for that purpose, which will largely depend on the amount of income that the Company receives on its investments and the timing of such receipt. A fall in the value of the Company's assets may also affect the Company's ability to pay dividends. Accordingly, the amount of dividends payable by the Company may fluctuate.
- Shareholders, including those who apply for up to their full entitlements under the Open Offer, will suffer a reduction in their proportionate ownership and voting interest in the share capital of the Company as represented by their holding of Ordinary Shares upon any conversion of the CULS.
- In the event of a winding-up of the Company, the Ordinary Shares will rank behind any creditors or prior ranking capital of the Company, including the CULS.

The Company's Investments

- The price of shares of companies in the mining and resources sector can be volatile and this may be reflected by increased volatility in the NAV and market price of the Ordinary Shares and, as a result, the market price of the CULS.
- The Company's investments are subject to normal market fluctuations. Accordingly, there can be no guarantee that the Company will be able to realise the amount originally invested in an investment or that any realisation of that investment will be on a basis that reflects its valuation for the purpose of calculating the NAV per Ordinary Share.

- There are many factors, including:
 - changes in economic or industry conditions (including, for example, interest rates, recession, inflation, deflation, foreign exchange rates, demand for or production of commodities and competition);
 - changes in environmental, tax or other laws or regulations;
 - natural disasters;
 - social or political instability, events or trends;
 - acts of terrorism or war; and
 - general investor sentiment;

which could have a material adverse effect on the value of the Company's investments or materially restrict the investment opportunities available to the Company and, therefore, could substantially and adversely affect the Company's performance and prospects.

- The Company may invest in smaller capitalisation companies. As smaller companies do not have the financial strength, diversity and resources of larger companies, they may find it more difficult to operate in periods of economic slowdown or recession. In addition, the relatively small capitalisation of such companies could make the market in their shares less liquid and, as a consequence, their share price more volatile than investments in larger companies.
- The Company may invest in securities that are not readily tradable or may accumulate investment positions that represent a significant multiple of the normal trading volumes of an investment, which may make it difficult for the Company to sell its investments and may lead to volatility in the market price of the Ordinary Shares. Accordingly, the Company will not necessarily be able to realise, within a short period of time period, an illiquid investment and any such realisation that may be achieved may be at considerably lower prices than the Company's valuation of that investment for the purpose of calculating the NAV per Ordinary Share.
- The Company's portfolio is constructed without reference to the composition of any stockmarket index or benchmark. It is likely, therefore, that there will be periods when its performance will be quite unlike that of any index or benchmark and there can be no assurance that such divergence will be wholly or even primarily to the Company's advantage.
- The Company may purchase investments that may be subject to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on affected investments. Any reduction in the income received by the Company may lead to a reduction in the dividends paid on the Ordinary Shares.
- A proportion of the Company's portfolio may be held in cash or cash-equivalent investments from time to time. Such proportion of the Company's assets will be out of the market and will not benefit from positive stockmarket movements, but may give some protection against negative stockmarket movements.

Gearing

- The CULS will, following the Issue, provide gearing for the Company. All gearing used by the Company must be in accordance with its investment policy. Whilst the use of gearing should enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the costs associated with the gearing, it will have the opposite effect where the return on the Company's underlying assets is rising at a lower rate than the costs associated with the gearing or falling, further reducing the total return on the Ordinary Shares.
- The use of borrowings by the Company may increase the volatility of the NAV and market price of the Ordinary Shares and, as a result, the market price of the CULS.

Foreign Exchange

- The Company will account for its activities, report its results and the NAV per Ordinary Share and declare and pay dividends in sterling while a significant proportion of its investments will be made and realised in other currencies. The movement of exchange rates between sterling and the other currencies in which the Company's investments are denominated may have a material effect,

favourable or unfavourable, on the returns otherwise experienced on the investments made by the Company.

Taxation

- The Company seeks to conduct its business so as to satisfy the conditions for approval as an investment trust under Chapter 4 of Part 24 of the CTA 2010. Breach of the tests that the Company must meet to obtain approval as an investment trust could lead to the Company being subject to tax on capital gains and, if that were to occur, would reduce the returns to Shareholders.
- Any change in the Company's tax status, tax treaty rates, tax laws (or their interpretation) or in the tax treatment of interest, dividends or other investment income received by the Company could affect the value of the investments held by the Company, affect the Company's ability to provide returns to its investors or alter the post-tax returns to its investors.
- Statements in this Prospectus concerning taxation are based on current tax laws and what is understood to be current practice, both of which are subject to change, possibly with retrospective effect. Accordingly, the levels of, and reliefs from, taxation referred to in this Prospectus may change. The taxation of an investment in the Company will depend on the individual circumstances of the investor. The information in this Prospectus relating to taxation law and practice is given by way of general summary and does not constitute legal or tax advice to investors.

Accounting Practices and Policies

- Any change in financial reporting standards or accounting practices applicable to the Company could affect the reported value of investments held by the Company or the level of profits available for the payment of dividends and, accordingly, could reduce the returns to Shareholders.
- The Directors charge an element of the expenses of managing the Company, including any financing costs (such as interest on the CULS), to the Company's capital account. In the absence of capital growth in the Company's assets in excess of the aggregate value of such fees and costs charged to the capital account, this practice will result in a diminution in the Company's capital account and, accordingly, in the NAV per Ordinary Share. However, this practice will also, all other things being equal, result in the short-term in an increased amount of net revenue being available for distribution to Shareholders.

The Investment Manager

- The success of the Company and the achievement of its investment objective are largely dependent on the Investment Manager's expertise in acquiring, managing and disposing of assets in accordance with the Company's investment policy. There can be no guarantee that any individual referred to in this Prospectus will remain with the Investment Manager and the personnel employed by the Investment Manager may change from time to time. The departure of a key fund manager may have an adverse effect on the performance of the Company.
- Although the Investment Manager has been successful in identifying suitable investments for the Company in the past, it may not be able to do so in the future. Any failure to find a sufficient number of attractive investment opportunities for the Company could have a material adverse effect on the Company's performance and prospects.
- The Investment Manager may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, it currently does, and will continue to, provide investment management, investment advice or other services in relation to a number of other clients that may have similar investment objectives and/or policies to that of the Company and may receive *ad valorem* and/or performance-related fees for doing so. The Investment Manager may give advice or take action with respect to such other clients that differs from the advice given or actions taken with respect to the Company.

IMPORTANT INFORMATION

Investors should rely only on the information contained in this Prospectus. No person has been authorised to give any information or to make any representations other than those contained in this Prospectus in connection with the Issue and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Investment Manager or Canaccord Genuity. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G(1) of FSMA, neither the delivery of this Prospectus nor any application for CULS pursuant to this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this Prospectus or that the information contained in this Prospectus is correct as of any time subsequent to its date.

Potential investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to (i) the legal requirements within their own countries for the holding, transfer or other disposal of CULS or Ordinary Shares, (ii) any foreign exchange restrictions applicable to the holding, transfer or other disposal of CULS or Ordinary Shares which they might encounter and (iii) the income and other tax consequences which may apply in their own countries as a result of the holding, transfer or other disposal of CULS or Ordinary Shares. Potential investors must rely upon their own advisers as to legal, tax, investment or any other related matters concerning the Company and an investment in CULS or Ordinary Shares.

Statements made in this Prospectus are based on the law and practice currently in force and are subject to changes therein.

Typical Investors in the Company

An investment in the Company should constitute part of a diversified investment portfolio and is only suitable for investors capable of evaluating the risks (including the potential risk of capital loss) and merits of such investment and who have sufficient resources to bear any loss which may result from such investment. Accordingly, the typical investors for whom the Company is designed are institutional investors, private client fund managers and private client brokers, as well as other professionally advised private investors, seeking long-term capital growth and income from an investment principally in the equity and fixed interest securities of mining and resources companies.

An investment in the Company may also be suitable for investors who are financially sophisticated, non-advised private investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which may result from such an investment (such investors may wish to consult an independent financial adviser who specialises in advising on the acquisition of shares and other securities before investing in the CULS or the Ordinary Shares).

As the Company's portfolio is constructed without reference to any stockmarket index, an investment in the Company is unsuitable for those who seek investments that are in some way correlated to a stockmarket index.

Overseas Shareholders

Neither this Prospectus nor the Application Form constitutes an offer to sell or the solicitation of an offer to buy or subscribe for CULS or any Ordinary Shares arising on any conversion of the CULS in the United States or in any other jurisdiction in which such offer or solicitation is unlawful and neither this Prospectus nor the Application Form is for distribution, directly or indirectly, in, into or from an Excluded Jurisdiction.

Neither the CULS nor the Ordinary Shares arising on any conversion of the CULS have been, or will be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state or other jurisdiction of the United States or under the applicable securities laws of any other Excluded Jurisdiction. Neither the CULS nor the Ordinary Shares arising on any conversion of the CULS, may be directly or indirectly offered, sold, renounced, transferred, taken up or delivered in, into or within an Excluded Jurisdiction or to or for the account or benefit of US Persons, or any person resident in any other Excluded Jurisdiction, or any other country or territory where to do so would or might contravene local securities laws or regulations. Application Forms are not being posted to any person in the United States and no Open Offer Entitlements will be credited to a stock

or share account of any person in the United States. None of the CULS, the Ordinary Shares, this Prospectus or the Application Form have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the CULS or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The attention of Overseas Shareholders and other recipients of this Prospectus who are residents or citizens of any country other than the United Kingdom or who have a contractual or other legal obligation to forward this Prospectus, the Form of Proxy or, where relevant, the Application Form to a jurisdiction outside the United Kingdom (including without limitation custodians, nominees and trustees) is drawn to paragraph 5 of Part 4 of this Prospectus.

It is the responsibility of any person receiving a copy of this Prospectus outside the United Kingdom to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any other issue, transfer or other taxes due in such other territory. Persons (including, without limitation, nominees and trustees) receiving this Prospectus, the Form of Proxy and, where relevant, the Application Form should not distribute or send it into any jurisdiction when to do so would, or might, contravene local securities laws or regulations. Any person who does forward this Prospectus into any such jurisdictions should draw the recipient's attention to the contents of paragraph 5 of Part 4 of this Prospectus.

Forward-looking Statements

The statements, including any forward-looking statements, contained in this Prospectus are made at the date of this Prospectus, unless some other time is specified in relation to them, and distribution of this Prospectus shall not give rise to any implication that there has been no change in the facts set out in this Prospectus since such date.

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms believes", "expects", "intends", "anticipates", "aims", "estimates", "may", "will", "would", "could" or "should" or other variations or comparable terminology or, in each case, their negative. They include statements regarding the intentions, beliefs or current expectations of the Company concerning, amongst other things, the investment performance, prospects and dividend policy of the Company and the markets in which it invests and the issuing of securities by the Company. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and, accordingly, forward-looking statements may, and often do, differ materially from actual results.

Investors should not place undue reliance on such forward-looking statements, and the Company does not undertake any obligation to update publicly or revise any forward-looking statements, save as required by the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules or any other applicable law or regulation.

EXPECTED TIMETABLE

2011

Record date for entitlements under the Open Offer	6.00 p.m. on Friday, 26 August
Open Offer opens and this Prospectus, Application Forms and Forms of Proxy despatched	Wednesday, 31 August
Ex-entitlement Date	8.00 a.m. on Thursday, 1 September
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	Thursday, 1 September
Latest time and date for receipt of completed Savings Plans Application Forms and payment in full from Savings Plans Participants	11.00 a.m. on Wednesday, 14 September
Latest recommended time and date for requested withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on Wednesday, 14 September
Latest time and date for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on Thursday, 15 September
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims)	3.00 p.m. on Friday, 16 September
Latest time and date for receipt of completed Forms of Direction for use at General Meeting from Savings Plans Participants	11.00 a.m. on Monday, 19 September
Placing closed	5.00 p.m. on Monday, 19 September
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate) and Open Offer closed	11.00 a.m. on Tuesday, 20 September
Conversion Price calculated	As at Tuesday, 20 September
Result of the Placing and Open Offer and conversion premium announced through an RIS	Wednesday, 21 September
Commitments undertaken by investors pursuant to Placing on a T + 3 basis	Wednesday, 21 September
Latest time and date for receipt of Forms of Proxy and electronic proxy appointments via CREST system for use at General Meeting	11.00 a.m. on Wednesday, 21 September
General Meeting to approve matters in connection with the Issue	11.00 a.m. on Friday, 23 September
Admission and commencement of dealings in CULS on London Stock Exchange's Main Market	8.00 a.m. on Monday, 26 September
CREST stock accounts credited with CULS issued in uncertificated form	Monday, 26 September
Definitive certificates for CULS issued in certificated form despatched	By Monday, 3 October

Notes:

1. *References to times in this Prospectus are to London time.*
2. *All times and dates in the expected timetable above, elsewhere in this Prospectus and in the Application Form are indicative only and may be adjusted by the Company (with the agreement of Canaccord Genuity). Any changes to the timetable will be notified by publication of a notice through an RIS.*
3. *CREST Shareholders should inform themselves of CREST's requirements in relation to electronic proxy appointments.*

ILLUSTRATIVE ISSUE STATISTICS¹

CULS interest rate (per annum)	3.5%
Nominal amount of CULS issued	£40.0m
CULS to be issued under Firm Placing	£25.0m
CULS available under Open Offer	£15.0m
CULS issue price per £1 nominal	100p
CULS conversion premium ²	10%
Illustrative Conversion Price ³	364.6720p
Estimated Net Issue Proceeds	£39.2m
Ordinary Shares	£40.0m
Number of Ordinary Shares in issue at date of this Prospectus	66,857,143
Number of Ordinary Shares to be issued on exercise of CULS conversion rights ⁴	10,968,760

Notes: ¹The statistics set out above are for illustrative purposes only based on the assumption that the Issue is subscribed for in full and that £40 million nominal of CULS is issued pursuant to the Issue. ²To the unaudited NAV per Ordinary Share as at Tuesday, 20 September 2011. ³For illustrative purposes only, calculated as if the Conversion Price had been calculated as at 26 August 2011. ⁴Based on the illustrative Conversion Price and on the assumption that all of the CULS is converted into Ordinary Shares.

DEALING CODES

	Ordinary Shares	CULS
ISIN	GB0000353929	GB00B6YVTS10
SEDOL number	0035392	B6YVTS1
TIDM	CYN	CYNC

INFORMATION INCORPORATED BY REFERENCE

Paragraphs 2.2, 2.4, 3.2 and 3.4 of Part 6 of this Prospectus incorporate certain sections (being those sections listed in the tables in such paragraphs) of the following documents (the “**Financial Statements**”) into this Prospectus:

- the Company’s annual report and accounts for the year ended 30 June 2008;
- the Company’s annual report and accounts for the year ended 30 June 2009;
- the Company’s annual report and accounts for the year ended 30 June 2010; and
- the Company’s unaudited interim report for the six months ended 31 December 2010.

Those sections of the Financial Statements that have not been incorporated into this Prospectus are not relevant or are covered elsewhere in this Prospectus.

Copies of the Financial Statements (all as filed with the UK Listing Authority) are available for inspection at the address set out in paragraph 10 of Part 8 of this Prospectus and can be downloaded from http://www.ncim.co.uk/cnr_top.php.

This Prospectus includes certain references to the Company’s website (being http://www.ncim.co.uk/cnr_top.php). For the avoidance of doubt, neither the Company’s website nor the content of any website accessible from hyperlinks on that website or any other website is, or is deemed to be, incorporated into, or form, or is deemed to form, part of this Prospectus.

DIRECTORS, INVESTMENT MANAGER, ADVISERS AND SERVICE PROVIDERS

Directors

Geoffrey Douglas Charles Burns (*Chairman*)
Adrian John Reginald Collins
Adam David Cooke
Bevis Michael Leigh Coulson
Richard Öther Prickett

all non-executive and of
Exchange House, Primrose Street, London EC2A 2NY

Investment Manager

CQS Cayman Limited Partnership
PO Box 242
45 Market Street
Gardenia, Camana Bay
Grand Cayman KY1-1104
Cayman Islands

New City Investment Managers
5th Floor
33 Chester Street
London SW1X 7BL

Note: The Company has appointed CQS as its investment manager. However, CQS has, with the agreement of the Board, delegated that function to NCIM.

Company Secretary and Administrator

F&C Asset Management plc
80 George Street
Edinburgh EH2 3BU

Note: The Company has served notice on F&C Asset Management plc terminating its appointment as the Company's company secretary and administrator with effect from 23 November 2011. The Company intends to appoint R&H Fund Services (UK) Limited as its company secretary and administrator with effect from 23 November 2011.

Financial Adviser, Broker and Placing Agent

Canaccord Genuity Limited
7th Floor, Cardinal Place
80 Victoria Street
London SW1E 5JL

Solicitors to the Company

Maclay Murray & Spens LLP
One London Wall
London EC2Y 5AB

Solicitors to Canaccord Genuity

Stephenson Harwood
1 Finsbury Circus
London EC2M 7SH

Auditors

KPMG Audit plc
20 Castle Terrace
Edinburgh EH1 2EG

Custodian and Principal Bank

HSBC Bank plc
8 Canada Square
Canary Wharf
London E14 5HQ

Registrar and Receiving Agent

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Trustee to the CULS

The Law Debenture Trust Corporation p.l.c.
Fifth Floor
100 Wood Street
London EC2V 7EX

PART 1

LETTER FROM THE CHAIRMAN

City Natural Resources High Yield Trust plc

*(Incorporated in England and Wales with registered number 2978531;
an investment company under section 833 of the Companies Act 2006)*

Directors

Geoffrey Burns (*Chairman*)
Adrian Collins
Adam Cooke
Michael Coulson
Richard Prickett

Registered Office

F&C Asset Management plc
Exchange House
Primrose Street
London
EC2A 2NY

31 August 2011

To Shareholders and, for information, Savings Plan Participants

Dear Shareholder

ISSUE OF UP TO £40 MILLION NOMINAL OF 3.5 PER CENT. CONVERTIBLE UNSECURED LOAN STOCK 2018 AT 100P PER £1 NOMINAL AND NOTICE OF GENERAL MEETING

Introduction

The Board announced on 3 August 2011 that the Company and its advisers were exploring the possibility of an issue of convertible unsecured loan stock to replace the Company's existing borrowing facilities and potentially to extend the permanent capital of the Company.

The Board today announced that the Company is proposing to raise up to £40 million through a placing and open offer of CULS. The Board believes that introducing structural gearing should enable the Company to generate increased total returns over the longer term. The Directors intend to apply the net proceeds of the Issue, which will be approximately £39.2 million (on the assumption that the Issue is fully subscribed and £40 million nominal of CULS is issued), to repay borrowings drawn down under the Bank Facility, of which £22.4 million (of a maximum of £30 million) was drawn down as at 26 August 2011. The balance of the Net Issue Proceeds will be available for investment by the Investment Manager in accordance with the Company's investment policy.

The CULS is available under the Issue at an issue price of 100p per £1 nominal. The interest rate on the CULS will be 3.5 per cent. per annum, payable semi-annually. CULS Holders will be able to convert their CULS into Ordinary Shares twice annually throughout the life of the CULS, commencing on 31 March 2012 and all outstanding CULS will be repayable at par on 30 September 2018. The rate of the conversion will be set at a premium of 10 per cent. to the unaudited NAV (including income) per Ordinary Share at the time the CULS is issued.

Qualifying Shareholders will have the opportunity to subscribe for up to £15 million nominal of CULS under the Open Offer on a pre-emptive basis. Qualifying Shareholders will also be able to apply for up to a maximum amount equal to 100 per cent. of their Open Offer Entitlement under the Excess Application Facility. The Excess Application Facility will apply to the extent that other Qualifying Shareholders do not take up their Open Offer Entitlements in full.

Canaccord Genuity has conditionally placed £40 million nominal of CULS currently available under the Issue with institutional investors and private client stockbrokers (including certain existing Shareholders) at the Issue Price, subject to claw back of up to £15 million nominal of CULS to satisfy valid applications made by Qualifying Shareholders under the Open Offer (including the Excess Application Facility).

The Company utilises gearing to maximise long-term returns for Shareholders and the CULS will be taken into account in calculating the maximum level of borrowings that is permitted by the Company's investment policy, being an amount equal to 25 per cent. of Shareholders' funds (measured at the time of draw down). If £40 million nominal of CULS would exceed that amount at the Calculation Date, the size of the Issue will be scaled back so that the nominal amount of CULS issued pursuant to the Issue does not exceed 25 per cent. (or, at the Board's discretion, 20 per cent.) of Shareholders' funds at the Calculation Date, with the Placing (after taking into account any claw back under the Open Offer) and the Open Offer being scaled back *pro rata*. **For illustrative purposes only**, had the Calculation Date been 26 August 2011, £40 million nominal of CULS would have been equal to 18.0 per cent. of Shareholders' funds at that date.

As the Company will be required to issue the CULS before repaying borrowings drawn down under the Bank Facility, this may result, depending on the value of Shareholders' funds on Admission, in the Company's borrowings exceeding 25 per cent. of the value of Shareholders' funds at that time. Accordingly, to enable the Issue to proceed in that event, Shareholder approval will be sought for a temporary increase in the level of borrowings permitted by the Company's investment policy which will expire five business days after the date on which Admission occurs (it is expected that borrowings drawn down under the Bank Facility will be repaid within two business days of Admission).

The investment management fee payable under the Investment Management Agreement will not be affected by the introduction of the CULS as that fee is calculated by reference to the value of the Company's net assets and the CULS will have been deducted in the calculation of that value.

The Issue is subject to Shareholder approval and a general meeting of the Company is being convened for 11.00 a.m. on Friday, 23 September 2011 to approve the Issue. The notice convening the General Meeting is set out in Part 10 of this Prospectus. This Prospectus also sets out the details of the CULS and the terms of the Open Offer.

Benefits of the Placing and Open Offer

Notwithstanding the current uncertain economic environment and recent stockmarket volatility, the Board and the Investment Manager have confidence in the long-term prospects for investing in the natural resources sector and believe that gearing should enable the Company to generate increased total returns over the longer term. The Directors believe that an issue of CULS will have the following advantages:

- the CULS will give the Company:
 - long-term structural gearing at a fixed cost that is competitive with the cost of other forms of gearing that the Company might have employed and which has the potential to be converted into the permanent capital base of the Company; and
 - additional investable funds, thereby increasing the Company's ability to make new investments of the kind that have contributed significantly to its performance in the past;
- the CULS will provide CULS Holders with:
 - an attractive yield of 3.5 per cent. per annum, which is significantly above the dividend yield on the Ordinary Shares (1.5 per cent. based on the most recent annual dividend of 4.22p per Ordinary Share and an Ordinary Share price of 285.3p at the close of business on 26 August 2011);
 - capital protection through repayment at par, with the repayment being well covered by the assets of the Company (more than six times covered based on an Issue of £40 million nominal of CULS, repayment of the borrowings drawn down under the existing Bank Facility and unaudited net assets of £221.6 million as at 26 August 2011); and
 - the potential to participate in further growth in the NAV per Ordinary Share through the ability, semi-annually, to convert the CULS into new Ordinary Shares over the next seven years;

- relative to other forms of gearing, CULS Holders' interests should be more closely aligned with those of Shareholders through being convertible into Ordinary Shares in the future and relatively long-term in nature; and
- following any conversion of CULS:
 - the Company would have an increased number of Ordinary Shares in issue, which should, in due course, enhance the liquidity in the market for the Ordinary Shares; and
 - the capital base of the Company would increase, allowing the Company's fixed operating costs to be spread across a larger number of Ordinary Shares, which should cause the Company's total expense ratio to fall.

Investment Performance

Since the Company completed the transition of its portfolio following the change to its current investment objective in July 2003, it has had strong absolute performance with a NAV total return per Ordinary Share of 644.9 per cent. over the period from 1 August 2003 to 26 August 2011, equivalent to 26.0 per cent. per annum. This is substantially ahead of the total return on the Company's composite benchmark, which is weighted two-thirds to the HSBC Global Mining Index (sterling adjusted) and one-third to the Credit Suisse High Yield Index (sterling adjusted), which increased by 286.6 per cent. over the same period, equivalent to 14.0 per cent. per annum (*source: F&C Asset Management plc*). The Company's record of successful long-term investment performance is illustrated in the following table.

	Total Return to 26 August 2011			
	1 Year	3 Years	5 Years	Since 1 August 2003
NAV	42.0%	90.3%	185.5%	644.9%
Ordinary Share price	45.3%	114.1%	167.9%	538.5%
Benchmark ¹	12.5%	30.8%	88.5%	286.6%

Sources: Datastream and F&C Asset Management plc. Note: ¹Composite benchmark weighted two-thirds to the HSBC Global Mining Index (sterling adjusted) and one-third to the Credit Suisse High Yield Index (sterling adjusted).

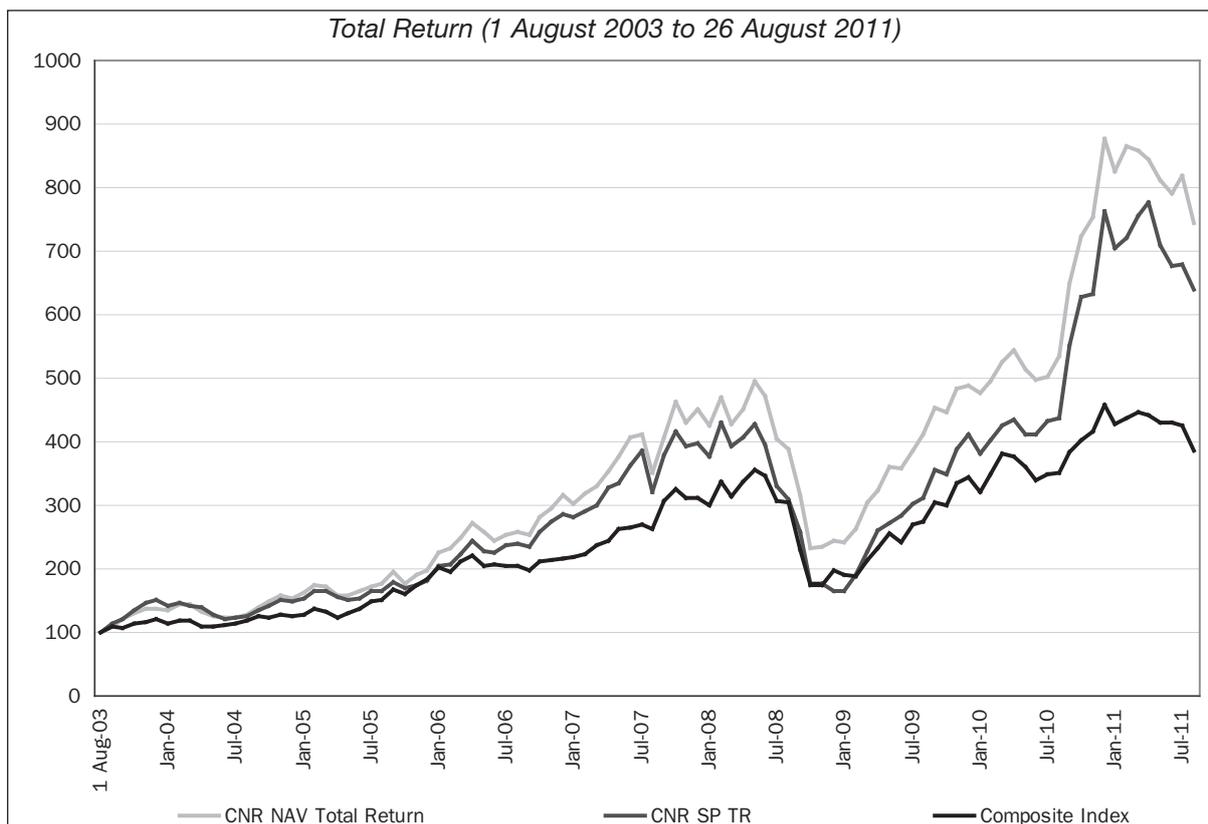
The Company follows a progressive dividend policy with the objective of growing the dividends paid in respect of each financial year of the Company. Over the six financial years ended 30 June 2011 the Company increased its dividends by 111.0 per cent., equivalent to 13.3 per cent. per annum. The following table shows the aggregate dividends per share paid by the Company since it adopted its current investment objective in June 2003.

	In Respect of Financial Year Ended 30 June							
	2004	2005	2006	2007	2008	2009	2010	2011
Aggregate dividends paid per Ordinary Share	2.00p	2.00p	2.15p	2.35p	2.65p	3.07p	3.71p	4.22p
Increase in dividends paid relative to previous year	-	0.0%	7.5%	9.3%	12.8%	15.8%	20.8%	13.7%

Further information on the performance of the Company and the Ordinary Shares, including information about the past and further performance of the Ordinary Shares, can be obtained from the Company's website, http://www.ncim.co.uk/cnr_top.php.

Investment Background and Outlook

As highlighted above, the Company's NAV total return performance since it adopted its current investment objective in 2003 has been strong. As illustrated in the following chart, this progress was far from straight line, with mid-2008 particularly noteworthy, but the essential investment story remained intact throughout: growing demand for finite commodity resources, especially from the emerging economies, running alongside a continuing inability of supply to respond to demand. Merger and acquisition activity added to the heady mix, with sterling weakness a contributory factor latterly.



Sources: Datastream and F&C Asset Management plc. Note: Total returns rebased to 100 as at 1 August 2003 (when the Company completed the transition of its portfolio following the adoption of its current investment objective in June 2003).

Since February 2010 my annual and interim statements to Shareholders have expressed a degree of scepticism as to whether bank bail outs, low interest rates, quantitative easing and ballooning budget deficits amounted to a programme that would encourage a sustained global recovery from the credit crunch, but have reiterated that the Board kept faith in the strength of the commodity story over the medium term.

The Board's and the Investment Manager's near term caution meant that the Company entered the recent market instability only very modestly geared, and with its exposure to gold representing more than 25 per cent. of its assets. This has not, of course, isolated the Company from the turmoil, but its closed-end structure means that the Company has not had to realise assets at depressed levels to fund redemptions. This latest correction is just that; the essentials underlying the commodity story remain a touchstone in the medium and longer term and the Directors' belief in the strength of the commodity story is undiminished. Just as in early 2009, patience and steady nerves are required, but the potential rewards are commensurate with the risk and the Board is positioning the Company to take full advantage of the opportunities that will be afforded.

Overview of the CULS

The interest rate on the CULS will be 3.5 per cent. per annum, payable semi-annually in arrears on 31 March and 30 September in each year (with the first interest payment on 31 March 2012) in respect of the period from (and including) the date of Admission (expected to be Monday, 26 September 2011) to (but excluding) the date of final repayment of the CULS (expected to be 30 September 2018). The coupon on the CULS will be charged 75 per cent. to capital and 25 per cent. to revenue in accordance with the Company's existing policy of charging finance costs.

CULS Holders will be entitled to convert their CULS into Ordinary Shares twice annually, being every six months from 31 March 2012 until 30 September 2018. The Conversion Price (being the nominal amount of CULS required to convert into one Ordinary Share) will be set at a 10 per cent. premium to the unaudited NAV (including income) per Ordinary Share on Tuesday, 20 September 2011. The Company will announce the Conversion Price through an RIS as soon as practicable following its calculation. **By way of illustration**, had the Conversion Price been set by reference to the unaudited NAV (including income) per Ordinary Share at 26 August 2011 of 331.52p, the Conversion Price would have been 364.6720p and a holder of £1,000 nominal of CULS would have been entitled to

274 Ordinary Shares on conversion of their CULS. Under the terms of the CULS Trust Deed, the Conversion Price will be subject to subsequent adjustment on the occurrence of certain events.

If, at any time after 30 September 2013, the middle market price of the Ordinary Shares is 20 per cent. or more above the Conversion Price for at least 20 dealing days during a period of 30 consecutive dealing days, the Company will be able to require CULS Holders to redeem their CULS at par. In such event, CULS Holders would be given a final opportunity to convert their outstanding CULS into Ordinary Shares. Following conversion of 80 per cent. or more of the nominal amount of the CULS originally issued, the Company will be entitled to require remaining CULS Holders to convert their outstanding CULS into Ordinary Shares after they have been given an opportunity to have their CULS redeemed.

Any CULS not previously redeemed, purchased or converted will be repaid by the Company on 30 September 2018 at its nominal amount.

On a winding-up of the Company, the nominal amount of the CULS will rank ahead of the Ordinary Shares, but will be subordinated to the Company's other borrowings and creditors.

The CULS Trust Deed will not contain any restriction on borrowings (including borrowings ranking ahead of the CULS), the disposal of assets or the creation of charges by, or changes in the nature of the business of, the Company.

The CULS will be issued in registered form, and may be held in certificated or uncertificated form. CULS acquired pursuant to the Placing or the Open Offer can be held within an ISA, SIPP or SSAS.

Further details of the CULS are set out in Part 3 of this Prospectus.

Placing and Open Offer

Up to £40 million nominal of CULS is available under the Issue at an issue price of 100p per £1 nominal of CULS.

Of the £40 million nominal of CULS proposed to be issued, £25 million has been conditionally placed firm by Canaccord Genuity pursuant to the Firm Placing and £15 million has been conditionally placed by Canaccord Genuity subject to claw back by Qualifying Shareholders under the Open Offer.

The Open Offer for up to £15 million nominal of CULS provides Qualifying Shareholders with the opportunity to participate in the Issue by subscribing for their Open Offer Entitlements on a pre-emptive basis (being £0.22435897 nominal of CULS for each Ordinary Share held at the Record Date) and to make excess applications under the Excess Application Facility, if they wish to do so, up to a maximum amount equal to 100 per cent. of their Open Offer Entitlement, subject to CULS being available once all of the applications for *pro rata* entitlements under the Open Offer have been taken into account and the Issue not otherwise being scaled back. Qualifying Shareholders are not being offered the right to subscribe for the Firm Placed CULS.

The Firm Placing, in conjunction with the conditionally placed CULS which are subject to claw back by Qualifying Shareholders under the Open Offer (including, for the avoidance of doubt, the Excess Application Facility), has ensured that the Issue will be fully subscribed, irrespective of the result of Qualifying Shareholders applying under the Open Offer, which gives some certainty regarding the proceeds of the Issue (although it should be noted that the Issue has not been underwritten).

As the Company's investment policy only permits it to borrow up to an amount equal to 25 per cent. of Shareholders' funds (measured at the time of draw down), if £40 million nominal of CULS would exceed that amount at the Calculation Date, the size of the Issue will be scaled back so that the nominal amount of CULS issued pursuant to the Issue does not exceed an amount equal to 25 per cent. (or, at the Board's discretion, 20 per cent.) of Shareholders' funds at the Calculation Date, with the Placing (after taking into account any claw back under the Open Offer) and the Open Offer being scaled back *pro rata*. Had the Calculation Date been 26 August 2011, £40 million nominal of CULS would have been equivalent to 18.0 per cent. of Shareholders' funds at that date.

The result of the Placing and Open Offer, including details of any scaling back of applications under the Excess Application Facility or of the Issue as a whole, is expected to be announced through an RIS on Wednesday, 21 September 2011.

The Issue is conditional, *inter alia*, upon:

- the passing of the Resolution at the General Meeting;

- the Minimum Net Issue Proceeds being not less than £25 million (or such lower amount as the Company and Canaccord Genuity may agree in writing);
- the Placing Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission; and
- Admission taking place no later than 8.00 a.m. on Monday, 26 September 2011 (or such later date as the Company and Canaccord Genuity agree, not being later than Friday, 7 October 2011).

If the Issue is fully subscribed and £40 million nominal of CULS is issued, the costs of the Issue, which will be borne by the Company, are estimated to be approximately £845,000, equivalent to approximately 0.4 per cent. of the Company's unaudited net assets as at 26 August 2011. The Directors intend to apply the Net Issue Proceeds, which will be approximately £39.2 million (on the assumption that the Issue is fully subscribed and £40 million nominal of CULS is issued), to repay borrowings drawn down under the Bank Facility, of which £22.4 million (of a maximum of £30 million) was drawn down as at 26 August 2011. The balance of the Net Issue Proceeds will be available for investment by the Investment Manager in accordance with the Company's investment policy.

In the event that these conditions are not satisfied, the Issue will not proceed. Any application monies which have been received will be returned (at the applicant's sole risk) without payment of interest, as soon as possible thereafter.

General Meeting

Implementation of the Placing and Open Offer requires Shareholders to approve the special resolution to be proposed at a general meeting of the Company, which has been convened for 11.00 a.m. on Friday, 23 September 2011, to be held at the offices of Maclay Murray & Spens LLP at One London Wall, London EC2Y 5AB. The notice of the General Meeting is set out in Part 10 of this Prospectus.

If passed, the Resolution will:

- authorise the Directors, for the purpose of section 551 of the CA 2006, to grant rights to convert the CULS into Ordinary Shares pursuant to the Issue up to a maximum nominal amount of £40 million;
- confirm, for the purpose of section 571 of the CA 2006, that statutory pre-emption rights in relation to the grant of rights to convert CULS into Ordinary Shares pursuant to the Issue do not apply; and
- approve a temporary increase in the maximum level of borrowings permitted under the Company's investment policy to an aggregate of the borrowings drawn down under the Bank Facility at Admission and the nominal amount of the CULS issued pursuant to the Issue, provided that (i) the nominal amount of the CULS issued pursuant to the Issue does not exceed 25 per cent. of the value of Shareholders' funds at the Calculation Date and (ii) such temporary increase shall expire five business days after the date on which Admission occurs, at which time there must be no borrowings under the Bank Facility.

The authorities conferred by the Resolution will be in addition to all existing allotment authorities and will expire on Friday, 7 October 2011. **By way of illustration**, assuming an issue of £40 million nominal of CULS pursuant to the Issue and a Firm Placing of £25 million nominal of CULS and based on the illustrative Conversion Price referred to under the heading "Overview of the CULS" above:

- exercise in full of the Conversion Rights of the CULS issued pursuant to the Issue would result in 10,968,760 Ordinary Shares being issued, which would represent an increase of 16.4 per cent. in the issued Ordinary Share capital at the date of this Prospectus;
- exercise in full of the Conversion Rights of the CULS issued pursuant to the Firm Placing would result in 6,855,475 Ordinary Shares being issued, equivalent to 10.3 per cent. of the issued Ordinary Share capital at the date of this Prospectus; and
- had the Calculation Date been 26 August 2011, £40 million nominal of CULS would have been equivalent to 18.0 per cent. of Shareholders' funds at that date.

In order to be passed, a special resolution requires at least 75 per cent. of the votes cast to be in favour of it. The quorum for a General Meeting is two members present in person or by proxy (including a member present through a corporate representative). The Board, through its financial adviser Canaccord Genuity, has consulted on the Issue with a broad range of Shareholders representing a

significant proportion of the issued Ordinary Shares and is confident that Shareholders, in the light of the benefits of the Issue set out under the heading “Benefits of the Placing and Open Offer” above, will vote in favour of the Issue at the General Meeting.

Overseas Shareholders

The CULS is not being made available in whole or in part to the public except under the terms of the Issue. The Open Offer is not being made, subject to certain exemptions, to Shareholders resident in Excluded Jurisdictions and, accordingly, Application Forms are not being sent to and Open Offer Entitlements are not being credited to such Excluded Shareholders. However, the Company reserves the right to accept an Application Form received from an Excluded Shareholder (or an acceptance by submission of a USE instruction by an Excluded Shareholder holding their Ordinary Shares in uncertificated form) where it has received proof satisfactory to it that the Excluded Shareholder is able to accept the invitation by the Company free of any requirement which it (in its sole and absolute discretion) regards as unduly burdensome.

The attention of Overseas Shareholders who have registered addresses outside the United Kingdom, or who are citizens of, or residents, or located in countries other than the United Kingdom, or who are holding Ordinary Shares for the benefit of such persons (including without limitation, nominees, custodians and trustees) or have a contractual or legal obligation to forward this Prospectus, the Form of Proxy or the Application Form to such persons, is drawn to the information which appears in paragraph 5 of Part 4 of this Prospectus.

In particular, Qualifying Shareholders who have registered addresses outside the UK, or who are citizens of or resident or located in countries other than the UK (including, without limitation, the US or any of the other Excluded Jurisdictions) should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to take up their entitlements in the Open Offer.

Excluded Shareholders who believe that they are entitled to take up CULS under the Open Offer should contact the Company as soon as possible to discuss the matter.

Any Shareholder who is in any doubt as to their position should consult an appropriate independent professional adviser without delay.

Taxation

Certain information about taxation in relation to the Company, the CULS and the Ordinary Shares is set out in Part 7 of this Prospectus. If you are in any doubt as to your tax position you should consult your own independent tax adviser without delay.

Action to be Taken by Shareholders

General Meeting

You will find enclosed with this Prospectus a Form of Proxy for use at the General Meeting. Whether or not you wish to subscribe for CULS under the Open Offer and regardless of whether you intend to attend the General Meeting in person, it is important that you complete and sign the enclosed Form of Proxy in accordance with the instructions printed on it and return it to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZR, as soon as possible and, in any event, so as to be received not later than 11.00 a.m. on Wednesday, 21 September 2011.

Appointments of proxies in respect of Ordinary Shares held in uncertificated form may be made by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in the notes at the end of the notice convening the General Meeting in Part 10 of this Prospectus as soon as possible and, in any event, so as to be received by no later than 11.00 a.m. on Wednesday, 21 September 2011.

The completion and return of a Form of Proxy, or the appointment of a proxy electronically, will not preclude you from attending the General Meeting and voting in person if you wish to do so.

Applying under the Open Offer

Record Date and Applications Under the Open Offer

The record date for Shareholders' entitlements under the Open Offer is 6.00 p.m. on Friday, 26 August 2011. This Prospectus and, for Qualifying non-CREST Shareholders, the Application Form contain the formal terms and conditions of the Open Offer.

Qualifying Non-CREST Shareholders (i.e. Holders of Ordinary Shares in Certificated Form)

If you are a Qualifying non-CREST Shareholder you will receive an Application Form which gives details of your Open Offer Entitlements (as shown by the nominal amount of CULS set out in Box 2). If you wish to apply for CULS under the Open Offer, you should complete the Application Form in accordance with the procedure for application set out in paragraph 3.1 of Part 4 of this Prospectus and on the Application Form itself. Completed Application Forms, accompanied by full payment in accordance with the instructions in paragraph 3.1 of Part 4 of this Prospectus, should be posted in the accompanying pre-paid envelope or (during normal business hours only) delivered by hand to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to arrive as soon as possible and in any event so as to be received by no later than 11.00 a.m. on Tuesday, 20 September 2011. If you do not wish to apply for any CULS under the Open Offer, you should not complete or return the Application Form.

Qualifying CREST Shareholders

If you are a Qualifying CREST Shareholder no Application Form will be sent to you and you will receive a credit to your appropriate stock account in CREST in respect of your Open Offer Entitlements. You should refer to the procedure for application set out in paragraph 3.2 of Part 4 of this Prospectus. The relevant CREST instructions must have settled in accordance with the instructions in paragraph 3.2 of Part 4 of this Prospectus by no later than 11.00 a.m. on Tuesday, 20 September 2011.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this Prospectus and the Open Offer.

General

If you have sold or transferred all or part of your registered holding(s) of Ordinary Shares prior to 8.00 a.m. on Thursday, 1 September 2011 you should consult your stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for CULS under the Open Offer may be a benefit which may be claimed from you by the purchasers under the rules of the London Stock Exchange.

If you are in any doubt about the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, if outside the United Kingdom, another appropriately authorised financial adviser without delay.

Qualifying Shareholders who do not want to apply for the CULS under the Open Offer should take no action and should not complete or return the Application Form. However, such Qualifying Shareholders are requested to complete and return the Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received not later than 11.00 a.m. on Wednesday, 21 September 2011.

Savings Plans Participants

In the case of Savings Plan Participants, a separate letter is being sent to them (together with a Form of Direction and a Savings Plan Application Form to enable them to participate in the Open Offer) setting out what action they need to take in relation to the proposals described in this Prospectus.

Further Information and Risk Factors

Your attention is drawn to the further information set out in Parts 2 to 8 of this Prospectus. In addition, your attention is drawn to the section entitled "Risk Factors" on pages 7 to 10 of this Prospectus. You are advised to read the whole of this Prospectus and not to rely solely on the information contained in this letter.

Recommendation

The Board, which has been advised by Canaccord Genuity, considers the passing of the resolution to be proposed at the General Meeting, which is required to enable the Placing and the Open Offer to proceed, to be in the best interests of Shareholders as a whole. In providing advice to the Directors, Canaccord Genuity has taken into account the Directors' own commercial assessment of the Issue.

The Board recommends that you vote in favour of the resolution to be proposed at the General Meeting, as they intend to do in respect of their own beneficial holdings of Ordinary Shares amounting, in aggregate, to 345,143 Ordinary Shares (representing 0.5 per cent. of the issued Ordinary Share capital).

The Directors cannot, and do not, offer any advice or recommendation to Shareholders as to whether to subscribe for CULS under the Open Offer. If you need advice, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA or, if outside the United Kingdom, another appropriately authorised financial adviser without delay.

Yours faithfully

Geoffrey Burns
Chairman

PART 2

INFORMATION ON THE COMPANY

Introduction

City Natural Resources High Yield Trust plc is an investment trust which was launched in 1994. It adopted its current investment objective and policy in 2003 and it now seeks to provide Shareholders with capital growth and income predominantly from a portfolio of mining and resource equities and of mining, resource and industrial fixed interest securities.

The Company's share capital comprises only Ordinary Shares, which are listed on the premium segment of the Official List and are traded on the Main Market.

As at 26 August 2011, the Company had gross assets of £244.0 million, 66,857,143 Ordinary Shares in issue and Shareholders' funds of £221.6 million. The Directors intend to apply part of the Net Issue Proceeds to repay borrowings under the Bank Facility, of which £22.4 million (of a maximum of £30 million) was drawn down as at 26 August 2011.

The Company has an indefinite life but is subject to an annual continuation vote.

Investment Objective, Policy and Approach

Investment Objective

The Company seeks to provide Shareholders with capital growth and income predominantly from a portfolio of mining and resource equities and of mining, resource and industrial fixed interest securities. The Company aims to outperform, in total return terms, a composite benchmark, which is weighted two-thirds to the HSBC Global Mining Index (sterling adjusted) and one-third to the Credit Suisse High Yield Index (sterling adjusted).

Investment Policy

The Company invests predominantly in mining and resource equities and mining, resource and industrial fixed interest securities (including, but not limited to, preference shares, loan stocks and corporate bonds, which may be convertible and/or redeemable). The Company may invest in companies regardless of country, sector or size and, accordingly, the Company's portfolio is constructed without reference to the composition of any stockmarket index or benchmark. Exposure to higher yielding securities may also be obtained by investing in other sectors, including closed-end investment companies and open-ended collective investment schemes.

The Company may, but is not obliged to, invest in derivatives, financial instruments, money market instruments and currencies for the purpose of efficient portfolio management.

The Company may acquire securities that are unquoted at the time of investment but which are about to be, or are immediately convertible at the option of the Company into securities which are, listed or traded on a stock exchange, and may continue to hold securities that cease to be quoted or listed if the Investment Manager considers this appropriate. In addition, the Company may invest up to 10 per cent. of its gross assets in other securities that are unlisted or unquoted at the time of investment.

The Company will not invest more than 10 per cent. in aggregate of the value of its total assets (measured at the time of investment) in other investment trusts or investment companies which are listed on the Official List (except that this restriction does not apply to investments in other investment trusts or investment companies which themselves have published investment policies to invest no more than 15 per cent. of their total assets in other investment trusts or investment companies which are listed on the Official List).

The Company may borrow up to 25 per cent. of Shareholders' funds (measured at the time of draw down).

The Investment Manager expects that the Company's assets will normally be fully invested. However, during periods in which changes in economic circumstances, market conditions or other factors so warrant, the Company may reduce its exposure to securities and increase its position in cash, money market instruments and derivative instruments in order to seek protection from stockmarket falls.

Investment Approach

The Company is managed using a mixture of top-down and bottom-up investment strategies. Interaction with CQS Group's trading teams and fundamental research forms the basis of the Investment Manager's macro view. The process begins with the identification of sectors and geographical areas that the Investment Manager favours. This serves as a guide to the evolution of the Company's portfolio. However, the portfolio is not managed with specific reference to geographical or sectoral allocation targets or with reference to those of the Company's benchmark. Instead, the Investment Manager focuses its efforts on the fundamental analysis of investment opportunities, meeting, on average, 20 companies a week. Once included in the Company's portfolio, the Investment Manager continues to assess investments, on an ongoing basis, to ascertain whether the level of holding remains appropriate. The Company does not attempt to hedge currency exposure, so it is exposed to currency risk. However, this is to a certain extent mitigated by the number and spread of holdings in its portfolio (typically, the portfolio comprises in excess of 170 investments).

General

The Company may only make material changes to its investment policy with the approval of Shareholders (in the form of an ordinary resolution).

In the event of any breach of the Company's investment policy, Shareholders will be informed of the actions to be taken by the Investment Manager by an announcement issued through an RIS or a notice sent to Shareholders at their registered addresses in accordance with the Articles.

Dividend Policy

In order to continue to qualify as an investment trust, the Company is required to distribute sufficient net income so that it retains no more than 15 per cent. of the income it derives from shares and securities (due to become 15 per cent. of total income following the introduction of new investment trust rules expected early in 2012) in respect of any accounting period. Dividends will be paid to the extent that they are covered by the income received from the Company's underlying investments after payment of the Company's operating expenses. The distribution as dividends of surpluses from realisations of investments is prohibited by the Articles and such surpluses accrue to the benefit of the Company.

In the absence of unforeseen circumstances, dividends are payable quarterly, all in the form of interim dividends (the Company does not pay final dividends). The Company typically pays interim dividends in February, May, August and November each year in respect of the three-month periods ending on 31 December, 31 March, 30 June and 30 September respectively.

In the absence of unforeseen circumstances, the Company aims at least to maintain the level of dividends paid in respect of each financial year and has the objective of growing the dividends paid in respect of each financial year. This is a target dividend level and does not constitute a forecast of the profits or return from investment in the Company and there is no guarantee of any particular level of profits or return being achieved.

Directors

The Board currently comprises:

- *Geoffrey Burns (Chairman), Age 57*

Geoffrey Burns is a director of Barnellan Equity Advice Limited, an emerging markets private equity advisory business. He has worked in the investment fund industry for over 25 years, including five years as Head of Investment Trusts at Murray Johnstone. He is chairman of Premier Energy and Water Trust plc and is on the boards of several other limited companies. He is an adviser to CDC Group and the Swiss Government on unquoted investments. He was appointed to the Board on 29 June 2005, and became chairman on 29 July 2005.

- *Adrian Collins, Age 57*

Adrian Collins has worked in the fund management business for over 35 years, a large part of which was at Gartmore Investment Management where, latterly, he was managing director. He is chairman of Liontrust Asset Management plc and is also on the boards of DouglasBay Capital plc, New City High Yield Fund Limited and a number of other companies. He was appointed to the Board on 14 December 1995 and acted as chairman between 5 March 2004 and 31 March 2005.

- *Adam Cooke, Age 52*

Adam Cooke was, until 31 December 2004, a global partner of Invesco plc, one of the world's largest independent investment management organisations where he worked for Invesco UK. He joined Invesco in 1976 and his experience includes the UK institutional business, investment companies and collective investments. He is a director of Premier Energy and Water Trust plc and Midas Income & Growth Trust plc. He is a member of the Chartered Institute of Bankers. He is employed by CQS of which the Investment Manager is a group company. He was appointed to the Board on 26 June 2003.

- *Michael Coulson, Age 66*

Michael Coulson is a senior research analyst covering mining and gold shares with more than 38 years' experience. He was a senior mining analyst at Phillips & Drew from 1982 until 1986, when he joined Kitcat & Aitken's mining department as an executive director, where he remained until 1990. He was head of African research at Credit Lyonnais Laing from 1992 until 1994, when he took up the same position at Nedcor Securities until 1996. He was head of global mining research at Paribas from 1998 to 2000. He was appointed as a Director on 26 June 2003.

- *Richard Prickett, Age 60*

Richard Prickett has substantial corporate experience in the mineral sector, having been chairman of Brancote Holdings until its merger with Meridian Gold in 2002. He is currently a director on two AIM-traded mineral exploitation companies, Patagonia Gold plc and Landore Resources Limited. He is also the non-executive chairman of Asian Growth Properties Limited and a non-executive director of The Capital Pub Company plc. He was appointed as a Director on 1 December 2006.

All of the Directors are non-executive and all, except Mr Cooke, are considered by the Board to be independent.

The Directors have overall responsibility for the Company's activities, including determination of its investment policy and its investment performance. However, the Company has delegated day-to-day management of its portfolio to CQS, which has in turn delegated its investment management function to New City Investment Managers, and its administration, compliance oversight and company secretarial arrangements to F&C Asset Management plc.

Investment Management

New City Investment Managers is an investment management company launched by Richard Lockwood in 2005 and is based in London. On 1 October 2007, NCIM joined the CQS Group, a global diversified asset manager running multiple strategies with, as at 31 July 2011, US\$11.0 billion assets under management (including mandates with discretionary management, sub-investment discretionary management, investment advice, collateral management and intermediation), becoming a group company. NCIM's rights and obligations under the investment management agreement between the Company and NCIM were then novated to CQS. Consequently, CQS became the Company's investment manager but, with the agreement of the Board, has delegated that function to NCIM.

The Company's portfolio is co-managed by:

- Will Smith, who joined NCIM in 2008 and has over 30 years' investment experience, with his career including Morgan Grenfell, UBS and Panmure Gordon; and
- Merfyn Roberts, who joined NCIM in 2006 and has over 26 years' investment experience, focused on resources and energy, and his career has included Charter Consolidated, Target and Minorco.

NCIM is authorised and regulated in the UK by the FSA in the conduct of its investment business. As at 31 July 2011, NCIM had assets under management of approximately £587.2 million on behalf of five closed-end investment companies (including the Company). NCIM's investment team of four fund managers works closely together in managing NCIM's fund clients, including the Company. Although Richard Lockwood no longer acts as fund manager for any of the NCIM-managed funds, he continues to act as a consultant in a strategic role to NCIM.

Under the Investment Management Agreement, the Company pays CQS a monthly investment management fee of 0.1 per cent. of the value of the Company's gross assets (excluding any cross-holdings) less any borrowings, payable in arrears. The Investment Management Agreement may be

terminated by either the Company or CQS giving to the other not less than three months' notice. CQS is responsible for the fee payable to NCIM.

Further information on CQS and the Investment Manager and details of the Investment Management Agreement are set out in paragraph 6.1 of Part 8 of this Prospectus.

Administration

F&C Asset Management plc provides the Company with administrative (including accounting and valuation), compliance oversight and company secretarial services. Under the Administration Agreement, the Administrator is entitled to a fixed fee of approximately £104,400 per annum (index-linked) and a variable fee of 0.05 per cent. per annum of the Company's total assets (less current liabilities but excluding bank borrowings) in excess of £100 million, subject to a maximum variable fee of £40,000 per annum.

The Company has served notice on the Administrator to terminate the Administration Agreement with effect from 23 November 2011. The Company intends to appoint R&H Fund Services (UK) Limited as its administrator and company secretary with effect from 23 November 2011 on commercial terms similar to those in the current Administration Agreement. R&H Fund Services (UK) Limited is a wholly owned subsidiary of R&H Fund Services (Jersey) Limited, an independent provider of third party fund administration and company secretarial services established in 1984 whose clients include the three other publicly traded closed-end funds that are managed by the Investment Manager.

Further details of the Administration Agreement are set out in paragraph 6.2 of Part 8 of this Prospectus.

Corporate Governance

The Company is committed to high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is suitable for an investment trust and which enable the Company to comply with the UK Corporate Governance Code issued in May 2010 by the Financial Reporting Council (the "**UK Corporate Governance Code**") and the AIC's Code of Corporate Governance issued in October 2010 (the "**AIC Code**"). The Company complies with the provisions of the UK Corporate Governance Code and the AIC Code, save with regard to the following:

- *Role of the chief executive and executive directors' remuneration:* Since all Directors are non-executive, and in accordance with the AIC Code and the preamble to the UK Corporate Governance Code, the provisions of the UK Corporate Governance Code on the role of the chief executive and, except in so far as they apply to non-executive Directors, on Directors' remuneration are not relevant to the Company.
- *Appointment of a Senior Independent Director:* Given the size and composition of the Board it is not felt necessary to separate the roles of chairman and senior independent director.
- *Director's term in office:* In view of the requirement in the Articles that all Directors retire by rotation, the Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by the AIC Code and the UK Corporate Governance Code. The Articles require each Director to retire and, if appropriate, seek re-election after each three years' service. As Adrian Collins has served as a Director for more than nine years, he is not regarded as independent for the purpose of the AIC Code and, accordingly, is subject to annual re-election. As an employee of NCIM, Adam Cooke is not independent of the Investment Manager and he is also subject to annual re-election. The Board has determined that all Directors will seek annual re-election with effect from the annual general meeting of the Company to be held later in 2011.
- *Internal audit function:* The Directors consider that, as the Company is an externally managed investment company, an internal audit function is not necessary.

The Investment Management Agreement sets out the matters over which the Investment Manager has authority and the limits beyond which Board approval must be sought. All other matters, including corporate strategy, investment and dividend policies, gearing and corporate governance procedures, are reserved for the approval of the Board.

The Board currently meets four times a year and receives full information about the Company's investment performance, assets, liabilities and other relevant information in advance of Board meetings. In between these formal meetings there is regular contact on a less formal basis, between the Directors, the Administrator and the Investment Manager. The Directors may, at the expense of the

Company, seek independent professional advice on any matter that concerns them in the furtherance of their duties.

The Board operates the following committees:

- *Audit committee:* The audit committee, chaired by Adrian Collins and comprising all of the Directors except Adam Cooke, operates within clearly defined terms of reference, which are available on request. The duties of the audit committee include reviewing the annual and interim reports and accounts, the system of internal controls and the terms of appointment, including remuneration, of the auditors and ensuring that auditor objectivity and independence is safeguarded in the provision of non-audit services by the auditors. It also provides a forum through which the auditors may report to the Board. It meets at least twice yearly.
- *Management engagement and remuneration committee:* The management engagement and remuneration committee, chaired by Geoffrey Burns and comprising Geoffrey Burns, Michael Coulson and Richard Prickett, reviews the appropriateness of CQS's and the Investment Manager's continuing appointment together with the terms and conditions thereof on a regular basis.
- *Nomination committee:* The nomination committee, chaired by Geoffrey Burns and comprising all of the Directors except Adam Cooke, is convened for the purpose of considering the appointment of additional Directors as and when considered appropriate. In considering appointments to the Board, the nomination committee takes into account the ongoing requirements of the Company and the need to have a balance of skills and experience within the Board.

Each year the performance of the Board, committees and individual Directors is evaluated through a forum-based assessment process, led by the chairman.

Duration of the Company

The Company does not have a fixed life. However, Shareholders are given the opportunity to vote on an ordinary resolution to continue the Company as an investment trust at each annual general meeting of the Company. If any such resolution is not passed, the Board will put forward proposals at a further general meeting to liquidate, open-end or otherwise reconstruct the Company.

PART 3

DETAILS OF THE CULS

Up to £40 million nominal of 3.5 per cent. convertible unsecured loan stock 2018 of the Company will be created by a resolution of the Board and will be constituted as an unsecured subordinated obligation of the Company by the trust deed between the Company and The Law Debenture Trust Corporation p.l.c., whose registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX, as trustee for the CULS Holders. Copies of the Trust Deed, when executed, will be available for inspection by CULS Holders at the registered office for the time being of the Company, being at the date of publication of this Prospectus Exchange House, Primrose Street, London EC2A 2NY.

The Trust Deed will contain provisions, *inter alia*, to the following effect:

1. Definitions

In addition to the defined terms set out in Part 9 of this Prospectus, the following additional definitions apply for the purposes of this Part 3:

“equity share capital”	equity share capital as defined in section 548 of the CA 2006;
“Further CULS”	further unsecured loan stock of the Company issued pursuant to the provisions described in paragraph 10 of this Part 3 and constituted by a trust deed supplemental to the Trust Deed;
“Independent Financial Adviser”	a financial adviser (which may, for the avoidance of doubt, be the Company’s auditors or brokers) appointed by the Company and approved in writing by the Trustee or, if the Company fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee), appointed by the Trustee following notification to the Company and provided that the Trustee has no obligation to make such appointment unless it has been indemnified and/or provided with security and/or pre-funded to its satisfaction in respect of all costs, fees and expenses of such adviser and of the Trustee in connection with such appointment;
“Relevant Electronic System”	any computer-based system enabling title to units of CULS to be evidenced and transferred without a written instrument;
“subsidiary”	any company which is for the time being a subsidiary (within the meaning of section 1159 of the CA 2006); and
“Uncertificated Conversion Notice”	a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company (or by such person as it may require for these purposes) in such form and subject to such terms and conditions as may from time to time be prescribed by the Company (subject always to the CREST Regulations and the facilities, rules and requirements of the Relevant Electronic System) and that specifies (in accordance with the form prescribed by the Company) the nominal amount of CULS in respect of which the Conversion Rights are being exercised.

2. Interest

2.1 The CULS will bear interest on its nominal amount for the time being outstanding from (and including) the date of Admission of the CULS (the “**Issue Date**”) at the rate of 3.5 per cent. per annum. Interest (less United Kingdom income tax where applicable or any other deduction or withholding required by law) will be payable on the CULS semi-annually in equal instalments in arrear on 31 March and 30 September in each year (each an “**Interest Payment Date**”), save that the first payment of interest on the CULS will be made on 31 March 2012 in respect of the period from and including the Issue Date to (but excluding) 31 March 2012 and the final payment of interest on the CULS will be in respect of the period from (and including) 31 March 2018 to (but excluding) the date of final repayment of the CULS (the “**Final Repayment Date**”).

2.2 The amount of interest payable in respect of any period which is either shorter or longer than a Regular Period (as defined below) shall be calculated at the rate of 3.5 per cent. per annum on the basis of the number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the product of (i) two and (ii) the number of days in the Regular Period in which the relevant period falls. “Regular Period” means each period from (and including) any Interest Payment Date to (but excluding) the next Interest Payment Date, save that for the purposes of this definition only the first Interest Payment Date shall be deemed to be 31 March 2012 and the last Interest Payment Date shall be deemed to be 30 September 2018.

3. Conversion

3.1 Each CULS Holder (and, for the purposes of paragraph 3.13 of this Part 3, the Trustee on their behalf) shall (on and subject to the provisions mentioned in this paragraph 3) have the right (a “Conversion Right” and together the “Conversion Rights”) to convert the whole or such part (being an integral multiple of £1 nominal) of their CULS as they may specify into fully paid Ordinary Shares. The number of Ordinary Shares to be issued by the Company on exercise of a Conversion Right shall be determined by dividing the nominal amount of CULS to be converted by the conversion price in effect on the relevant Conversion Date (as defined in paragraph 3.2 of this Part 3) (the “Conversion Price”). The initial Conversion Price for one Ordinary Share (which shall be subject to adjustment in the circumstances described in paragraph 4 of this Part 3) shall be equal to:

$$CP = NAV \times 1.10$$

where:

CP is the Conversion Price for one Ordinary Share expressed to four decimal places; and

NAV is the amount (expressed in pence to four decimal places) equal to the unaudited NAV (including income) per Ordinary Share as at Tuesday, 20 September 2011.

The Company will announce the initial Conversion Price through an RIS as soon as practicable following its calculation.

3.2 The Conversion Rights shall be exercisable (in the manner described in paragraph 3.3 or paragraph 3.4, as applicable, of this Part 3) at any time during the periods of 28 days ending on 31 March and 30 September in each year commencing March 2012 and ending September 2018 (each such period and any other period during which Conversion Rights may be exercised being a “Conversion Period”) so as to be received by 5.00 p.m. on the last day of the relevant Conversion Period (each such last day being a “Conversion Date” and the Conversion Date falling on 30 September 2018 or Final Repayment Date being the “Final Conversion Date”).

3.3 In order to exercise, in whole or in part, the Conversion Rights which are conferred by any CULS that is, on the relevant Conversion Date, in certificated form, the CULS Holder must lodge the relevant CULS certificate(s) (or such other document(s) as the Company may, in its absolute discretion, accept) at the office of the registrars for the time being of the Company (the “Registrars”) specified in the certificate (or at such other place as the Company may from time to time notify to CULS Holders) during the relevant Conversion Period, having completed and signed the notice of exercise of Conversion Rights thereon (or by giving such other notice of exercise of Conversion Rights as the Company may, in its absolute discretion, accept). The Company may (at its sole discretion) accept as valid notices of exercise of Conversion Rights which are received after the relevant Conversion Date. Once lodged, a notice of exercise of Conversion Rights shall be irrevocable, save with the consent of the Company. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.

3.4 The Conversion Rights which are conferred by any CULS that is on the relevant Conversion Date in uncertificated form shall be exercisable, in whole or in part, (and treated by the Company as exercised) on that Conversion Date if an Uncertificated Conversion Notice is received as referred to below during the relevant Conversion Period (but not later than the latest time for input of the instruction permitted by the Relevant Electronic System on that date) by the Company (or by such person as it may require for such purposes) in such form and subject to such terms and conditions as may from time to time be prescribed by the Company (subject always to the CREST Regulations and the facilities, rules and requirements of the Relevant Electronic System concerned). The Company may, in addition but subject to the CREST Regulations and the

facilities and requirements of the Relevant Electronic System, determine when any such properly authenticated dematerialised instruction and/or other instruction or notification is to be treated as received by the Company (or by such person as it may require for these purposes). Without prejudice to the generality of the foregoing, the effect of an Uncertificated Conversion Notice may be such as to divest the CULS Holder concerned of the power to transfer such CULS to another person. Once lodged, an Uncertificated Conversion Notice shall be irrevocable, save with the consent of the Company. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.

- 3.5 Fractions of Ordinary Shares will not be issued on exercise of Conversion Rights, and no payment of cash or other adjustment will be made in lieu thereof.
- 3.6 Ordinary Shares allotted pursuant to the exercise of Conversion Rights which are conferred by any CULS that is in certificated form will be allotted not later than 14 days after, and with effect from, the relevant Conversion Date. Certificates in respect of such Ordinary Shares will be despatched free of charge (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant Conversion Date to the person(s) in whose name(s) the CULS is registered at the date of exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all) or (subject as provided by law and to the payment of stamp duty reserve tax or any other tax that may be applicable) to such other person(s) (not being more than four in number) as may be named in the form of nomination available for the purpose from the Registrars (and, if more than one, to the first-named, which shall be sufficient despatch for all). In the event of partial exercise of the Conversion Rights evidenced by a CULS certificate, the Company shall, at the same time, issue a new CULS certificate in the name of the holder for any balance of that holder's CULS not converted.
- 3.7 Ordinary Shares allotted pursuant to the exercise of Conversion Rights which are conferred by any CULS that is in uncertificated form will be allotted not later than 14 days after, and with effect from, the relevant Conversion Date. The Company shall procure that the appropriate instructions are given to enable such Ordinary Shares to be evidenced by means of the Relevant Electronic System as a holding of the person(s) in whose name(s) the CULS in respect of which Conversion Rights have been exercised were registered at the date of such exercise or (subject as provided by law, to the payment of stamp duty reserve tax or any other tax that may be applicable, to such terms and conditions as the Company may from time to time prescribe for this purpose and to the CREST Regulations and the facilities, rules and requirements of the Relevant Electronic System) to such other person(s) (not being more than four in number) as may be named in the properly authenticated dematerialised instruction and/or other instruction or notification in such form.
- 3.8 For the avoidance of doubt, unless the Company otherwise determines or unless the CREST Regulations or the facilities, rules or requirements of the Relevant Electronic System otherwise require, the Ordinary Shares issued on the exercise of any Conversion Rights shall be issued in certificated form where such Conversion Rights were conferred by CULS which was held in certificated form and in uncertificated form where such Conversion Rights were conferred by CULS which was held in uncertificated form.
- 3.9 Ordinary Shares allotted pursuant to the exercise of Conversion Rights will be allotted credited as fully paid. Such shares will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date before the relevant Conversion Date, but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares by reference to a record date on or after the relevant Conversion Date and otherwise will rank *pari passu* in all other respects, and form one class, with the Ordinary Shares in issue at the relevant Conversion Date.
- 3.10 Without prejudice to the generality of the final sentence in each of paragraphs 3.3 and 3.4 of this Part 3, the exercise of Conversion Rights by any CULS Holder whose registered address is in an Excluded Jurisdiction or who is a citizen or national of, or resident in, an Excluded Jurisdiction or a custodian, nominee or trustee for a citizen or national of, or a resident in, an Excluded Jurisdiction (including without limitation any US Person), and the right of such a CULS Holder to receive the Ordinary Shares falling to be issued to them following the exercise of their Conversion Rights, will be subject to such requirements, conditions, restrictions, limitations or prohibitions as the Company may at any time impose, in its absolute discretion, for the purpose of complying with any applicable securities laws of the relevant jurisdiction, which, in the case of the United

States, shall include the Securities Act, the Investment Company Act and any rules or regulations promulgated under such Acts. For the purpose of this paragraph 3.10, “**US Person**” means any person or entity defined as such in Rule 902(k) under the US Securities Act and, without limiting the generality of the foregoing, includes a natural person resident in the United States, a corporation or partnership organised or incorporated under the laws of the United States (including any state thereof) and an estate or trust of which any executor, administrator or trustee is a US Person, but shall not include a branch or agency of a US Person located outside the United States if such agency or branch operates for valid business reasons and is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located.

3.11 Interest on CULS converted shall be payable up to (but excluding) the relevant Conversion Date (whether or not that is an Interest Payment Date), but shall cease to accrue immediately thereafter.

3.12 *Conversion upon Change of Control*

3.12.1 If any offer is made to all (or as nearly as may be practicable all) the Shareholders (or to all, or as nearly as may be practicable all, such holders other than the offeror and/or any company controlled by the offeror and/or persons associated, connected or acting in concert with the offeror) to acquire the whole or any part of the Ordinary Shares (an “**Offer**”) and the Company becomes aware that 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 Company has or will become vested in the offeror and/or any company controlled by the offeror and/or persons associated, connected or acting in concert with the offeror, the Company shall give notice of that fact in writing (in a form previously approved in writing by the Trustee) (a “**Change of Control Notice**”) to all CULS Holders within 14 days of its becoming so aware. The publication of a scheme of arrangement under the CA 2006 providing for the acquisition by any person of the whole or any part of the Ordinary Shares shall be deemed to be the making of an Offer.

3.12.2 If an offer, proposal, scheme or other arrangement which is on terms as to consideration which are, in the opinion of an Independent Financial Adviser, fair and reasonable (having regard to the terms of the Conversion Rights and the period during which they may be exercised and to the terms of such Offer and any other circumstances which may appear to such Independent Financial Adviser to be relevant) (a “**Comparable CULS Offer**”) has already been, or not later than 30 days after the date of such Change of Control Notice is, made or put to CULS Holders, then the Company shall forthwith thereafter give further notice in writing of that fact (in a form previously approved in writing by the Trustee) (a “**Comparable CULS Offer Notice**”) to all CULS Holders, and each CULS Holder may, by giving written notice to the Company (in a form previously approved in writing by the Trustee) within 30 days after service of a Comparable CULS Offer Notice require the Company to repay the whole or any part (being an integral multiple of £1 nominal) of their CULS at its nominal amount together with accrued interest up to (but excluding) the date specified in the Comparable CULS Offer Notice (which date shall be a date falling not less than eight weeks and not more than 10 weeks following the date of the Comparable CULS Offer Notice), in which event the Company shall be bound to repay such CULS together with accrued interest accordingly.

3.12.3 If no Comparable CULS Offer is made within 30 days after the date of a Change of Control Notice, the Company shall forthwith give notice in writing of that fact (in a form previously approved in writing by the Trustee) (a “**Default Notice**”) to all CULS Holders, and each CULS Holder shall have the right, by giving written notice to the Company (in a form previously approved in writing by the Trustee) within 30 days after service of such Default Notice:

- (i) to require the Company to repay the whole or any part (being an integral multiple of £1 nominal) of their CULS at its nominal amount together with accrued interest up to (but excluding) the date specified in the Default Notice (which date shall be a date falling not less than eight weeks and not more than 10 weeks following the date of the Default Notice), in which event the Company shall be bound to repay such CULS together with accrued interest accordingly; and/or

- (ii) to exercise their Conversion Rights in respect of the whole or any part (being an integral multiple of £1 nominal) of their CULS as they may specify (and so that for this purpose such 30-day period shall be deemed to be a Conversion Period, the last day thereof shall be deemed to be a Conversion Date and the provisions of paragraph 3.11 of this Part 3 shall apply accordingly) at the Conversion Rate applicable on such deemed Conversion Date.

3.13 *Conversion by Trustee*

Notwithstanding the provisions of paragraph 3.2 of this Part 3, the Trustee may, at its absolute discretion and without any responsibility for any loss occasioned thereby, at any time during the period of 10 days before the date of final redemption of the CULS (being the final maturity date of the CULS or such earlier date as all CULS then outstanding shall be due to be redeemed by the Company), exercise all Conversion Rights not exercised by CULS Holders on or before the Final Conversion Date at the Conversion Price applicable on the Final Conversion Date and sell for the benefit of the CULS Holders entitled thereto the Ordinary Shares allotted on such conversion, provided that the Trustee shall not exercise such Conversion Rights unless an Independent Financial Adviser (acting as an expert and not an arbitrator) shall have stated in writing that in its opinion the exercise of such Conversion Rights and prompt sale by the Trustee would be in the interests of the CULS Holders concerned as a body. The date of exercise of such Conversion Rights shall be deemed to be a Conversion Date, and the provisions of paragraph 3.11 of this Part 3 shall apply accordingly.

3.14 *Compulsory Conversion*

Following the first Conversion Date at which, taking into account all Conversion Rights exercised on or before that date, 80 per cent. or more in nominal amount of the CULS (which expression for the purpose of this paragraph 3.14 shall include the whole of the original nominal amount of the CULS issued and any Further CULS forming a single series therewith but exclude any of the CULS or such Further CULS purchased by the Company or any subsidiary of the Company and cancelled) shall have been converted or shall otherwise have ceased to be in issue, the Company shall be entitled within 30 days after that or any subsequent Conversion Date to give not less than 30 nor more than 60 days' notice in writing (in a form previously approved in writing by the Trustee) (a "**Compulsory Conversion Notice**") to all CULS Holders requiring them to convert, on the expiry date of such Compulsory Conversion Notice, the whole (but not part only) of the CULS then outstanding into Ordinary Shares at the Conversion Price applicable on such expiry date and in the event of such notice being given the holding of CULS of each CULS Holder shall, subject as provided in this paragraph 3.14, be automatically converted at such Conversion Price on such expiry date (and so that for this purpose such expiry date shall be deemed to be a Conversion Date and the provisions of paragraph 3.11 of this Part 3 shall apply accordingly), provided that each CULS Holder shall have the right, by giving written notice to the Company in accordance with this paragraph 3.14 within 30 days after the service of a Compulsory Conversion Notice, to require the Company, in lieu of converting, to repay the whole (or such part as they may in such notice specify) of their CULS at its nominal amount on the expiry date of the Compulsory Conversion Notice together with interest accrued up to (but excluding) such date, in which event the Company shall be bound to repay such CULS together with accrued interest accordingly. Within 30 days of the delivery of a Compulsory Conversion Notice, each CULS Holder not requiring repayment of the whole of their CULS must either deliver to the Registrars a completed and signed conversion notice(s) on their relevant CULS certificate(s) or lodge an Uncertificated Conversion Notice (as the case may be). No Compulsory Conversion Notice may be given by the Company if it would expire after the date for redemption of the CULS.

4. **Adjustments of the Conversion Price**

The Conversion Price shall from time to time be adjusted in accordance with the provisions of this paragraph 4.

4.1 *Consolidation, Sub-division or Reclassification of Ordinary Shares*

If and whenever there shall be an alteration on a date (or by reference to a record date) on or before the final maturity date of the CULS in the nominal amount of the Ordinary Shares as a result of a consolidation, sub-division or reclassification thereof, the Conversion Price shall be

adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

where:

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

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

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

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

4.2 *Capitalisation Issue*

If and whenever the Company shall allot to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (including any share premium account or capital redemption reserve) other than Ordinary Shares (in an amount equal to the amount of the cash dividend foregone) paid up out of distributable reserves and issued in lieu of a cash dividend on a date (or by reference to a date) on or before the final maturity date of the CULS, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

where:

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

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

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

4.3 *Other Adjusting Circumstances*

If and whenever on a date (or by reference to a record date) on or before the final maturity date of the CULS:

- (i) the Company shall issue Ordinary Shares to Shareholders as a class by way of rights, or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares;
- (ii) the Company shall issue any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire 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, purchase or otherwise acquire any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares);
- (iii) the Company shall issue (otherwise than as mentioned in sub-paragraph (i) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on exercise of Conversion Rights) or issue or grant (otherwise than as mentioned in sub-paragraph (i) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares (other than the CULS, which term for this purpose shall include any Further CULS);
- (iv) the Company or any subsidiary of the Company or (at the direction or request of, or pursuant to any arrangements with, the Company or any subsidiary of the Company) any other company, person or entity (otherwise than as mentioned in sub-paragraphs (i), (ii) or (iii) above) shall issue wholly for cash or for no consideration any securities (other than the CULS, which term for this purpose shall include any Further CULS) 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; or

- (v) there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities (other than the CULS, which term shall for this purpose include any Further CULS) other than in accordance with the terms (including terms as to adjustment) applicable to such securities on issue;

and, in each such case, the result of such event or circumstance (whether by reason of the terms of issue, the consideration received or payable on exercise of the relevant rights or otherwise) is or may be dilutive of the value of the Conversion Rights, then in order to protect the value of the Conversion Rights following such event or circumstance the Company shall promptly notify the Trustee in writing of the relevant event or circumstance and the Company shall, at its own expense, request an Independent Financial Adviser to determine in good faith 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 should take effect, and on such determination such adjustment (if any) to the Conversion Price shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this paragraph 4.3 if the Company makes such a request of an Independent Financial Adviser not more than 20 business days after the date on which the relevant event or circumstance occurs or arises.

4.4 *General*

- 4.4.1 For the avoidance of doubt, the issue of Ordinary Shares pursuant to the exercise of the Conversion Rights shall not result in an adjustment to the Conversion Price.
- 4.4.2 No adjustment will be made to the Conversion Price pursuant to this paragraph 4 (other than by reason of and to reflect a consolidation of Ordinary Shares as referred to in paragraph 4.1 of this Part 3) if it would result in an increase in the Conversion Price.
- 4.4.3 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 Company and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price shall be conclusive and binding on all concerned, save in the case of manifest error.
- 4.4.4 All adjustments to the Conversion Price shall be rounded upwards, if necessary, to four decimal places. The Company will forthwith notify the CULS Holders in writing (in a form previously approved in writing by the Trustee) of any adjustment to the Conversion Price pursuant to this paragraph 4.
- 4.4.5 The Trustee shall not be under any duty or obligation to monitor whether any event or circumstance has happened or exists pursuant to this paragraph 4 and it may assume until it has actual knowledge by way of express notice in writing from the Company to the contrary that no such event or circumstance has occurred and will not be responsible to any party for any loss arising from any failure by it to do so. The Trustee shall not at any time be under any duty or responsibility to any CULS Holder with respect to the nature or the extent of any adjustment to the Conversion Price when made, or with respect to the method employed in making the same.

5. **Undertakings**

- 5.1 While any Conversion Rights remain capable of exercise by any CULS Holder or the Trustee, save with the previous sanction of an extraordinary resolution of the CULS Holders within the meaning of the Trust Deed (an “**Extraordinary Resolution**”) or with the prior approval of the Trustee where, in the Trustee’s opinion, it is not materially prejudicial to the interests of the CULS Holders to give such approval, the Company shall use all reasonable endeavours:
 - (i) to procure that (a) the CULS and (b) the Ordinary Shares which are fully paid shall at all times remain admitted to the Official List and to trading on the Main Market; and
 - (ii) to ensure that during such time as the Ordinary Shares are admitted to the Official List and to trading on the Main Market and/or listed or quoted on any other stock exchange all the Ordinary Shares allotted on exercise of Conversion Rights will, on allotment, be admitted to the Official List and to trading on the Main Market and/or be listed or quoted on such other stock exchange.

- 5.2 While any Conversion Rights remain capable of exercise by any CULS Holder or the Trustee, subject as provided in paragraph 5.8 of this Part 3 and save with the sanction of an Extraordinary Resolution or with the approval of the Trustee where, in the Trustee's opinion, it is not materially prejudicial to the interests of the CULS Holders to give such approval, the Company shall not:
- (i) save as permitted by sub-paragraph (vi) below, distribute capital profits (whether realised or not) or capital reserves (including any share premium account or capital redemption reserve) or profits or reserves arising from a distribution of capital profits (whether realised or not) or capital reserves (including any share premium account or capital redemption reserve) by a subsidiary of the Company except by means of a capitalisation issue permitted under sub-paragraph (ii) below, and so that for the purposes of this sub-paragraph (i) and insofar as the relevant audited accounts do not distinguish between capital and revenue profits or reserves the Company and the Trustee shall be entitled to rely on a written estimate (whether or not addressed to the Trustee) by the Auditors (as defined in the Trust Deed) as to the extent (if any) to which any part of any profits or reserves should be regarded as capital profits or capital reserves;
 - (ii) capitalise any profits or reserves other than by way of a capitalisation issue made only to the Shareholders in the form of fully paid Ordinary Shares and (if so extended) in like proportions to the holders of any other class of equity share capital of the Company in the form of fully paid Ordinary Shares or shares of such other class of equity share capital or for the purposes of a scrip dividend where permitted under paragraph 4.2 of this Part 3 without adjustment to the Conversion Price;
 - (iii) make or permit any subsidiary of the Company to make any offer or invitation to Shareholders or allot any Ordinary Shares in pursuance of a capitalisation issue, in each case during, or by reference to a record date falling within, a Conversion Period or following a Conversion Period by reference to a record date prior to such Conversion Period;
 - (iv) save as permitted by sub-paragraphs (i), (ii) or (iii) above, create or permit to be in issue any equity share capital which as regards voting, dividends, other distributions or capital has more favourable rights than those attached to the Ordinary Shares;
 - (v) do any act or thing if, in consequence thereof, the nominal amount of Ordinary Shares into which £0.25 nominal of CULS would be convertible would exceed 25p;
 - (vi) subject to, and as permitted by, paragraph 5.8 of this Part 3, the Company shall not (except as authorised by section 663 of the CA 2006 or, in respect of redeemable shares and shares purchased by it, by sections 684, 706, 691 and 692 of the CA 2006) reduce its share capital or any uncalled or unpaid liability in respect thereof or (except as authorised by sections 610, 687 and 733 of the CA 2006) any amount for the time being standing to the credit of any share premium account or capital redemption reserve or purchase any of its own shares unless in any such case such adjustment (if any) is made to the Conversion Price as shall be determined by an Independent Financial Adviser to be appropriate, provided that the Company shall not be restricted by this sub-paragraph (vi) from reducing or cancelling share premium account or share capital where such reduction or cancellation does not involve a payment to Shareholders but instead results in the creation of a special reserve in the Company's balance sheet.
- 5.3 If the Company commences liquidation (whether voluntary or compulsory), it shall forthwith give notice in writing thereof (in a form previously approved in writing by the Trustee) to all CULS Holders, and thereupon each CULS Holder shall in respect of the whole or any part (being an integral multiple of £1 nominal) of their CULS be entitled within 4 weeks after the service of such notice to elect by notice in writing to the Company to be treated as if a Conversion Date had occurred on the day immediately preceding the date of such commencement and their Conversion Rights had been exercisable and had been exercised in full with effect on that date on the basis of conversion (including the Conversion Price) then applicable (after making any appropriate adjustment pursuant to paragraph 4 of this Part 3). In that event, subject as provided in this paragraph 5.3, each CULS Holder making such an election shall, in lieu of the payments which would otherwise be due in respect of their CULS deemed to have been converted as a result of such election, be entitled to participate in the assets available in the liquidation *pari passu* with the Shareholders (after giving effect to the rights of any other securities carrying rights to participate in the assets of the Company available on a liquidation) as if they were the holder of the Ordinary Shares (including any fraction of an Ordinary Share) to which they would have

become entitled had that CULS in respect of which they shall have made such election been converted by virtue of such exercise at such deemed Conversion Date. Notwithstanding the foregoing, a CULS Holder making such an election shall be entitled to receive and retain any payment in respect of the CULS in relation to which they shall have made such election which shall have become due on or prior to such immediately preceding day as though they had not made such election. For the purpose of determining the assets in which any CULS Holder making such an election shall be entitled to participate, the provisions of paragraph 3.11 of this Part 3 shall be deemed to apply as if such immediately preceding day were the Conversion Date, provided that if such CULS Holder shall receive any payment on the CULS in relation to which they shall have made such election in respect of interest falling due on the CULS on any day after such immediately preceding day up to and including the date of service of the aforesaid notice by the Company, they shall be entitled to retain such payment. If, at any time, the Company posts a notice to its Shareholders convening a meeting at which a resolution will be proposed to wind up the Company, it may at the same time give notice in writing to all CULS Holders (in a form previously approved in writing by the Trustee), in which event the period of four weeks referred to above shall commence on the date of such notice and a CULS Holder shall, in respect of the whole or any part (being an integral multiple of £1 nominal) of their CULS, be entitled to elect within that period by notice in writing to the Company that, if such resolution is passed, they should be treated as if a Conversion Date had occurred on the day immediately preceding the date on which such resolution is passed and their Conversion Rights had been exercisable and had been exercised in full with effect on that date on the same basis *mutatis mutandis* as is referred to above (and, for the avoidance of doubt, if the Company shall give notice to CULS Holders as referred to in this sentence, no further notice shall be given to CULS Holders under this paragraph 5.3 on commencement of the liquidation). Subject to this paragraph 5.3, the Conversion Rights shall lapse in the event of the liquidation of the Company.

- 5.4 If the CULS shall become immediately due and repayable in accordance with the provisions of the Trust Deed (for any reason other than the liquidation of the Company), the Company shall forthwith give notice thereof to all CULS Holders (in a form previously approved in writing by the Trustee), and thereupon each CULS Holder shall in respect of the whole or any part (being an integral multiple of £1 nominal) of their CULS be entitled within the period of six weeks after the service of such notice to exercise their Conversion Rights (such exercise to be with effect as on the day immediately preceding the date on which the CULS shall have become so due and repayable, which day shall be deemed to be a Conversion Date) on the basis of conversion (including the Conversion Price) then applicable (after making any appropriate adjustments pursuant to paragraph 4 of this Part 3) by completing and signing the conversion notice(s) on their relevant CULS certificate(s) and depositing the same at the office of the Registrars or lodging an Uncertificated Conversion Notice (as the case may be), in each case before the expiry of such period of six weeks.
- 5.5 The Company shall ensure that sufficient authorities to issue Ordinary Shares are obtained from holders of existing Ordinary Shares to satisfy in full all rights for the time being outstanding of conversion into, subscription for and other acquisition of, Ordinary Shares, including without limitation the rights conferred by the CULS.
- 5.6 The Company shall send to all CULS Holders a copy of every document sent by the Company to Shareholders at the time the same is sent to Shareholders and in addition the Company shall notify all CULS Holders via an RIS not more than eight weeks and not less than four weeks prior to each Conversion Date (other than the deemed Conversion Dates referred to in paragraphs 3.12, 3.13, 3.14, 5.3 and 6.3 of this Part 3) with a reminder (in a form previously agreed in writing by the Trustee) of the Conversion Rights then exercisable.
- 5.7 While any Conversion Rights remain capable of exercise by any CULS Holder or the Trustee, save with the sanction of an Extraordinary Resolution or with the approval of the Trustee where, in the Trustee's opinion, it is not materially prejudicial to the interests of the CULS Holders to give such approval, the Company shall procure that no compromise or arrangement (to which Part 26 of the CA 2006 applies) affecting the Ordinary Shares shall be proposed unless the CULS Holders shall be parties to the compromise or arrangement and unless the compromise or arrangement shall be subject to approval by the CULS Holders in the manner prescribed by section 899 of the CA 2006, provided that these provisions shall not apply:

- (i) if an offer, proposal, scheme or other arrangement which is, in the opinion of an Independent Financial Adviser, fair and reasonable (having regard to the terms of the Conversion Rights and the periods during which they may be exercised and to the terms of such compromise or arrangement and any other circumstances which may appear to such Independent Financial Adviser to be relevant) has already been, or not later than the date on which the document containing particulars of the compromise or arrangement shall first be issued to the parties thereto is, made or put to all CULS Holders
 - (ii) if the Trustee shall be of the opinion that implementation of such compromise or arrangement will not be prejudicial to the interests of the CULS Holders; or
 - (iii) to a scheme of arrangement to which paragraph 3.12 of this Part 3 applies.
- 5.8 Nothing in the Trust Deed shall restrict the Company from making purchases of its Ordinary Shares at a price per Ordinary Share at or below the NAV per Ordinary Share (as determined by the Directors on a date falling not more than 10 days before the date of purchase).

6. Purchase and Redemption

- 6.1 The Company or any subsidiary of the Company may at any time purchase CULS on the London Stock Exchange (if the CULS is then admitted to the Official List and to trading on the Main Market) or on any other recognised stock exchange on which the CULS is for the time being listed or quoted or by tender (available to all CULS Holders alike) or by private treaty. If the CULS is admitted to the Official List and to trading on the Main Market, and unless the purchase is by way of tender or partial offer made to all holders of CULS on the same terms, any purchase of CULS by the Company or any subsidiary of the Company shall be at a price (exclusive of all costs of purchase) which shall not exceed the aggregate of (i) 5 per cent. above the average of the middle market quotations for the CULS (as derived from the Stock Exchange Daily Official List) for the five consecutive dealing days immediately preceding the date on which the purchase is made and (ii) accrued interest (or at such other price as may be permitted by the Listing Rules). If the CULS is not admitted to the Official List and to trading on the Main Market, the price of any purchase of CULS by the Company or any subsidiary of the Company shall not exceed 110 per cent. of the nominal amount thereof.
- 6.2 All CULS not previously redeemed, purchased or converted in accordance with any of the foregoing provisions will be redeemed by the Company on 30 September 2018 at its nominal amount, together with interest accrued up to (but excluding) the date of final repayment of the CULS.
- 6.3 If the middle market price of an Ordinary Share (as derived from the Stock Exchange Daily Official List or any other record of daily prices approved in writing by the Trustee) for at least 20 dealing days (on the Main Market) during any period of 30 consecutive dealing days ending on or at any time after 30 September 2013 is at least 20 per cent. or more above the Conversion Price prevailing at the end of such period, the Company may, no later than 30 days after the end of such period, serve notice (in a form previously approved in writing by the Trustee) (a "**Redemption Notice**") on the CULS Holders pursuant to this paragraph 6.3 that all CULS not converted pursuant to this paragraph 6.3 is to be redeemed on the redemption date specified in the notice (which shall be a date falling not less than seven weeks nor more than 10 weeks following the Redemption Notice). Each CULS Holder shall be entitled within six weeks after the date of the Redemption Notice to exercise their Conversion Rights in respect of the whole of any part (being an integral multiple of £1 nominal) of their CULS as they may specify (and so that for this purpose such six-week period shall be deemed to be a Conversion Period, the last day thereof shall be deemed to be a Conversion Date and the provisions of paragraph 3.11 of this Part 3 shall apply accordingly) at the Conversion Price applicable on such deemed Conversion Date (after making any appropriate adjustments pursuant to paragraph 4 of this Part 3) by completing and signing the conversion notice(s) on the certificate(s) representing the CULS in respect of which they wish to exercise their Conversion Rights and delivering such certificate(s) together with a form or forms of nomination (if required) to the Registrars or lodging an Uncertificated Conversion Notice, in each case prior to the expiry of such six-week period. All, but not part only, of the CULS remaining unconverted after such entitlement has expired shall be redeemed by the Company at its nominal amount, together with interest accrued up to (but excluding) the date of redemption, on the redemption date specified in the Redemption Notice. For the purpose of this paragraph 6.3, a certificate signed by two Directors as to the middle market prices of an Ordinary Share

(determined as aforesaid) may be relied on by the Trustee as sufficient evidence thereof and, if so relied on, shall (in the absence of manifest error) be binding on all parties.

- 6.4 All CULS redeemed, purchased or converted in accordance with any of the provisions of this paragraph 6 shall be cancelled and shall not be resold or re-issued.
- 6.5 The Company may exercise its rights and powers of redemption and purchase as regards the CULS and any Further CULS at its sole discretion and without obligation to maintain the ratio between the nominal amounts for the time being outstanding of stock of any series.

7. Events of Default

On the occurrence of any of the following events the Trustee may at its discretion and, if requested in writing by CULS Holders holding at least one-quarter in nominal amount of the CULS then outstanding or directed by an Extraordinary Resolution, shall (subject in each case to being indemnified jointly and severally and/or secured and/or pre-funded by CULS Holders to its satisfaction) give written notice to the Company that the CULS is (and it shall thereupon forthwith become) immediately due and repayable at its nominal amount together with accrued interest as provided in the Trust Deed:

- (i) if the Company makes default for a period of 30 days or more in the payment on the due date of any interest in respect of the CULS or of any amount due for repayment in accordance with paragraph 3.12 of this Part 3;
- (ii) if an order is made or an effective resolution is passed for winding-up or dissolution of the Company or any subsidiary of the Company (except for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution);
- (iii) if:
 - (a) the Company or any subsidiary of the Company is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or by reason of actual or anticipated financial difficulties commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
 - (b) the value of the assets of the Company is less than its liabilities (taking into account contingent and prospective liabilities);
 - (c) a moratorium is declared in respect of any indebtedness of the Company or any subsidiary of the Company;
 - (d) if the Company or any subsidiary of the Company ceases or threatens to cease to carry on the whole or a substantial part of its business, which shall not include (1) a change in investment objective, policy, performance benchmark or manager, (2) a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution or (3) the winding-up of any subsidiary in accordance with that subsidiary's articles of association;
- (iv) if an encumbrancer takes possession or a receiver or administrator or administrative receiver is appointed of the Company or any subsidiary of the Company or of the whole or a substantial part of the assets or undertaking of the Company or any subsidiary of the Company or a distress or execution is levied or enforced on or sued out against the whole or a substantial part of the assets or property of the Company or any subsidiary of the Company and, in each case, is not discharged within 30 days of being levied, enforced or sued out;
- (v) if the Company breaches any of the provisions binding on it under or pursuant to the Trust Deed (other than any covenant for the payment of principal and interest in respect of the CULS) or if any event occurs or any action is taken or fails to be taken which is (or but for the provisions of any applicable law would be) a breach of any of the covenants contained in the Trust Deed and (except where in the opinion of the Trustee the same is not capable of remedy, when no such continuation or notice as is herein provided will be required) the same continues for more than 14 days after receipt by the Company of written notice from the Trustee requiring the same to be remedied; or
- (vi) if the Company, without the prior written consent of the Trustee or by an Extraordinary Resolution, alters the rights attached to all or any of its Ordinary Shares in issue from time to time or attaches any special rights, privileges or restrictions thereto, or creates or issues any new class of equity share capital other than the Ordinary Shares ranking *pari passu* in all respects (or in all respects

except as regards any restriction on their rights to receive dividends or other distributions or on their rights on a return of capital or on their rights to participate in any issue by way of capitalisation of profits or reserves or on their voting rights, which in all such cases make such rights less favourable than those attached to the Ordinary Shares) with the Ordinary Shares, and in each case (except where, in the opinion of the Trustee, such alteration, attachment, creation or issue is not capable of cancellation when no such continuation or notice as is herein provided shall be required) such alteration, attachment, creation or issue shall continue for more than 14 days after written notice requiring such alteration, attachment, creation or issue to be cancelled shall have been given to the Company by the Trustee, provided that nothing in this sub-paragraph (vi) shall restrict the right of the Company to consolidate or subdivide Ordinary Shares or convert Ordinary Shares into stock or vice versa and no such consolidation, subdivision or conversion shall give rise to any rights under this paragraph 7.

Provided that no such event set out in sub-paragraph (ii) above (in relation to any subsidiary of the Company only) or any of sub-paragraphs (iii) to (vi) above (both inclusive) shall constitute an event on the occurrence of which the CULS may become immediately due and repayable unless the Trustee shall have certified in writing that, in its opinion, such event is materially prejudicial to the interests of the CULS Holders.

8. Subordination

The rights and claims of the CULS Holders will, in the event of the winding-up or dissolution of the Company, be subordinated to the claims of creditors in respect of the Company's secured and unsecured borrowings such that, on such winding-up or dissolution, no payments (whether of principal or outstanding or accrued interest) will be made to the CULS Holders until payment in full has been made to all such creditors.

9. Denomination and Transfer

The CULS will be denominated, and will be registered and transferable without payment of any fee (excepting all transfer taxes), in integral multiples of £1 nominal. The Trust Deed will contain provisions enabling the CULS to be held and transferred in uncertificated form. The Trustee may, without any sanction of CULS Holders, concur with the Company in making modifications to the provisions of the Trust Deed in order to reflect changes in the CREST Regulations or in the applicable law and practice relating to the holding or transfer of CULS in uncertificated form and the issue of Ordinary Shares in uncertificated form on conversion of CULS.

10. Issues of Further Unsecured Loan Stock

Provision will be made in the Trust Deed to enable further unsecured loan stock of the Company to be issued either so as to be identical in all respects with and to form a single series with the CULS or on such terms, including rights as to interest, ranking (but not ranking ahead of the CULS), conversion, premium, repayment and otherwise as the Directors may determine. Such further unsecured loan stock shall, if identical and forming a single series with the CULS, and may in any other case with the consent of the Trustee, be constituted by a trust deed supplemental to the Trust Deed and shall accordingly, if so constituted, be Further CULS. However, no additional loan capital of the Company or any subsidiary of the Company shall be paid up in whole or in part by way of capitalisation of profits or reserves or be issued by way of collateral security.

11. Modification of Rights, Etc.

11.1 CULS Holders will have power by Extraordinary Resolution, *inter alia*, to sanction any modification, abrogation or compromise of or arrangement in respect of their rights against the Company and to assent to any modification of the provisions of the Trust Deed. In addition, the Trustee may from time to time without the consent or sanction of the CULS Holders (but only if and insofar as in the opinion of the Trustee the interests of the CULS Holders will not be materially prejudiced thereby), on such terms and subject to such conditions as it shall deem expedient, waive or authorise any breach or proposed breach by the Company of any of the covenants or provisions of the Trust Deed, determine that any act or omission which would or could constitute an event of default under the Trust Deed shall not do so, or agree to any modification of the provisions of the Trust Deed. The Trustee may also agree, without such consent or sanction, to any modification of the Trust Deed which is of a formal, technical or minor nature or to correct a manifest error or an error which is in the opinion of the Trustee proven. Provision will be made for

convening separate meetings of the holders of the CULS and each series of any Further CULS when the Trustee considers this appropriate.

11.2 In connection with the exercise by it of any of its trusts, powers, authorities and discretions under the Trust Deed (including without limitation any modification, waiver, authorisation or determination referred to in paragraph 11.1 of this Part 3), the Trustee shall have regard to the general interests of the CULS Holders as a class but shall not have regard to any interests arising from circumstances particular to individual CULS Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual CULS Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any CULS Holder be entitled to claim, from the Company, the Trustee or any other person, any indemnification or payment in respect of any tax consequences of any such exercise on individual CULS Holders.

12. Trustee's Indemnification and Consents

The Trust Deed will contain provisions for the indemnification and/or pre-funding of and/or provision of security to the Trustee and for its relief from responsibility in certain events. The Trust Deed will provide that when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled:

- (i) to evaluate its risk in any given circumstance by considering the worst-case scenario; and
- (ii) to require that any indemnity or security given to it by the CULS Holders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

Any consent given by the Trustee may be given on such terms and subject to such conditions (if any) as the Trustee may in its absolute discretion think fit and, notwithstanding anything to the contrary in this Part 3, may be given retrospectively.

13. Removal, Retirement and Replacement of Trustee

The Trust Deed will contain provisions for the removal of the Trustee by an Extraordinary Resolution and will permit the Trustee to retire at any time without assigning any reason. The Company will have the power to appoint a new Trustee but such new Trustee shall be subject to the approval of an Extraordinary Resolution.

14. Payments

14.1 *Method of Payment*

14.1.1 *CULS in Certificated Form*

Payment of the nominal amount of CULS on redemption and/or interest will be made by transfer to a sterling account (or other account to which sterling may be credited) maintained by the CULS Holder with a bank in the City of London as previously notified to the Registrar, or in the absence of a bank account by cheque posted to the registered address of the first-named holder on the CULS Register, and (in the case of redemption and/or interest payable on redemption) will be made against surrender of the relevant CULS certificate at the Registrars' Office.

14.1.2 *CULS in Uncertificated Form*

The Company shall pay or cause to be paid payments of nominal amount in respect of CULS held in uncertificated form by way of a CREST assured payment in accordance with the CREST Regulations.

Payments of interest in respect of CULS held in uncertificated form will be made by transfer to a sterling account (or other account to which sterling may be credited) maintained by the CULS Holder with a bank in the City of London where previously notified to the Registrar, or by cheque posted to the address of the first-named holder on the CULS Register relating to CULS held in uncertificated form.

14.2 *Payments subject to Fiscal Laws*

All payments in respect of the CULS are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment. No commissions or expenses shall be charged to CULS Holders in respect of such payments.

14.3 *Non-business Days*

Every cheque sent through the post shall be sent by first class post on or before the business day next preceding the due date of the relevant nominal and or interest payment unless such due date is not a business day, in which event it shall be sent on or before the second business day next preceding the due date of the relevant payment. Where payment is to be made by transfer to a sterling bank account, payment instructions (for value the due date or, if the due date is not a London business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of nominal amount and interest payable on redemption) on the later of the due date for payment and (in the case of CULS held in certificated form only) the day on which the relevant CULS certificate is surrendered at the Registrars' Office and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A holder of a CULS shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for payment not being a London business day.

14.4 *Record Date*

Each payment in respect of CULS will be made to the person shown as the CULS Holder in the CULS Register or in the case of joint holders to the person whose name stands first in the CULS Register at the opening of business in London on the fifteenth day before the due date for such payment.

14.5 *Fractions*

When making payments of nominal amount and/or interest to CULS Holders, the relevant payment will be rounded down to the nearest whole pence.

15. *Auditors*

The Trust Deed will provide that the Trustee may rely on certificates or reports provided by the Auditors or other experts in accordance with the provisions of the Trust Deed whether or not any such certificate or report shall be addressed to the Trustee and whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and/or the Auditors or such other experts in connection therewith contains any limit (whether monetary or otherwise) on the liability of the Auditors or such other expert.

16. *Governing Law*

The Trust Deed, and any non-contractual obligations arising out of or in connection with it, will be governed by, and construed in accordance with, English law. The Trust Deed will not contain any restriction on borrowings (including borrowings ranking ahead of the CULS), the disposal of assets or the creation of charges by, or changes in the nature of the business of, the Company or any subsidiary of the Company.

PART 4

TERMS AND CONDITIONS OF THE OPEN OFFER

1. Introduction

The Company is proposing to issue up to £40 million nominal of CULS through the Placing and Open Offer. The offer price for the CULS under the Placing and Open Offer is 100p per £1 nominal of CULS. The CULS will be issued credited as fully paid and will rank ahead of the Ordinary Shares on a winding-up of the Company at the date of issue.

Canaccord Genuity has agreed to use its reasonable endeavours to procure commitments for Firm Placed CULS under the Firm Placing and commitments for CULS placed subject to claw back to satisfy applications under the Open Offer (including the Excess Application Facility). At the date of this Prospectus, Canaccord Genuity has placed £40 million nominal of CULS (including all of the Firm Placed CULS) with institutional investors, private client fund managers and private client brokers (including certain existing Shareholders). Details of the Placing Agreement are set out in paragraph 7.1 of Part 8 of this Prospectus. The Issue has not been underwritten.

As the Company's investment policy only permits it to borrow up to an amount equal to 25 per cent. of Shareholders' funds (measured at the time of draw down), if £40 million nominal of CULS would exceed that amount at the Calculation Date, the Issue will be scaled back so that the nominal amount of CULS issued pursuant to the Issue does not exceed an amount equal to 25 per cent. (or, at the Board's discretion, 20 per cent.) of Shareholders' funds at the Calculation Date, with the Placing (after taking into account any claw back under the Open Offer) and the Open Offer being scaled back *pro rata*. Had the Calculation Date been 26 August 2011, £40 million nominal of CULS would have been equivalent to 18.0 per cent. of Shareholders' funds at that date.

The record date for Shareholders' entitlements under the Open Offer is 6.00 p.m. on Friday, 26 August 2011. This Prospectus and, for Qualifying non-CREST Shareholders, the Application Form contain the formal terms and conditions of the Open Offer. Qualifying Shareholders' attention is drawn to paragraph 3.1 (in relation to Ordinary Shares held in certificated form) and 3.2 (in relation to Ordinary Shares held in uncertificated form) of this Part 4 which gives details of the procedure for application and payment for the CULS and for any Excess CULS applied for pursuant to the Excess Application Facility.

Any Qualifying Shareholder who has sold or transferred all or part of their registered holding(s) of Ordinary Shares prior to 8.00 a.m. on Thursday, 1 September 2011 is advised to consult their stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for CULS under the Open Offer may be a benefit which may be claimed from them by the purchasers under the rules of the London Stock Exchange.

The CULS is not being made available in whole or in part to the public except under the terms of the Open Offer.

The Placing and Open Offer are each conditional, *inter alia*, upon:

- (i) the passing of the Resolution at the General Meeting;
- (ii) the Minimum Net Issue Proceeds being not less than £25 million (or such lower amount as the Company and Canaccord Genuity may agree in writing);
- (iii) the Placing Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms; and
- (iv) Admission becoming effective by no later than 8.00 a.m. on Monday, 26 September 2011 (or such later date as the Company, the Investment Manager and Canaccord Genuity may agree, not being later than Friday, 7 October 2011).

Accordingly, if these conditions are not satisfied, the Issue will not proceed and any applications made by Qualifying Shareholders pursuant to the Open Offer will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter.

The attention of Overseas Shareholders or any person (including, without limitation, a custodian, nominee or trustee) who has a contractual or other legal obligation to forward this Prospectus into a jurisdiction other than the UK is drawn to paragraph 5 of this Part 4. Subject to the provisions of

that paragraph, Qualifying Shareholders with a registered address in the United States or any other of the Excluded Jurisdictions are not being sent this Prospectus and will not be sent an Application Form.

2. The Open Offer

The Open Offer gives Qualifying Shareholders the opportunity to apply for, in aggregate:

15 million £1 nominal of CULS at the issue price of 100p per £1 nominal

pro rata as nearly as practicable to their current holdings and in accordance with the terms of the Open Offer set out in this Prospectus (and, where relevant, in the Application Form), including the right to scale back the size of the Issue so that the nominal amount of CULS issued pursuant to the Issue does not exceed an amount equal to 25 per cent. (or, at the Board's discretion, 20 per cent.) of Shareholders' funds at the Calculation Date.

Subject to the terms and conditions set out in this Prospectus (and, where relevant, in the Application Form), including the right to scale back the size of the Issue so that the nominal amount of CULS issued pursuant to the Issue does not exceed an amount equal to 25 per cent. (or, at the Board's discretion, 20 per cent.) of Shareholders' funds at the Calculation Date, Qualifying Shareholders are being given the opportunity to apply for such amount of CULS at the Issue Price (payable in full on application and free of all expenses) up to a maximum of their *pro rata* entitlement. This will be calculated on the basis of:

£0.22435897 nominal of CULS for each Ordinary Share

in each case registered in the name of each Qualifying Shareholder at the Record Date and so in proportion for any other number of Ordinary Shares then registered. Open Offer Entitlements will be rounded down to the nearest whole £1 nominal of CULS and any fractional entitlements will not be allocated but will be aggregated and sold for the benefit of the Company under the Excess Application Facility or, failing which, the Placing. **Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer, as will holdings under different designations and in different accounts.**

Applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Open Offer Entitlement, subject to the Company's right to scale back the size of the Issue so that the nominal amount of CULS issued pursuant to the Issue does not exceed an amount equal to 25 per cent. (or, at the Board's discretion, 20 per cent.) of Shareholders' funds at the Calculation Date. Qualifying Shareholders are also being given the opportunity, provided they take up their Open Offer Entitlement in full, to apply for Excess CULS through the Excess Application Facility. The maximum amount of CULS a Qualifying Shareholder will be able to apply for under the Open Offer and Excess Application Facility will be therefore 200 per cent. of their Open Offer Entitlement. To the extent that other Qualifying Shareholders do not take up their Open Offer Entitlements in full, the Excess Application Facility will apply.

If applications under the Excess Application Facility are received for more than the total nominal amount of CULS available under the Open Offer following take up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess CULS applied for by Qualifying Shareholders under the Excess Application Facility. For the avoidance of doubt, the maximum nominal amount of CULS available under the Open Offer, including under the Excess Application Facility, is £15 million or, if the size of the Issue is scaled back so that the nominal amount of CULS issued pursuant to the Issue does not exceed an amount equal to 25 per cent. (or, at the Board's discretion, 20 per cent.) of Shareholders' funds at the Calculation Date, the nominal amount of three-eighths of the CULS available under the reduced size of the Issue. Further details of the Excess Application Facility are set out in paragraphs 3.1.4 and 3.2.10 of this Part 4. If the size of the Issue is scaled back, individual Qualifying Shareholders' reduced entitlements will be calculated by scaling down the aggregate nominal amount of the CULS that they would otherwise have been entitled to pursuant to their respective applications under the Open Offer (including under the Excess Application Facility, if applicable) if the size of the Issue had been £40 million, with the resulting entitlements being rounded down to the nearest whole £1 nominal of CULS and any fractional entitlements will not be allocated but will be aggregated and sold for the benefit of the Company under the Placing.

The Application Form shows the number of Ordinary Shares registered in the relevant Qualifying non-CREST Shareholder's names at the Record Date (in Box 1) and the maximum nominal amount of CULS, for which they are entitled to apply pursuant to their Open Offer Entitlement (in Box 2).

Qualifying CREST Shareholders will have Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraph 3.2 of this Part 4 and also to the CREST Manual for further information on the relevant CREST procedures.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying non-CREST Shareholders should also note that the Application Form is not a negotiable document and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. CULS not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up CULS will have no rights under the Open Offer. Any Open Offer Entitlements which are not applied for in respect of the Open Offer (including the Excess Application Facility) will be issued to Placees subject to the terms and conditions of the Placing Agreement with the proceeds retained for the benefit of the Company.

3. Procedure for Application and Payment

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether, at the relevant time, they have an Application Form in respect of their entitlement under the Open Offer (including the Excess Application Facility) or they have an Open Offer Entitlement and Excess CREST Open Offer Entitlement credited to their CREST stock account in respect of such entitlement.

Qualifying Shareholders who hold their Ordinary Shares in certificated form will be allotted CULS in certificated form. Qualifying Shareholders who hold part of their Ordinary Shares in uncertificated form will be allotted CULS in uncertificated form to the extent that their entitlement to CULS arises as a result of holding Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 3.2.6 of this Part 4.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

3.1 Ordinary Shares Held in Certificated Form

If Qualifying Shareholders have an Application Form in respect of their entitlement under the Open Offer:

3.1.1 General

Subject as provided in paragraph 5 of this Part 4 in relation to Overseas Shareholders, Qualifying non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Ordinary Shares registered in their name at the Record Date in Box 1. It also shows the maximum nominal amount of CULS (set out in Box 2) for which they are entitled to apply under the Open Offer. Box 3 shows how much they would need to pay if they wish to take up their Open Offer Entitlement in full. Qualifying non-CREST Shareholders may apply for less than their maximum entitlement should they wish to do so. Qualifying non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

Under the Excess Application Facility, provided they have agreed to take up their Open Offer Entitlement in full, Qualifying non-CREST Shareholders may apply for more than the amount of their Open Offer Entitlement should they wish to do so. The maximum nominal amount of CULS for which each Qualifying non-CREST Shareholder is entitled to apply under the Excess Application Facility is set out in Box 4 of their Application Form. Please refer to paragraph 3.1.4 of this Part 4 for further details of the Excess Application Facility.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer to Qualifying non-CREST Shareholders.

3.1.2 *Market Claims*

Applications to acquire CULS may only be made on the Application Form and may only be made by the Qualifying non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Ordinary Shares through the market prior to the date upon which the Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on Friday, 16 September 2011. The Application Form is not a negotiable document and cannot be separately traded.

A Qualifying non-CREST Shareholder who has sold or otherwise transferred all or part of their holding of Ordinary Shares prior to the date upon which the Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer should consult their broker or other professional adviser as soon as possible, as the invitation to acquire CULS under the Open Offer may be a benefit which may be claimed by the transferee.

Qualifying non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 5 on page 4 of the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however be forwarded to or transmitted in or into the United States or any of the Excluded Jurisdictions.

If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 3.2 of this Part 4.

3.1.3 *Application Procedures for Qualifying Non-CREST Shareholders*

Qualifying non-CREST Shareholders wishing to apply to acquire all or any of the CULS (whether in respect of all or part of their Open Offer Entitlement or in addition to their Open Offer Entitlement under the Excess Application Facility) should complete the Application Form in accordance with the instructions printed on it.

Completed Application Forms should be returned to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, (who will be acting as receiving agent in relation to the Open Offer) so as to be received by Equiniti by no later than 11.00 a.m. on Tuesday, 20 September 2011, after which time the Application Forms will not be valid. Within the United Kingdom, Qualifying non-CREST Shareholders can use the pre-paid envelope accompanying the Application Form. If Application Forms are posted by first-class post in the UK or using the reply-paid envelope included with the Application Form, at least four business days should be allowed for delivery. Application Forms delivered by hand will not be checked upon delivery and no receipt will be provided. Qualifying non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged.

Cheques should be drawn on a personal account in respect of which the Qualifying non-CREST Shareholder has sole or joint title to the funds and should be made payable to “Equiniti Limited re: City Natural Resources High Yield Trust plc open offer a/c” and crossed “A/C Payee Only”. Payments must be made in sterling and the account name on the cheque must be the same as that shown on the Application Form. If this is not practicable and a Qualifying non-CREST Shareholder wishes to pay by building society cheque or banker’s draft, they must:

- (i) write the name, address and date of birth of the person named on the Application Form (or one of such persons) on the back of the building society cheque or banker’s draft; and
- (ii) ask the building society or bank (as the case may be) to endorse the name and account number of the person whose building society or bank account is being debited on the cheque or banker’s draft.

Third party cheques (other than building society cheques or banker’s drafts where the building society or bank has confirmed that the relevant Qualifying non-CREST

Shareholder has title to the underlying funds) may not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques and banker's draft will be presented for payment on receipt and it is a term of the Open Offer that cheques and banker's drafts will be honoured on first presentation. The Company may elect to treat as valid or invalid any applications made by Qualifying non-CREST Shareholders in respect of which cheques or banker's drafts are not so honoured. If cheques or banker's drafts are presented for payment before all of the conditions of the Placing and Open Offer are fulfilled, the application monies will be kept in a separate non-interest bearing bank account. If the Placing and Open Offer does not become unconditional no CULS will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Placing and Open Offer.

The Company may in its sole discretion, but shall not be obliged to, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept any application for CULS if either:

- (a) the Application Form together with cheques or other remittances for the full amount payable are received through the post after 11.00 a.m. on Tuesday, 20 September 2011 but not later than 11.00 a.m. on the next following business day (the cover bearing a legible postmark not later than 5.00 p.m. on the business day prior to Tuesday, 20 September 2011); or
- (b) the required remittance is received prior to 11.00 a.m. on Tuesday, 20 September 2011 from an authorised person (as defined in FSMA) specifying the nominal amount of CULS concerned and undertaking to lodge the relevant Application Form as soon as practicable and in any event within two business days following Tuesday, 20 September 2011.

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

3.1.4 *The Excess Application Facility*

Provided Qualifying non-CREST Shareholders choose to take up their Open Offer Entitlement in full, or in respect of pooled accounts, the Open Offer Entitlements of an underlying beneficial holder in full, the Excess Application Facility enables a Qualifying non-CREST Shareholder to apply for Excess CULS up to a maximum amount equal to 100 per cent. of their Open Offer Entitlement. For the avoidance of doubt, the maximum nominal amount of CULS available under the Open Offer (including the Excess Application Facility) is £15 million or, if the size of the Issue is scaled back so that the nominal amount of CULS issued pursuant to the Issue does not exceed an amount equal to 25 per cent. (or, at the Board's discretion, 20 per cent.) of Shareholders' funds at the Calculation Date, the nominal amount of three-eighths of the CULS available under the reduced size of the Issue.

To the extent that other Qualifying Shareholders do not take up their Open Offer Entitlements in full and the CULS is not subscribed pursuant to the Placing, the Excess Application Facility will apply. If applications under the Excess Application Facility are received for more than the total nominal amount of CULS available following take up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess CULS applied for by Qualifying Shareholders under the Excess Application Facility.

Qualifying non-CREST Shareholders who wish to apply for CULS in excess of their Open Offer Entitlement must complete the Application Form in accordance with the instructions set out on the Application Form.

Should the Open Offer become unconditional and applications for CULS exceed £15 million nominal (or, if the size of the Issue is scaled back so that the nominal amount of CULS issued pursuant to the Issue does not exceed an amount equal to 25 per cent. (or, at the Board's discretion, 20 per cent.) of Shareholders' funds at the Calculation Date,

the nominal amount of three-eighths of the CULS available under the reduced size of the Issue) of CULS, resulting in a scale back of applications under the Excess Application Facility, each Qualifying non-CREST Shareholder who has made a valid application for Excess CULS under the Excess Application Facility, and from whom payment in full for Excess CULS has been received, will receive a pounds sterling amount equal to the nominal amount of CULS applied and paid for, but not allocated to, the relevant Qualifying non-CREST Shareholder, multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk, save that any sums of less than £5 will be retained for the benefit of the Company.

3.1.5 *Incorrect Sums*

If an Application Form encloses a payment for an incorrect sum, the Company through its Receiving Agent reserves the right:

- (i) to reject the application in full and return the cheque or banker's draft or refund the payment to the Qualifying non-CREST Shareholder in question;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser nominal amount of CULS (rounded down to the nearest pound) as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the Qualifying non-CREST Shareholder in question, save that any sums of less than £5 will be retained for the benefit of the Company; or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all of the CULS referred to in the Application Form, refunding any unutilised sums to the Qualifying non-CREST Shareholder in question, save that any sums of less than £5 will be retained for the benefit of the Company.

3.1.6 *Effect of Application*

By completing and delivering an Application Form the applicant:

- (i) represents and warrants to the Company and Canaccord Genuity that they have the right, power and authority and has taken all action necessary to make the application under the Open Offer and to execute, deliver and exercise their rights and perform their obligations under any contracts resulting therefrom and that they are not a person otherwise prevented by legal or regulatory restrictions from applying for such CULS as they are or are otherwise treated as applying for or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with the Company and Canaccord Genuity that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iii) confirms to the Company and Canaccord Genuity that in making the application they are not relying on any information or representation relating to the Company other than that contained in (or incorporated by reference in) this document, and the applicant accordingly agrees that no person responsible solely or jointly for this Prospectus or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this Prospectus, they will be deemed to have had notice of all information in relation to the Company contained in this Prospectus (including information incorporated by reference);
- (iv) confirms to the Company and Canaccord Genuity that no person has been authorised to give any information or to make any representation concerning the Company or the CULS (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company or Canaccord Genuity;
- (v) represents and warrants to the Company and Canaccord Genuity that they are the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that they received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vi) represents and warrants to the Company and Canaccord Genuity that if they have received some or all of their Open Offer Entitlements from a person other than the

Company they are entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;

- (vii) requests that the CULS to which they will become entitled be issued to them on the terms set out in this Prospectus and the Application Form, subject to the Trust Deed;
- (viii) represents and warrants to the Company and Canaccord Genuity that they are not, nor are they applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction in which the application for CULS is prevented by law and they are not applying with a view to re-offering, re-selling, transferring or delivering any of the CULS which is the subject of their application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction in which the application for CULS is prevented by law (except where proof satisfactory to the Company has been provided to the Company that they are able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for CULS under the Open Offer;
- (ix) represents and warrants to the Company and Canaccord Genuity that they are not, and nor are they applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and
- (x) confirms that in making the application, they are not relying and has not relied on Canaccord Genuity or any person affiliated with Canaccord Genuity in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision.

All enquiries in connection with the procedure for application and completion of the Application Form should be addressed to the Receiving Agent on telephone number 0871 384 2965, or if calling from overseas +44 121 415 0214. Calls to 0871 384 2965 are charged at 8p per minute (excluding VAT) from a BT landline, other telephone provider costs may vary. Please note the Receiving Agent cannot provide financial advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements or apply for Excess CULS under the Excess Application Facility.

3.2 **Ordinary Shares Held in Uncertificated Form**

If Qualifying Shareholders have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to their stock account in CREST in respect of their entitlement under the Open Offer:

3.2.1 **General**

Subject as provided in paragraph 5 of this Part 4 in relation to Overseas Shareholders, each Qualifying CREST Shareholder will receive credits to their stock account in CREST of their Open Offer Entitlements equal to the maximum nominal amount of CULS for which they are entitled to apply under the Open Offer and also an Excess CREST Open Offer Entitlement equal to the maximum number of Excess CULS for which they are entitled to apply. Please refer to paragraph 3.2.10 of this Part 4 for further details of the Excess Application Facility.

The CREST stock account to be credited will be an account under the Participant ID and Member Account ID that apply to the Ordinary Shares held at the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and Excess CREST Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements and/or Excess CREST Open Offer Entitlements cannot be admitted to CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited, by 5.00 p.m. on Thursday, 1 September 2011, or such later time and/or date as the Company may decide, an Application Form will be sent to

each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements and Excess CREST Open Offer Entitlements which should have been credited to their stock account in CREST. In these circumstances the expected timetable as set out in this Prospectus will be adjusted as appropriate and the provisions of this Prospectus applied to Qualifying non-CREST Shareholders with Application Forms.

Qualifying CREST Shareholders who wish to apply to acquire some or all of their entitlements to CULS and their Excess CREST Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. If advice is required with regard to these procedures, please contact the Receiving Agent on telephone number 0871 384 2965, or if calling from overseas +44 121 415 0214. Calls to 0871 384 2965 are charged at 8p per minute (excluding VAT) from a BT landline, other telephone provider costs may vary. Please note the Receiving Agent cannot provide financial advice on the merits of the Open Offer or as to whether applicants should take up their Open Offer Entitlements and Excess CREST Open Offer Entitlements. CREST sponsored members should consult their CREST sponsor if they wish to apply for CULS as only CREST sponsors will be able to take the necessary action to make this application in CREST.

3.2.2 *Market Claims*

The Open Offer Entitlements and the Excess CREST Open Offer Entitlements in respect of the CULS will constitute separate securities for the purposes of CREST. Although Open Offer Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and the Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and the Excess CREST Open Offer Entitlements will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly.

3.2.3 *USE Instructions*

Qualifying CREST Shareholders who want to apply for CULS in respect of all or some of their Open Offer Entitlements and their Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event (“USE”) instruction to the Receiving Agent which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the Participant ID and Member Account ID specified below, with a number of Open Offer Entitlements or Excess CREST Open Offer Entitlements corresponding to the nominal amount of CULS applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the nominal amount of CULS referred to in sub-paragraph (i) above.

In order to assist prompt settlement of the USE Instruction, Qualifying CREST Shareholders (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

- (a) a contact name and telephone number (in the free format shared note field); and
- (b) a priority of at least 80.

Qualifying CREST Shareholders and, in the case of CREST sponsored members, their CREST sponsors; should note that the last time at which a USE Instruction may settle on Tuesday, 20 September 2011 in order to be valid is 11.00 a.m. on that day.

In the event that the Placing and Open Offer do not become unconditional by 8.00 a.m. on Monday, 26 September 2011 or such later time and date as the Company and Canaccord Genuity agree (being no later than 8.00 a.m. on Friday, 7 October 2011), the Placing and Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and

the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

3.2.4 *Content of USE Instruction in respect of Open Offer Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the nominal amount of CULS for which application is being made (and hence the number of the Open Offer Entitlements) being delivered to the Receiving Agent;
- (ii) the relevant ISIN of the Open Offer Entitlements – this is GB00B6YWS329 for Open Offer Entitlements in respect of CULS;
- (iii) the Participant ID of the accepting Qualifying CREST Shareholder;
- (iv) the Member Account ID of the accepting Qualifying CREST Shareholder from which the Open Offer Entitlements are to be debited;
- (v) the Participant ID of the Receiving Agent in its capacity as a CREST receiving agent – this is 6RA47;
- (vi) the Member Account ID of the Receiving Agent in its capacity as a CREST receiving agent – this is RA072001;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction – this must be the full amount payable on application for the nominal amount of CULS referred to in sub-paragraph (i) above;
- (viii) the intended settlement date – this must be on or before 11.00 a.m. on Tuesday, 20 September 2011; and
- (ix) the corporate action number for the Open Offer – this will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on Tuesday, 20 September 2011.

3.2.5 *Contents of USE Instruction in respect of Excess CREST Open Offer Entitlements*

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the nominal amount of CULS for which application is being made (and hence the number of the Excess CREST Open Offer Entitlement(s) being delivered to the Receiving Agent);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement – this is GB00B6YWS543 for Excess CREST Open Offer Entitlements;
- (iii) the Participant ID of the accepting Qualifying CREST member;
- (iv) the Member Account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the Participant ID of the Receiving Agent in its capacity as a CREST receiving agent – this is 6RA48;
- (vi) the Member Account ID of the Receiving Agent in its capacity as a CREST receiving agent – this is RA072002;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction – this must be the full amount payable on application for the nominal amount of CULS referred to in sub-paragraph (i) above;
- (viii) the intended settlement date – this must be on or before 11.00 a.m. on Tuesday, 20 September 2011; and
- (ix) the Corporate Action Number for the Open Offer – this will be available by viewing the relevant corporate action details in CREST.

In order for an application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on Tuesday, 20 September 2011.

3.2.6 *Deposit of Open Offer Entitlements into, and Withdrawal from, CREST*

A Qualifying non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in their Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer and entitlement to apply under the Excess Application Facility is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements and entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on Tuesday, 20 September 2011. After depositing their Open Offer Entitlement into their CREST account, CREST holders will shortly thereafter receive a credit for their Excess CREST Open Offer Entitlement, which will be managed by the Registrar. In particular, having regard to normal processing times in CREST and on the part of the Receiving Agent, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as an Open Offer Entitlement and an Excess CREST Open Offer Entitlement in CREST, is 3.00 p.m. on Thursday, 15 September 2011 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of an Open Offer Entitlement or an Excess CREST Open Offer Entitlement from CREST is 4.30 p.m. on Wednesday, 14 September 2011 in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlement and entitlement to apply under the Excess Application Facility following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlement and entitlement to apply under the Excess Application Facility and an Excess CREST Open Offer Entitlement prior to 11.00 a.m. on Tuesday, 20 September 2011. CREST holders inputting the withdrawal of their Open Offer Entitlement from their CREST account must ensure that they withdraw both their Open Offer Entitlement and their Excess CREST Open Offer Entitlement.

Delivery of an Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Receiving Agent by the relevant CREST member(s) that they are not in breach of the provisions of the notes on page 3 of the Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that they are not citizen(s) or residents of any jurisdiction in which the application for CULS is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST members are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

3.2.7 *Validity of Application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on Tuesday, 20 September 2011 will constitute a valid application under the Open Offer.

3.2.8 *CREST Procedures and Timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer.

It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that their CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on Tuesday, 20 September 2011. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

3.2.9 *Incorrect or Incomplete Applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question without any interest (with interest, if any, retained for the benefit of the Company);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser nominal amount of CULS (rounded down to the nearest pound) as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question, save that sums of less than £5 will be retained for the benefit of the Company; or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the CULS referred to in the USE instruction, refunding any unutilised sum to the CREST member in question without any interest, save that sums of less than £5 will be retained for the benefit of the Company.

3.2.10 *The Excess Application Facility*

Provided Qualifying CREST Shareholders choose to take up their Open Offer Entitlement in full, or in respect of pooled accounts, the Open Offer Entitlements of an underlying beneficial holder in full, the Excess Application Facility enables Qualifying CREST Shareholders to apply for Excess CULS up to a maximum amount equal to 100 per cent. of their Open Offer Entitlement. For the avoidance of doubt, the maximum nominal amount of CULS available under the Open Offer (including the Excess Application Facility) is £15 million or, if the size of the Issue is scaled back so that the nominal amount of CULS issued pursuant to the Issue does not exceed an amount equal to 25 per cent. (or, at the Board's discretion, 20 per cent.) of Shareholders' funds at the Calculation Date, the nominal amount of three-eighths of the CULS available under the reduced size of the Issue.

To the extent that other Qualifying Shareholders do not take up their Open Offer Entitlements in full the Excess Application Facility will apply. The total nominal amount of CULS available under the Open Offer will not be increased in response to any excess applications under the Excess Application Facility. If applications under the Excess Application Facility are received for more than the total nominal amount of CULS available following take up of Open Offer Entitlements such applications will be scaled back *pro rata* to the number of Excess CULS applied for by Qualifying Shareholders under the Excess Application Facility.

An Excess CREST Open Offer Entitlement may not be sold or otherwise transferred. Subject as provided in paragraph 5 of this Part 4 in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess CREST Open Offer Entitlement in order for any applications for Excess CULS to be settled through CREST. The credit of such Excess CREST Open Offer Entitlement does not in any way give Qualifying CREST Shareholders a right to the CULS attributable to the Excess CREST Open Offer Entitlement as an Excess CREST Open Offer Entitlement is subject to scaling back in accordance with the terms of this Prospectus.

To apply for Excess CULS pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement and the relevant Open Offer Entitlement(s) be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Open Offer Entitlement(s) claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of their Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST, and allocated to the relevant Qualifying Shareholder, will be transferred to the purchaser. Please note that an additional USE Instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement.

Should the Open Offer become unconditional and applications for CULS by Qualifying Shareholders under the Open Offer exceed £15 million nominal (or, if the size of the Issue is scaled back so that the nominal amount of CULS issued pursuant to the Issue does not exceed an amount equal to 25 per cent. (or, at the Board’s discretion, 20 per cent.) of Shareholders’ funds at the Calculation Date, the nominal amount of three-eighths of the CULS available under the reduced size of the Issue) of CULS resulting in a scale back of applications under the Excess Application Facility, each Qualifying CREST Shareholder who has made a valid application for Excess CULS under the Excess Application Facility, and from whom payment in full for the Excess CULS has been received, will receive a pounds sterling amount equal to the nominal amount of CULS validly applied and paid for but which are not allocated to the relevant Qualifying CREST Shareholder multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest, and at the applicant’s sole risk, save that any sums of less than £5 will be retained for the benefit of the Company.

3.2.11 *Effect of Valid Application*

A Qualifying CREST Shareholder who makes or is treated as making a valid application in accordance with the above procedures thereby:

- (i) represents and warrants to the Company and Canaccord Genuity that they have the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise their rights and perform their obligations under any contracts resulting therefrom and that they are not a person otherwise prevented by legal or regulatory restrictions from applying for such CULS as they are or are otherwise treated as applying for or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees with Canaccord Genuity that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iv) confirms to the Company and Canaccord Genuity that in making the application they are not relying on any information or representation in relation to the Company other than that contained in (or incorporated by reference in) this Prospectus, and the applicant accordingly agrees that no person responsible solely or jointly for this Prospectus or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further have had notice of all the information in relation to the Company contained in this Prospectus (including information incorporated by reference);
- (v) confirms to the Company and Canaccord Genuity that no person has been authorised to give any information or to make any representation concerning the Company or the CULS (other than as contained in this Prospectus) and, if given or

made, any such other information or representation should not be relied upon as having been authorised by the Company or Canaccord Genuity;

- (vi) represents and warrants to the Company and Canaccord Genuity that they are the Qualifying Shareholder originally entitled to the Open Offer Entitlements and Excess CREST Open Offer Entitlements or that they have received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vii) represents and warrants to the Company and Canaccord Genuity that if they have received some or all of their Open Offer Entitlements and Excess CREST Open Offer Entitlements from a person other than the Company, they have entitled to apply under the Open Offer in relation to such Open Offer Entitlement by virtue of a *bona fide* market claim;
- (viii) requests that the CULS to which they will become entitled be issued to them on the terms set out in this Prospectus, subject to the Trust Deed;
- (ix) represents and warrants to the Company and Canaccord Genuity that they are not, nor are they applying on behalf of a person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of any jurisdiction in which the application for CULS is prevented by law and they are not applying with a view to re-offering, re-selling, transferring or delivering any of the CULS which are the subject of their application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws, of any jurisdiction in which the application for CULS is prevented by law (except where proof satisfactory to the Company has been provided to the Company that they are able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for CULS under the Open Offer;
- (x) represents and warrants to the Company and Canaccord Genuity that they are not, and nor are they applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and
- (xi) confirms to the Company and Canaccord Genuity that in making the application they are not relying and has not relied on Canaccord Genuity or any person affiliated with Canaccord Genuity in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision.

3.2.12 *Company's Discretion as to the Rejection and Validity of Applications*

Each of the Company and Canaccord Genuity may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part 4;
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this paragraph 3.2.12, the "first instruction") as not constituting a valid application if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction (these matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction); and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for

settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for CULS by means of the above procedures (in normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST, or any part of CREST, or on the part of the facilities and/or systems operated by the Registrar in connection with CREST).

3.2.13 *Lapse of the Open Offer*

In the event that the Placing and Open Offer do not become unconditional by 8.00 a.m. on Monday, 26 September 2011 or such later time and date as the Company and Canaccord Genuity may agree (not being later than 8.00 a.m. on Friday, 7 October 2011), the Placing and Open Offer will lapse, the Open Offer Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter.

4. Money Laundering Regulations

4.1 *Holders of Application Forms*

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the “verification of identity requirements”). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent’s stamp should be inserted on the Application Form.

The person lodging the Application Form with payment and in accordance with the other terms as described above (the “**acceptor**”), including any person who appears to the Receiving Agent to be acting on behalf of some other person, accepts the Open Offer in respect of such nominal amount of CULS referred to therein (for the purposes of this paragraph 4.1 the “**relevant CULS**”) and shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements.

If the Receiving Agent determines that the verification of identity requirements apply to any acceptor or application, the relevant CULS (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of certificates in respect of CULS taken up or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor’s risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence. Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company and Canaccord Genuity from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing);
- (ii) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (iii) if the applicant (not being an applicant who delivers their application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- (iv) if the aggregate subscription price for the CULS is less than €15,000 (or its pounds sterling equivalent).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (a) if payment is made by cheque or banker's draft in sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques, should be made payable to "Equiniti Limited re: City Natural Resources High Yield Trust plc open offer a/c" in respect of an application by a Qualifying Shareholder, and crossed "A/C Payee Only". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect. The account name should be the same as that shown on the Application Form; or
- (b) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in sub-paragraph (a) above or which is subject to antimoney laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Application Form written confirmation that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent. If the agent is not such an organisation, it should contact the Receiving Agent at the address set out on page 15 of this Prospectus.

To confirm the acceptability of any written assurance referred to in sub-paragraph (b) above, or in any other case, the acceptor should contact the Receiving Agent. The telephone number of the Receiving Agent is 0871 384 2965 from within the UK or +44 121 415 0214 if calling from outside the UK between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (except UK public holidays). Calls to 0871 384 2965 cost 8p per minute (excluding VAT) from a BT landline, other telephone provider costs may vary. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

If the Application Form has in respect of CULS an aggregate subscription price of €15,000 (or its pounds sterling equivalent) or more and is lodged by hand by the acceptor in person, or if the Application Form is lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, they should ensure that they have with them evidence of identity bearing their photograph (for example, their passport) and separate evidence of their address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on Tuesday, 20 September 2011, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Receiving Agent may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

4.2 *Open Offer Entitlements in CREST*

If Qualifying Shareholders hold their Open Offer Entitlements and Excess CREST Open Offer Entitlements in CREST and apply for CULS in respect of all or some of their Open Offer Entitlements and Excess CREST Open Offer Entitlements as agent for one or more persons and are not a UK or European Union-regulated person or institution (for example, a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf the application is made. The Receiving Agent should be contacted before any USE instruction or other instruction is sent so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the CULS concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the CULS represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

5. *Overseas Shareholders*

This Prospectus has been approved by the FSA, being the competent authority in the United Kingdom.

The making of the Open Offer to persons who are resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodian trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom may be restricted by the laws or regulatory requirements of the relevant jurisdictions. Such Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement to enable them to take up the CULS under the Open Offer.

Receipt of this Prospectus and/or the Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST will not constitute an invitation to subscribe for CULS in those jurisdictions in which it would be illegal to make such an invitation or any related offer and/or acceptance and, in those circumstances, this Prospectus and/or the Application Form will be sent for information only and should not be copied or redistributed. No person receiving a copy of this Prospectus and/or the Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to them, or use the Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to them and such Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements.

Accordingly, persons receiving a copy of this Prospectus and/or the Application Form or a credit of Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Open Offer Entitlements or Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this Prospectus and/or the Application Form and/or a credit of Open Offer Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by their agent or nominee in any such territory, that person must not seek to apply for CULS. Any person who does forward this Prospectus and/or the Application Form and/or transfers Open Offer Entitlements or Excess CREST Open Offer Entitlements into any such territories (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 5.

Any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to apply for CULS must satisfy themselves as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents,

observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 5 are intended as a general guide only and any Shareholder who is in any doubt as to their position should consult their appropriately authorised professional adviser without delay.

The Company reserves the right to treat as invalid any application or purported application for CULS which appears to the Company or its agents to have been executed, effected or dispatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if the Company believes or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of certificates for CULS, or in the case of a credit of an Open Offer Entitlement or an Excess CREST Open Offer Entitlement to a stock account in CREST, to a CREST member whose registered address would be, in any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates or CULS.

Shareholders in jurisdictions outside the United Kingdom may, subject to the laws of their relevant jurisdiction, take up CULS in accordance with the instructions set out in this Prospectus and the Application Form. Such Qualifying Shareholders who have registered addresses in, or who are resident in, or who are citizens of, countries other than the United Kingdom should, however, consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their CULS.

Notwithstanding any other provision of this Prospectus or the Application Form, the Company reserves the right to permit any Shareholder to apply for CULS if the Company, in its sole and absolute discretion, is satisfied at any time prior to 11.00 a.m. on Tuesday, 20 September 2011 that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

If Qualifying Shareholders are in any doubt as to their eligibility to take up CULS, they should contact an appropriate professional adviser immediately.

5.1 *United States*

The Open Offer Entitlements, the CULS, the Application Form and the CULS have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into the United States except in reliance on an exemption from the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States unless an exemption from the registration requirements of the US Securities Act is available and, subject to certain exceptions, none of this Prospectus, the Application Form or the crediting of Open Offer Entitlements nor Excess CREST Open Offer Entitlements to a stock account in CREST will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any CULS in the United States. Subject to certain exceptions, neither this Prospectus nor the Application Form will be sent to, and no Open Offer Entitlements or Excess CREST Open Offer Entitlements will be credited to, a stock account in CREST with a bank or financial institution of any person with a registered address in the United States. Subject to certain exceptions, an Application Form sent from, or post-marked in, the United States will be deemed to be invalid and all persons acquiring CULS and wishing to hold such CULS in registered form must provide an address for registration of the CULS issued outside the United States.

Subject to certain exceptions, any person who acquires CULS will be deemed to have declared, warranted and agreed, by accepting delivery of this Prospectus or the Application Form or by applying for CULS in respect of Open Offer Entitlements or Excess CREST Open Offer Entitlements credited to a stock account in CREST or of Euroclear, or by accepting delivery of the CULS, that they are not, and that at the time of acquiring the CULS, they will not be, in the United States or applying for CULS on behalf of, or for the account or benefit of, persons in the United States on a non-discretionary basis. The Company reserves the right to treat as invalid any Application Form that appears to the Company or its agents to have been executed in or despatched from the United States, or that provides an address in the United States for the registration of the CULS, or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements. The Company will not be bound to issue any CULS to any person or to any person who is acting on behalf of, or for the account or benefit of, any person on a non-discretionary basis with an address in, or who is otherwise located in,

the United States. In addition, the Company reserves the right to reject any USE instruction sent by or on behalf of any CREST member that does not make the above warranty or is applying for the CULS on behalf of, or for the account or benefit of, a person in the United States.

Notwithstanding the foregoing, CULS may be made available under the Placing and Open Offer to Qualifying Shareholders that are, or who are acting on behalf of, or for the account or benefit of, qualified institutional buyers in reliance on an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Such Shareholders will be required to execute an investor representation letter confirming, among other things, their status as a “qualified institutional buyer” (as such term is defined under Rule 144A under the Securities Act), and their ability to rely on an exemption from the registration requirements of the US Securities Act in connection with their participation in the Placing and Open Offer. CULS may also be made available, in the sole discretion of the Company, to other Qualifying Shareholders who may be offered the CULS pursuant to an available exemption from the registration requirements of the Securities Act.

5.2 *Other Excluded Jurisdictions*

Due to restrictions under the securities laws of the Excluded Jurisdictions and subject to certain exemptions, Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any of the Excluded Jurisdictions will not be able to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Open Offer Entitlements nor Excess CREST Open Offer Entitlements.

The CULS has not been and will not be registered under the relevant laws of any of the Excluded Jurisdictions or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any of the Excluded Jurisdictions or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any of the Excluded Jurisdictions except pursuant to an applicable exemption.

No offer of CULS is being made by virtue of this Prospectus or the Application Form into any of the Excluded Jurisdictions.

5.3 *Other Overseas Territories*

Application Forms will be sent to Qualifying non-CREST Shareholders and Open Offer Entitlements and Excess CREST Open Offer Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or the other Excluded Jurisdictions may, subject to the laws of their relevant jurisdiction, take up CULS under the Open Offer in accordance with the instructions set out in this Prospectus and the Application Form. Such Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the UK should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any CULS.

5.4 *Representations and Warranties Relating to Overseas Shareholders*

5.4.1 *Qualifying Non-CREST Shareholders*

Any person completing and returning an Application Form requesting registration of the CULS comprised therein represents and warrants to the Company and/or the Receiving Agent that, except where proof has been provided to the Company’s satisfaction that such person’s use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction:

- (i) such person is not requesting registration of the CULS from within the United States;
- (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire CULS in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it;
- (iii) such person is not acting on a non-discretionary basis for a person located within any Excluded Jurisdiction or any territory referred to in sub-paragraph (ii) above at the time the instruction to accept was given; and

- (iv) such person is not acquiring CULS with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such CULS into any of the above territories – the Company and/or the Receiving Agent may treat as invalid any acceptance or purported acceptance of the allotment of CULS comprised in an Application Form if it:
 - (a) appears to the Company or its agents to have been executed, effected or dispatched in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements;
 - (b) provides an address for delivery of the certificates for CULS (or in any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates);
 - (c) purports to exclude the representation and warranty required by this paragraph 5.4.1.

5.4.2 *Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part 4 represents and warrants to the Company that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction:

- (i) neither it nor its client is in any territory in which it is unlawful to make or accept an offer to acquire CULS;
- (ii) it is not accepting on a non-discretionary basis for a person located within any territory referred to in sub-paragraph (i) above at the time the instruction to accept was given; and
- (iii) neither it nor its client is acquiring any CULS with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such CULS into any of the above territories.

5.5 *Waiver*

The provisions of this paragraph 5 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company, in its absolute discretion. Subject to this, the provisions of this paragraph 5 supersede any terms of the Open Offer inconsistent herewith.

References in this paragraph 5 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 5 shall apply to them jointly and to each of them.

6. *Withdrawal Rights*

Qualifying Shareholders wishing to exercise or direct the exercise of statutory withdrawal rights pursuant to section 87Q(4) of FSMA after the issue by the Company of a prospectus supplementing this Prospectus must do so by lodging a written notice of withdrawal (which shall include a notice sent by any form of electronic communication) by post with the Receiving Agent, Equiniti Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. The withdrawal notice must be sent not later than two business days after the date on which the supplementary prospectus is published. The withdrawal notice must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the Participant ID and the Member Account ID of such CREST member. Notice of withdrawal which is deposited with the Receiving Agent after the expiry of such period will not constitute a valid withdrawal.

Following the valid exercise of statutory withdrawal rights, application monies will be returned by post to relevant Qualifying non-CREST Shareholders at their own risk and without interest and/or Equiniti will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as applicable within 14 days of such exercise of statutory withdrawal rights. Interest earned on such monies will be retained for the benefit of the Company. The provisions of this paragraph 6 are

without prejudice to the statutory rights of Qualifying Shareholders. In such event Qualifying Shareholders are advised to seek independent legal advice.

7. Admission, Settlement and Dealings

The result of the Placing and Open Offer is expected to be announced through an RIS on Wednesday, 21 September 2011 and the CULS, including details of any scaling back of applications under the Excess Application Facility or of the Issue as a whole, will be issued with effect from the date of Admission.

Applications will be made to the UKLA for the CULS issued pursuant to the Issue to be admitted to the standard debt segment of the Official List and to the London Stock Exchange for the CULS to be admitted to trading on the Main Market. It is expected that Admission will become effective and that dealings in the CULS, fully paid, will commence at 8.00 a.m. on Monday, 26 September 2011. There will be no dealings prior to Admission and post Admission dealings in CULS in advance of the issue of certificates or the crediting of the relevant CREST accounts will be at the risk of the persons concerned.

The Ordinary Shares are already admitted to CREST and application will be made for admission to CREST of the CULS. All such securities, when issued and fully paid, may be held and transferred by means of CREST.

For Qualifying non-CREST Shareholders who have applied by using an Application Form, certificates in respect of the CULS validly applied for, and any Excess CULS successfully applied for, under the Excess Application Facility, are expected to be dispatched by post by Monday, 3 October 2011. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the Register. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk.

Open Offer Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on Tuesday, 20 September 2011 (the latest date for applications under the Open Offer). Following Admission, CULS will be issued in uncertificated form to those persons who submitted a valid application for CULS by utilising the CREST application procedures and whose applications have been accepted by the Company. On Monday, 26 September 2011, the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to CULS. The stock accounts to be credited will be accounts under the same Participant IDs and Member Account IDs in respect of which the USE Instruction was given. Notwithstanding any other provision of this Prospectus, the Company reserves the right to allot and/or issue any CULS in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

All monies received by the Receiving Agent in respect of CULS will be held by the Receiving Agent in a non-interest bearing account. If any of the conditions of the Issue are not satisfied, the Placing and Open Offer will not proceed and any applications made by Qualifying Shareholders pursuant to the Open Offer will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter.

8. Times and Dates

The Company shall, in its discretion and after consultation with its financial and legal advisers and with the prior written consent of Canaccord Genuity, be entitled to amend the dates that Application Forms are dispatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this Prospectus and in such circumstances shall notify the UKLA, and make an announcement through an RIS and, if appropriate, by Shareholders but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is issued by the Company two or fewer business days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this Prospectus, the latest date for acceptance under the Open Offer shall be extended to the date that is three business days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

9. Taxation

Certain statements regarding United Kingdom taxation in respect of the CULS and the Open Offer are set out in Part 7 of this Prospectus. Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the United Kingdom, should immediately consult a suitable professional adviser.

10. Further Information

Qualifying Shareholders' attention is drawn to the further information set out in this Prospectus and also, in the case of Qualifying non-CREST Shareholders, to the terms, conditions and other information printed on the accompanying Application Form.

11. Governing Law and Jurisdiction

The terms and conditions of the Open Offer as set out in this Prospectus, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England and Wales. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this Prospectus or the Application Form including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this Prospectus or the Application Form. By taking up CULS whether by way of their Open Offer Entitlement or through the Excess Application Facility (as applicable) in accordance with the instructions set out in this Prospectus and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART 5

DETAILS OF THE COMPANY'S PORTFOLIO

1. Introduction

The information in this Part 5 is based on the unaudited valuation of the Company's assets as at the close of business on 26 August 2011.

2. Overview of the Company's Portfolio

As at 26 August 2011, the Company's portfolio comprised more than 180 investments with an aggregate value of £241.2 million. The following tables analyse the composition of the Company's portfolio as at 26 August 2011 by asset class, sector and stockmarket listing.

<i>Asset Class</i>	<i>% of Portfolio</i>
Equities	75.7
Corporate Bonds	9.5
Convertibles	7.1
Preference Shares	4.3
Warrants/Subscription Shares	3.4
Total	<u>100.0</u>

<i>Sector</i>	<i>% of Portfolio</i>
Gold	29.8
Oil & Gas	14.2
Uranium	13.1
Palm Oil	7.0
Rare Earth	6.6
Silver	5.7
Other Investments - Mining	5.1
Copper	5.0
Finance	4.4
Other Investments - Alternative Energy/Other	4.2
Iron Ore	3.6
Rubber	0.7
Nickel	0.3
Platinum	0.3
Total	<u>100.0</u>

<i>Stockmarket Listing</i>	<i>% of Portfolio</i>
Australia	38.9
Canada	29.5
United Kingdom	20.4
United States	8.0
Europe	2.3
Norway	0.5
South Africa	0.3
Papua New Guinea	0.1
Total	<u>100.0</u>

3. Largest Investments

As at the close of business on 26 August 2011, the Company's 31 largest investments by value, which together represented more than 50 per cent. of the unaudited net assets of the Company, were as set out in the following table.

<i>Investee Company</i>	<i>Sector</i>	<i>Stockmarket Listing</i>	<i>Market Value</i> £	<i>% of Portfolio</i>
Extract Resources	Uranium	Australia	10,256,278	4.2
Kalahari Minerals ¹	Uranium	UK	10,102,000	4.2
Ausgold ²	Gold	Australia	8,651,069	3.6
REA Holdings ³	Palm Oil	UK	7,202,960	3.0
New Britain Palm Oil	Palm Oil	UK & Papua New Guinea	7,032,179	2.9
Neo Material Technologies ⁴	Rare Earth	US & Canada	5,710,108	2.4
Rockgate Capital ⁵	Uranium	Canada	4,646,886	1.9
Perseus Mining	Gold	Australia	4,478,048	1.9
Great Western Minerals ⁶	Rare Earth	Canada	4,259,253	1.7
Silver Wheaton	Silver	Canada	4,220,376	1.7
Coalspur Mines	Other Investments - Mining	Australia	3,745,984	1.5
Detour Gold ⁷	Gold	Canada	3,416,857	1.4
Silver Lake Resources	Silver	Australia	3,283,902	1.4
Extorre Gold Mines	Gold	Canada	3,135,324	1.3
Kingsrose Mining	Gold	Australia	3,089,204	1.3
Equatorial Resources	Iron Ore	Australia	2,945,203	1.2
Sandfire Resources	Copper	Australia	2,799,753	1.2
Newstrike Capital	Gold	Canada	2,786,262	1.2
Fortuna Silver Mines	Silver	Canada	2,608,614	1.1
Polar Star Mining	Copper	Canada	2,602,962	1.1
Rockridge Capital ⁸	Other Investments - Alternative Energy/	Canada	2,593,032	1.1
Newcrest Mining	Gold	Australia	2,434,728	1.0
Goldcorp	Gold	Canada	2,381,880	1.0
Skipton Building Society ⁹	Finance	UK	2,361,750	1.0
Gryphon Minerals	Gold	Australia	2,341,565	1.0
Advance Energy 9.5% Convertible 04/01/15	Oil & Gas	Australia	2,291,592	1.0
Antares Energy 10% Convertible 31/10/13	Oil & Gas	Australia	2,208,973	0.9
New Gold ¹⁰	Gold	Canada	2,206,923	0.9
Intrepid Mines	Gold	Australia	2,132,596	0.9
Ferrous Resources*	Iron Ore	US	2,046,099	0.8
DDI Holding 9.3% 19/01/12	Oil & Gas	US	2,029,232	0.8
Total				50.6

Notes:

¹ Includes Kalahari Minerals 10% convertible 31/08/11 valued at £1,750,000**.

² Includes warrants valued at £4,886,913.

³ Includes REA Holdings 9% cumulative preference shares valued at £4,424,686 and REA Finance 9.5% 2017 valued at £510,000.

⁴ Includes Neo Material Technologies 5% convertible 2017 valued at £1,217,182.

⁵ Includes warrants valued at £nil.

⁶ Includes warrants valued at £1,594,539.

⁷ Includes Detour Gold 5.5% convertible 2013 valued at £728,769.

⁸ Includes warrants valued at nil.

⁹ Includes Skipton 10% 12/12/18 valued at £1,461,750 and Skipton 6.75% 30/05/22 valued at £900,000.

¹⁰ Includes warrants valued at £309,834 and New Gold 10% 28/06/17 valued at £661,036.

* Denotes an unquoted security.

** Denotes an unquoted security that is convertible into a listed security.

PART 6

FINANCIAL INFORMATION

1. Introduction

- 1.1 The Company's auditors are KPMG Audit plc, of 20 Castle Terrace, Edinburgh EH1 2EG, which is a Registered Auditor and a member of the Institute of Chartered Accountants in England and Wales.
- 1.2 The audited financial statements and unaudited interim reports of the Company are prepared in accordance with UK GAAP and the AIC's Statement of Recommended Practice for the financial statements of investment trust companies (the "AIC SORP"). Accordingly, in order to provide further useful information with respect to the activities of the Company and in accordance with the AIC SORP, the Company shows a revenue and capital column in its income statement.
- 1.3 Save for the historical information of the Company for the three financial years ended 30 June 2010 set out, or incorporated by reference, in paragraph 2 of this Part 6, none of the information in this Prospectus has been audited. Unless otherwise indicated, all unaudited financial information relating to the Company contained in this Prospectus has been sourced, without material adjustment, from the internal accounting records of the Company which are maintained by the Administrator on the Company's behalf on a basis consistent with the Company's accounting policies.
- 1.4 The financial information set out in this Part 6 does not constitute statutory accounts (as defined in section 434(3) of the CA 2006) of the Company.

2. Published Annual Reports and Accounts for the Three Financial Years Ended 30 June 2010

2.1 Introduction

Unless otherwise indicated, the historical information of the Company for the three financial years ended 30 June 2010 set out, or incorporated by reference, in this paragraph 2 was audited by KPMG Audit plc. In respect of the Company's audited financial statements for those years, KPMG Audit plc gave unqualified opinions that such financial statements:

- (i) gave a true and fair view, in accordance with UK GAAP, of the state of the Company's affairs as at 30 June in 2008, 2009 or 2010 (as appropriate) and of its profit or loss respectively for the financial years then ended; and
- (ii) had been properly prepared in accordance with the CA 1985 (in the case of the financial year ended 30 June 2008) and the CA 2006 (in the case of each of the financial years ended 30 June 2009 and 30 June 2010).

2.2 Historical Financial Information Incorporated by Reference into this Document

The list in the table below is intended to enable investors to identify easily specific items of historical financial information relating to the Company that are incorporated by reference into this Prospectus. The page numbers in the table below refer to the relevant pages of the relevant annual report and accounts.

<i>Nature of Information</i>	<i>Annual Report and Accounts for Year Ended 30 June</i>		
	<i>2008 Page No(s)</i>	<i>2009 Page No(s)</i>	<i>2010 Page No(s)</i>
Income statement	23	23	23
Balance sheet	24	24	24
Reconciliation of movements in Shareholders' funds	24	23	23
Cash flow statement	25	25	25
Notes to the financial statements (including accounting policies)	26-38	26-39	26-40
Independent auditors' report	21-22	21-22	21-22

2.3 Selected Financial Information

Set out in the table below is a summary of the Company's financial results for the three financial years ended 30 June 2010, which (save for the information under the sub-heading "General" in the table below, which is unaudited and has been sourced, without material adjustment, from the Company's internal accounting records) has been extracted without material adjustment from the audited financial statements of the Company for those financial years.

<i>Capital</i>	<i>As at 30 June</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
Investments at fair value (£'000)	170,166	114,447	160,293
Current assets (£'000)	4,745	6,316	5,471
Current liabilities (£'000)	(29,780)	(13,447)	(14,655)
Net current liabilities (£'000)	(25,035)	(7,131)	(9,184)
Net assets	145,131	107,316	151,109
NAV per Ordinary Share (<i>p</i>)			
Basic	230.79	170.55	226.02
Fully diluted	222.11	165.52	226.02
Number of Ordinary Shares in issue	62,885,643	62,924,229	66,857,143
	<i>Year Ended 30 June</i>		
<i>Revenue</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
Income (£'000)	3,864	4,539	5,060
VAT refund on management fees (£'000)	-	41	-
Total expenses charged to revenue	(806)	(807)	(854)
Net return before finance costs and taxation (£'000)	3,058	3,773	4,206
Net return before taxation (£'000)	2,548	3,515	4,145
Net return attributable to Shareholders (£'000)	1,948	2,601	3,188
Transfer to revenue reserve (£'000)	376	934	1,075
Earnings per Ordinary Share (<i>p</i>)			
Basic	3.10	4.13	4.88
Fully diluted	2.92	4.07	4.88
Dividends per Ordinary Share (<i>p</i>)			
Recognised in period	2.50	2.65	3.28
Paid in respect of period	2.65	3.07	3.71
Weighted average number of Ordinary Shares in issue	62,881,845	62,909,535	65,391,728
	<i>As at 30 June</i>		
<i>General</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
Dividend yield ¹ (%)	1.4%	2.3%	2.0%
Gearing ^{1,2}	120.6	112.5	109.7
Total expense ratio ¹ (as % of average Shareholders' funds)	1.5%	1.3%	1.5%

Notes: ¹This information is unaudited. ²Gearing = (total assets less other payables) / Shareholders' funds (100 = nil).

2.4 Operating and Financial Review Incorporated by Reference into this Document

The published annual reports and accounts of the Company for the three financial years ended 30 June 2010 included descriptions of the Company's financial condition (in both capital and revenue terms), changes in its financial condition and details of the Company's portfolio of investments for each of those years and the list in the table below is intended to enable investors to identify easily those specific items of information regarding such matters which are incorporated by reference into this Prospectus. The page numbers in the following table refer to the relevant pages of the relevant annual report and accounts.

<i>Section</i>	<i>Annual Report and Accounts for Year Ended 30 June</i>		
	<i>2008 Page No(s)</i>	<i>2009 Page No(s)</i>	<i>2010 Page No(s)</i>
Financial highlights	1	1	1
Performance summary	2	2	2
Classification of investments	7	7	7
Investment portfolio	8-9	8-9	8-9
Chairman's statement	4-5	4-5	4-5
Investment Manager's review	6	6	6
Directors' report (including business review)	10-18	10-18	10-18
Directors' remuneration report	19-20	19-20	19-20

Investors should note that statements regarding current circumstances and forward-looking statements made in the annual reports and accounts referred to in the table above speak as at the date of the relevant annual report and accounts and, therefore, such statements do not necessarily remain up-to-date as at the date of this Prospectus. Information included in this Prospectus, to the extent applicable, automatically updates and supersedes information included in the annual reports and accounts referred to in the table above and incorporated by reference into this Prospectus.

2.5 Availability of Annual Reports and Accounts for Inspection

Copies of the published annual reports and accounts of the Company for the three financial years ended 30 June 2010 (as filed with the UK Listing Authority) are available for inspection at the address set out in paragraph 10 of Part 8 of this Prospectus.

3. Published Unaudited Interim Report for the Six Months Ended 31 December 2010

3.1 Introduction

The Company published an unaudited interim report for the six months ended 31 December 2010, which included comparative financial information for the six months ended 31 December 2009 and for the year ended 30 June 2010.

3.2 Historical Financial Information Incorporated by Reference into this Document

The list in the table below is intended to enable investors to identify easily specific items of historical financial information relating to the Company that are incorporated by reference into this Prospectus. The page numbers in the table below refer to the relevant pages of the unaudited interim report.

<i>Nature of Information</i>	<i>Interim Report for Six Months Ended 31 December 2010</i>
	<i>Page No(s)</i>
Income statement	6
Balance sheet	7
Reconciliation of movements in Shareholders' funds	7
Condensed cash flow statement	8
Notes to the accounts	11-12

3.3 Selected Financial Information

Set out in the table below is a summary of the Company's interim results for the six months ended 31 December 2010, which has been extracted without material adjustment from the unaudited interim report of the Company for that period.

	<i>As at</i> 30 June 2010	<i>As at</i> 31 December 2010
<i>Capital</i>		
Investments at fair value (£'000)	160,293	281,767
Current assets (£'000)	5,471	2,017
Current liabilities (£'000)	(14,655)	(20,078)
Net current liabilities (£'000)	(9,184)	(18,061)
Net assets	151,109	263,706
NAV per Ordinary Share (p)	226.02	394.43
Number of Ordinary Shares in issue	66,857,143	66,857,143
	<i>Six Months Ended 31 December</i>	
<i>Revenue</i>		
	<i>2009</i>	<i>2010</i>
Income (£'000)	2,506	2,868
Total expenses charged to revenue	(360)	(548)
Net return before finance costs and taxation (£'000)	2,146	2,320
Net return before taxation (£'000)	2,110	2,279
Net return attributable to Shareholders (£'000)	1,619	1,871
Earnings per Ordinary Share (p)	2.53	2.80
Dividends per Ordinary Share paid in respect of period (p)		
Recognised in the period	2.04	2.54
Paid in respect of the period	1.24	1.38
Weighted average number of Ordinary Shares in issue	63,934,322	66,857,143

3.4 *Operating and Financial Review Incorporated by Reference into this Document*

The published interim report of the Company for the six months ended 31 December 2010 included descriptions of the Company's financial condition (in both capital and revenue terms), changes in its financial condition and details of the Company's portfolio of investments for that period and the list in the table below is intended to enable investors to identify easily those specific items of information regarding such matters which are incorporated by reference into this Prospectus. The page numbers in the table below refer to the relevant pages of the interim report.

<i>Section</i>	<i>Interim Report for Six Months</i> <i>Ended 31 December 2010</i>	
	<i>Page No(s)</i>	
Financial highlights	2	
Investment portfolio	9-10	
Classification of investments	12-13	
Chairman's statement	3-4	
Investment Manager's review	5	

Investors should note that statements regarding current circumstances and forward-looking statements made in the interim report referred to in the table above speak as at the date of the interim report and, therefore, such statements do not necessarily remain up-to-date as at the date of this Prospectus. Information included in this Prospectus, to the extent applicable, automatically updates and supersedes information included in the interim report referred to in the table above and incorporated by reference into this Prospectus.

3.5 *Availability of Unaudited Interim Report for Inspection*

A copy of the published unaudited interim report of the Company for the six months ended 31 December 2010 (as filed with the UK Listing Authority) is available for inspection at the addresses set out in paragraph 10 of Part 8 of this Prospectus.

4. Related Party Transactions

Save for the following, the Company did not enter into any related party transactions at any time during the three financial years ended 30 June 2010, the interim financial period of six months ended 31 December 2010 or the period from 1 January 2011 to 26 August 2011:

- (i) on 7 March 2008, Adrian Collins was appointed as a non-executive director of Midas Capital plc (now MAM Funds plc), the parent company of Intelli Corporate Finance Limited which provided financial advisory and corporate broking services to the Company for an annual fee of £25,000 (Midas Capital plc sold Intelli Corporate Finance Limited on 1 October 2009);
- (ii) Richard Prickett is a non-executive director of Patagonia Gold plc:
 - (a) during its financial year ended 30 June 2009, the Company invested in Patagonia Gold plc and, as at 30 June 2009, the Company held 2,150,000 shares in Patagonia Gold plc valued at £290,000;
 - (b) during its financial year ended 30 June 2010, the Company increased its investment in Patagonia Gold plc and, as at 30 June 2010, the Company held 3,712,500 shares in Patagonia Gold plc valued at £501,188; and
 - (c) during the period from 1 January 2011 to 26 August 2011, the Company sold 512,500 shares in Patagonia Gold plc and, as at 26 August 2011, the Company held 3,200,000 shares in Patagonia Gold plc valued at £1,784,000;
- (iii) on 5 March 2010, Richard Lockwood, a then employee of the Investment Manager, was appointed as a non-executive director of Kalahari Minerals plc, a company in which the Company was an investor and, as at 30 June 2010, the Company held 3,600,000 ordinary shares in Kalahari Minerals plc valued at £5,436,000 and 1,750,000 10 per cent. convertible bond 2011 valued at £1,750,000 (as at 26 August 2011, the Company's investment in Kalahari Minerals plc had an aggregate value of £10,102,000); and
- (iv) during its interim financial period of six months ended 31 December 2010, the Company invested in Geiger Counter Limited, Golden Prospect Precious Metals Limited and New City Energy Limited, all investment companies also managed by the Investment Manager (as at 31 December 2010, these investments had an aggregate value of £3,467,724) and, during the period from 1 January 2011 to 26 August 2011, the Company sold its entire holding in Geiger Counter Limited and sold 73,000 shares in Golden Prospect Precious Metals Limited (as at 26 August 2011, the Company's remaining investments in Golden Prospect Precious Metals Limited and New City Energy Limited had an aggregate value of £2,568,123).

5. Significant Change

- 5.1 The unaudited NAV (including income) per Ordinary Share as at 26 August 2011 was 331.52p, compared to 394.43p as at 31 December 2010, a decrease of 16.0 per cent. The NAV total return of -15.1 per cent. compares with the total return from the Company's benchmark index of -15.5 per cent. over the same period. Save in respect of the change in NAV, there has been no significant change in the financial or trading position of the Company since 31 December 2010 (being the end of the last financial period of the Company for which interim financial information has been published).
- 5.2 The unaudited NAV (including income) per Ordinary Share as at 26 August 2011 was 331.52p, compared to 226.02p as at 30 June 2010 (an increase of 46.7 per cent.). The NAV total return of 49.6 per cent. compares with the total return from the Company's benchmark index of 14.0 per cent. over the same period. Save in respect of the change in NAV, there has been no material adverse change in the prospects of the Company since 30 June 2010 (being the end of the last financial period of the Company for which audited financial statements have been published).
- 5.3 The Issue will constitute a significant gross change in relation to the Company for the purpose of the Prospectus Rules. Approximately £18 million (or such other amount as shall have been drawn down under the Bank Facility as at Admission, subject to a maximum of £30 million) of the Net Issue Proceeds will be used to repay borrowings under the Bank Facility and the balance will be invested in accordance with the Company's investment policy set out under the sub-heading "Investment Policy" in Part 2 of this Prospectus. If Admission had occurred on 26 August 2011 and the Company's borrowings under the existing Bank Facility had also been repaid on that date, based on the minimum and maximum Net Issue Proceeds, the Issue would have increased the Company's gross assets by between £2.6 million and £17.6 million respectively. The

Company will derive earnings from investment of the Net Issue Proceeds in the same manner as earnings are derived from its current invested assets that are in accordance with its investment policy.

6. Annual Operating Expenses

In addition to investment management, administration and secretarial fees (details of which are set out under the headings “Investment Management” and “Administration” in Part 2 of this Prospectus), the Company pays all other fees and expenses incurred in the operation of its business, including, without limitation:

- (i) brokerage and other transaction charges;
- (ii) fees and expenses for corporate broking, custodial, registrar, legal, audit, tax and other professional services;
- (iii) the fees and out-of-pocket expenses of the Directors and the cost of Directors’ insurance;
- (iv) the ongoing costs of maintaining the listing of the Ordinary Shares (and, in due course, the CULS);
- (v) any borrowing costs, including interest and the Trustee’s fees;
- (vi) promotional and marketing expenses (including membership of any industry bodies and marketing initiatives approved by the Board); and
- (vii) costs of printing the Company’s financial reports and posting them to Shareholders.

The annualised total expense ratio of the Company (including management fees) for the year ended 30 June 2010 was 1.5 per cent. of the average Shareholders’ funds over that year.

7. Expense Accounting

The costs of the Issue will be charged to capital through the statement of changes in equity in the Company’s financial statements. The Company’s investment management, administration and secretarial fees, any finance costs and all other expenses are charged through the income statement in its financial statements and are allocated to the revenue and capital columns in that statement on the following basis:

- 75 per cent. of the investment management fees and any finance costs are allocated to the capital column and the balance to the revenue column; and
- all other operational costs are allocated solely to the revenue column.

8. NAV Calculations

8.1 The unaudited NAV per Ordinary Share is calculated as at the close of business on each Wednesday and Friday (or if any such day is not a business, then the next business day) by the Administrator and announced through an RIS on each Friday and Tuesday respectively (or if any such day is not a business day, then the next business day). Such unaudited NAV is calculated on the same basis as the calculation of the NAV per Ordinary Share for the purpose of the Company’s published financial statements.

8.2 For the purpose of the NAV calculations, investments are valued at fair value on the following basis:

- (i) listed securities are valued at their bid price or last traded price, depending on the convention of the exchange on which the investment is listed, and adjusted for accrued income where it is reflected in the market price;
- (ii) investments which are not listed or where trading in the securities of an investee company is suspended are valued at the Board’s best estimate of fair value;
- (iii) unlisted investments are valued by the Directors on the basis of all the information available to them at the time of valuation (this includes a review of the financial and trading information of the company, covenant compliance, ability to pay the interest due and cash held and, in the case of convertible bonds, also includes consideration of their discounted cash flows and underlying equity value based on the information provided by the Investment Manager);
- (iv) cash and bank deposits are valued by reference to their face value; and
- (v) investments held in currencies other than sterling are translated at the rates of exchange applying on the relevant valuation date;

provided that, where no reliable fair value can be estimated, investments may be carried at cost less any provision for impairment.

- 8.3 The calculation of the NAV per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculation will be announced by the Company through an RIS.

PART 7

TAXATION

The information in this Part 7, which is intended as a general guide only, is based on current legislation and practice regarding United Kingdom taxation and may be subject to change. It summarises advice received by the Directors as to the position of Shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes and who hold their Ordinary Shares as an investment (and not by reason of their employment). Any change in the Company's tax status or in taxation legislation in the United Kingdom, or any other tax jurisdiction affecting the Company's investments or Shareholders, could affect the value of the investments held by the Company or affect the Company's ability to achieve its investment objective or alter the post-tax returns to Shareholders.

Investors who are in any doubt as to their tax position, or who are subject to tax in a jurisdiction other than the United Kingdom or hold their Ordinary Shares otherwise than as an investment (or by reason of their employment), are strongly recommended to consult their professional adviser.

1. The Company

It is the intention of the Directors to continue to conduct the affairs of the Company so as to satisfy the conditions for approval as an investment trust under Chapter 4 of Part 24 of the CTA 2010 and to apply, in respect of each accounting period, to HMRC for such approval. In respect of each accounting period for which approval is granted, the Company is exempt from UK taxation on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way.

It should be noted that proposals to amend the legislative regime under which a company may obtain approval as an investment trust have been the subject of a consultation exercise by the UK Government and are expected to be implemented in the course of the next 12 months. It is anticipated that the Company will continue to meet the conditions for approval under the new legislation.

2. UK-resident Investors

2.1 CULS

2.1.1 *Taxation of Interest*

Under current tax legislation, while the CULS is admitted to trading on the Main Market, payments of interest on the CULS will be made by the Company without deduction at source of UK income tax. For individual CULS Holders, the amount of interest paid on the CULS will form part of the recipient's income for the purposes of UK income tax. The provisions of the accrued income scheme may apply to individuals transferring CULS and to individuals to whom CULS is transferred. The charge to tax on income that may arise to the transferor, and the relief which may be allowed to the transferee, will be in respect of an amount representing interest on the CULS which has accrued since the preceding interest date. These amounts will be taken into account in calculating any chargeable gain or allowable loss arising on a disposal of the CULS.

Individual CULS Holders who are resident or ordinarily resident in the UK will be subject to UK income tax on the interest at the rate of 20 per cent. for basic rate taxpayers, 40 per cent. for higher rate taxpayers, and 50 per cent. for additional rate taxpayers.

The UK tax treatment of a CULS Holder who is within the charge to UK corporation tax will depend on, among other things, the accounting treatment of CULS in the CULS Holder's hands. CULS Holders within the charge to UK corporation tax should therefore consult their own accounting and tax advisers concerning the tax liabilities that may arise as a result of holding CULS.

2.1.2 *Disposal or Conversion*

UK resident or ordinarily resident individuals who convert their CULS into Ordinary Shares should be deemed not to have made a disposal of their CULS for the purposes of capital gains tax. Instead, they should be treated as having acquired their Ordinary Shares at the same time and for the same base cost as their CULS. Individual CULS Holders may be subject to capital gains tax in the normal way on a disposal of their CULS other than by

way of conversion into Ordinary Shares. The rate of capital gains tax is 18 per cent. for basic rate taxpayers and 28 per cent. for higher and additional rate taxpayers.

The UK tax treatment of a CULS Holder within the charge to UK corporation tax in respect of a disposal or conversion of CULS will depend on, among other things, the accounting treatment of the CULS in the individual entity accounts for the CULS Holder. CULS Holders within the charge to UK corporation tax should therefore consult their own accounting and tax advisers concerning the tax liabilities that may arise as a result of the disposal or conversion of CULS.

2.1.3 *Stamp Duty and Stamp Duty Reserve Tax*

The issue of CULS should not be subject to stamp duty or stamp duty reserve tax (“SDRT”).

Transfers in writing of CULS on sale will be liable to stamp duty at a rate of 0.5 per cent. of the consideration provided in exchange therefor, rounded up to the nearest £5. No stamp duty will be chargeable to the extent the consideration provided, when aggregated with any consideration payable for any larger transaction or series or transactions of which the transfer forms part of, is less than or equal to £1,000.

Agreements to transfer the CULS will be liable to SDRT at a rate of 0.5 per cent. of the consideration provided in exchange therefor, rounded to the nearest penny. Such SDRT will be cancelled by payment of stamp duty on a written transfer executed in pursuance of the agreement, providing the transfer is duly stamped within six years of the date of the agreement (or the date on which the agreement becomes unconditional, if later).

Liability to pay stamp duty or SDRT normally falls on the transferee or purchaser.

2.1.4 *Provision of Information*

CULS Holders who are individuals should note that HMRC has the power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the UK who either pays interest to, or receives interest for, the benefit of an individual. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the CULS Holders are resident for tax purposes.

2.2 *Ordinary Shares*

2.2.1 *Dividends*

No tax will be withheld when the Company pays a dividend. However, individual Shareholders resident in the UK (for tax purposes) will be entitled to tax credits in respect of dividends paid by the Company. The tax credit will be 10 per cent. of the aggregate of the dividend and the tax credit itself (equivalent to one-ninth of the cash dividend). UK-resident individual Shareholders, including those who hold their Ordinary Shares through an ISA, who are not liable to income tax in respect of their dividends, will not be entitled to the tax credit. The income tax charge in respect of the dividends for basic rate taxpayers will be at the rate of 10 per cent. and such Shareholders will have no further liability to tax on their dividends. A higher rate taxpayer will be liable to income tax on the sum of the dividend plus the tax credit (to the extent that, taking that sum as the top slice of their income, it falls above the threshold for the higher rate of income tax) at the rate of 32.5 per cent., against which they can offset the 10 per cent. tax credit, resulting in an effective tax rate of 25 per cent. An additional rate taxpayer will be liable to income tax on the sum of the dividend plus the tax credit (to the extent that, taking that sum as the top slice of their income, it falls above the threshold for the additional rate of income tax) at the rate of 42.5 per cent. against which they can offset the 10 per cent. tax credit resulting in an effective tax rate of 36.11 per cent.

A company resident in the UK for tax purposes will not generally be liable to UK corporation tax on any dividend received from the Company but will not be able to claim a repayment of the tax credit attaching to the dividends.

2.2.2 *Gains Arising on Sale or Other Disposal*

UK-resident individual Shareholders will generally, subject to any available exemption or relief and subject to their circumstances, be subject to capital gains tax in respect of any gain arising on a disposal, or deemed disposal, of Ordinary Shares (including Ordinary Shares arising on conversion of CULS).

Shareholders within the charge to UK corporation tax will be subject to corporation tax on capital gains in respect of any gain arising on the disposal, or deemed disposal of Ordinary Shares. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but not create or increase any allowable loss.

2.2.3 *Stamp Duty and Stamp Duty Reserve Tax*

The issue of Ordinary Shares should not be subject to stamp duty or SDRT.

Transfers in writing of Ordinary Shares on sale will be liable to stamp duty at a rate of 0.5 per cent. of the consideration provided in exchange therefor, rounded up to the nearest £5. No stamp duty will be chargeable to the extent the consideration provided, when aggregated with any consideration payable for any larger transaction or series or transactions of which the transfer forms part of, is less than or equal to £1,000.

Agreements to transfer Ordinary Shares, including paperless transfers within the CREST system, will be liable to SDRT at a rate of 0.5 per cent. of the consideration provided in exchange therefor, rounded to the nearest penny. Such SDRT will be cancelled by payment of stamp duty on a written transfer executed in pursuance of the agreement, providing the transfer is duly stamped within six years of the date of the agreement (or the date on which the agreement becomes unconditional, if later).

Liability to pay stamp duty or SDRT normally falls on the transferee or purchaser.

2.3 *ISAs*

CULS (provided it has a remaining term of at least five years at the time of acquisition) and Ordinary Shares are eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limit (£10,680 for the 2011-12 tax year). Accordingly, CULS acquired pursuant to the Placing or the Open Offer (or through the market provided it has a remaining term of at least five years at the time of acquisition) and Ordinary Shares arising on conversion of CULS (or acquired through the market) can be included in a stocks and shares ISA, subject to the applicable subscription limit. Investments held in an ISA will be free of UK tax on both capital gains and income. The opportunity to invest in an ISA is restricted to certain UK resident individuals aged 18 or over. Individuals wishing to invest through an ISA should consult their professional advisers regarding their eligibility.

2.4 *SIPPs and SSASs*

Both CULS and Ordinary Shares acquired pursuant to the Placing or Open Offer or through the market are permitted investments for SIPPs and SSASs.

PART 8

ADDITIONAL INFORMATION

1. Incorporation and Conduct of Business

- 1.1 The Company was incorporated and registered in England and Wales on 7 October 1994 as a public company limited by shares under the CA 1985 with registered number 2978531 and with the name Abtrust Latin American Investment Trust plc. The Company changed its name to Aberdeen Latin American Investment Trust plc on 3 November 1997 and then to City Natural Resources High Yield Trust plc on 26 June 2003.
- 1.2 The Company is domiciled in the United Kingdom and operates under the CA 2006 and regulations made under the CA 2006. The Company has its registered office at Exchange House, Primrose Street, London EC2A 2NY, and its telephone number at that address is +44 (0) 207 628 8000.
- 1.3 The objects of the Company are unrestricted. However, the Company carries on the business of an investment holding company.
- 1.4 It is the Directors' intention to continue to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust under Chapter 4 of Part 24 of the CTA 2010 and, accordingly, the Company intends that its income will continue to be derived wholly or mainly from shares or other securities. The Company has been approved by HMRC as an investment trust in respect of its financial period ended 30 June 2010. The Directors are of the opinion that the Company has conducted its affairs for the year ended 30 June 2011 and during the current year so as to be able to continue to obtain approval as an investment trust. As an investment trust, the Company is not regulated as a collective investment scheme (or otherwise) and is not authorised by the FSA. However, as the Ordinary Shares are admitted to the Official List, the Company is subject to the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules.
- 1.5 The Company carries on business as an investment company within the meaning of section 833 of the CA 2006.
- 1.6 The Company has no subsidiary or parent undertakings, associated companies or employees and neither owns nor leases any premises.
- 1.7 There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months immediately preceding the date of this Prospectus (nor are there any such proceedings at the date of this document) which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Company.

2. Share Capital

- 2.1 As at 1 July 2007 (the first date in the period covered by the historical financial information on the Company incorporated by reference into Part 6 of this Prospectus), the authorised and issued share capital of the Company was as follows:

	<i>No.</i>		<i>Nominal Amount (£'000)</i>	
	<i>Authorised</i>	<i>Issued and Fully Paid</i>	<i>Authorised</i>	<i>Issued and Fully Paid</i>
Ordinary Shares	100,000,000	62,875,643	25,000	15,719

The only changes that occurred in the Company's share capital during the period commencing on 1 July 2007 and ending on 31 December 2010 (the last date in the period covered by the historical financial information on the Company incorporated by reference into Part 6 of this Prospectus) were as follows:

- (i) the issue, on 16 November 2007, of 10,000 Ordinary Shares for cash at 85p per share pursuant to the exercise of subscription rights conferred by 10,000 warrants previously issued by the Company;

- (ii) the issue, on 17 November 2008, of 38,586 Ordinary Shares for cash at 85p per share pursuant to the exercise of subscription rights conferred by 38,586 warrants previously issued by the Company; and
- (iii) the issue, on 11 November 2009, of 3,932,914 Ordinary Shares for cash at 85p per share pursuant to the exercise of subscription rights conferred by 3,932,914 warrants previously issued by the Company.

As at 31 December 2010 (the most recent balance sheet date of the Company incorporated by reference into Part 6 of this Prospectus) and as at the date of this Prospectus, the issued share capital of the Company was as follows:

	<i>No. Issued and Fully Paid</i>	<i>Nominal Amount (£'000)</i>
Ordinary Shares	66,857,143	16,714

- 2.2 As at 31 December 2010 (the most recent balance sheet date of the Company incorporated by reference into Part 6 of this Prospectus) and as at the date of this Prospectus:
- (i) the Company had no shares which did not represent capital;
 - (ii) no shares in the Company were held by or on behalf of the Company in treasury or otherwise;
 - (iii) no convertible securities, exchangeable securities or securities with warrants had been issued by the Company and remained outstanding;
 - (iv) save in connection with the Issue, there were no acquisition rights and/or obligations over any of the Company's unissued capital and no undertakings to increase the Company's capital; and
 - (v) no share or loan capital of the Company was under option or had been agreed, conditionally or unconditionally, to be put under option.
- 2.3 The provisions of section 561 of the CA 2006 (which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are or are to be paid up in cash) apply to any unissued share capital of the Company (to the extent not disapplied pursuant to section 570 of the CA 2006).
- 2.4 At the General Meeting, Shareholders will be asked to pass a special resolution to, amongst other things:
- (i) authorise the Directors to authorise the grant of rights to convert CULS into Ordinary Shares up to a maximum nominal amount of £40 million; and
 - (ii) disapply statutory pre-emption rights in relation to the grant of rights to convert CULS into Ordinary Shares pursuant to paragraph 2.4(i) above.
- 2.5 All of the Ordinary Shares are in registered form and may be held in certificated or uncertificated form.

3. Articles of Association

The Articles contain provisions, *inter alia*, to the following effect:

3.1 Shares

Subject to the superior rights of any other class or classes of shares that are, or may be, issued by the Company, the rights and restrictions attaching to Ordinary Shares as regards participation in the profits and assets of the Company are as follows:

3.1.1 Income

Any profits which the Company may determine to distribute in respect of any financial year shall be distributed among the holders of Ordinary Shares *pro rata* according to the amounts paid up or credited as paid up on Ordinary Shares held by them.

3.1.2 Capital

The capital and assets of the Company on a winding-up or other return of capital shall be applied in repaying to the holders of Ordinary Shares the amounts paid up or credited as

paid up on such shares and, subject thereto, shall belong to and be distributed according to the number of such shares held by them respectively.

3.2 Issue of Shares

Subject to the provisions of the CA 2006, any shares issued may be issued on terms that they are, or at the option of the Company or the members are, liable to be redeemed on the terms and in the manner provided for in the Articles and with such preferred, deferred or other rights or subject to such restrictions, whether as regards dividend, return of capital, voting, conversion or otherwise, as the Company may from time to time determine by ordinary resolution.

3.3 Voting Rights

Subject to any special rights or restrictions as to voting on which shares have been allotted or issued or in accordance with the Articles:

- (i) on a show of hands every member entitled to vote on the resolution who is present in person has one vote, and every proxy present who has been duly appointed by a member entitled to vote on the resolution has one vote; and
- (ii) on a poll every member who is present in person or by proxy and entitled to vote on the resolution has one vote for every share held by them.

Unless the Directors otherwise determine, no member shall be entitled in respect of any share held by them to attend, vote or speak at a general meeting (including a separate meeting of the holders of shares of a particular class) either personally or by proxy, or to exercise any other right conferred by membership in relation to such meetings of the Company, if any call or other sum presently payable by them to the Company in respect of such share remains unpaid. This restriction shall cease to apply when all amounts due (including interest) are paid, together with all costs, charges and expenses incurred by the Company by reason of the non-payment.

3.4 Dividends and Reserves

Subject to the provisions of the CA 2006 and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, subject to any special rights for the time being attached to any shares, no dividend shall exceed the amount recommended by the Board.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. 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.

Provided that the Board acts in good faith, it shall not incur any liability to the holders of shares for any loss that they may suffer by the lawful payment of any interim dividend.

Subject to the Articles, the Board may, before recommending any dividend (whether preferential or otherwise), transfer to reserves out of the profits of the Company such sums as it thinks fit. All sums standing to reserves may be applied from time to time, at the discretion of the Board, for any purpose to which the profits of the Company may properly be applied and, pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board thinks fit.

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

3.5 Transfer of Shares

Subject to the Articles, any member may transfer all or any of their certificated shares by an instrument of transfer in any usual form or in any other form approved by the Directors. The instrument of transfer of a share shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An uncertificated share may be transferred

in accordance with the Uncertificated Securities Regulations 2001 and the rules of any relevant system. A transferor shall remain the holder of the share concerned (whether a certificated share or an uncertificated share) until the name of the transferee is entered in the Register as the holder of that share.

Subject to the Articles, the rules of the London Stock Exchange and the requirements of the UK Listing Authority, the Directors may refuse to register the transfer of a certificated share which is not fully paid provided that this power will not be exercised so as to disturb the market in the shares.

The Directors may also refuse to register the transfer of a certificated share or a renunciation of a renounceable letter of allotment (except where to do so would disturb the market in the shares) unless all of the following conditions are satisfied:

- (i) it is in respect of only one class of share;
- (ii) it is in favour of a single transferee or renounee or not more than four joint transferees or renounees;
- (iii) it is duly stamped (if required); and
- (iv) it is delivered for registration to the registrar's office or such other place as the Directors have specified, accompanied by the certificate(s) for the shares to which it relates (except in the case of a transfer by a financial institution where a certificate has not been issued or in the case of a renunciation) and such other evidence as the Directors may reasonably require to prove the title of the transferor or person renouncing and the due execution by them of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on their behalf, the authority of that person to do so.

In addition, the Directors may refuse to register a transfer if a notice has been duly served in respect of shares (representing at least 0.25 per cent. of the issued shares of the class in question excluding any shares of that class held as treasury shares) pursuant to section 793 of the CA 2006 or any other statutory provision concerning the disclosure of interests in voting shares and the notice has not been complied with within the period stipulated in the notice (which must be not less than 14 days) and continues not to be complied with.

3.6 *Restrictions on Shares*

If the Board is satisfied that a member or any person appearing to be interested in shares in the Company has been duly served with a notice under section 793 of the CA 2006 and is in default in supplying to the Company the information thereby required within a prescribed period after the service of such notice, the Board may serve on such member or on any such person a notice (“a **direction notice**”) in respect of the shares in relation to which the default occurred (“**default shares**”) directing that a member shall not be entitled to vote, attend or speak at any general meeting or class meeting of the Company.

Where default shares represent at least 0.25 per cent. of the class of shares concerned, the direction notice may in addition direct that any dividend which would otherwise be payable on such shares and any shares issued in lieu of a dividend that would otherwise be issued by the Company shall be retained by the Company without liability to pay interest or compensation and no transfer of any of the shares held by the member shall be registered unless it is a transfer on sale to a *bona fide* unconnected third party or by the acceptance of a takeover offer or through a sale through a recognised investment exchange as defined in FSMA. The prescribed period referred to above means not less than 14 days from the date of service of the notice under section 793 of the CA 2006.

3.7 *Variations of Rights*

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights for the time being attached to any class may, subject to the CA 2006, be varied or abrogated in such manner (if any) as may be provided by those rights or, in the absence of 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 that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To

every such separate general meeting, all the provisions of the CA 2006 and the Articles relating to general meetings of the Company or to the proceedings thereat shall apply.

3.8 *Alteration of Capital*

Subject to the CA 2006, the Company may from time to time by ordinary resolution:

- (i) consolidate, or consolidate and divide, all or any of its share capital into shares of a larger nominal amount than its existing shares; and
- (ii) sub-divide its shares, or any of them, (whether or not following a consolidation) into shares of a smaller nominal amount than its existing shares and the resolution may determine that, as between the shares resulting from such sub-division, any of them may, as compared with the others, have any such preferred, deferred or other rights, or be subject to any such restrictions, as the Company has power to attach to new shares.

3.9 *General Meetings*

Annual general meetings of the Company shall be convened in accordance with the CA 2006. The Directors may convene other general meetings whenever they think fit, and are required to do so if requisitioned by members in accordance with the CA 2006. If the Directors fail to convene a general meeting when requisitioned, the meeting may be convened by the requisitionists.

If at any time there are not within the United Kingdom sufficient Directors to call a general meeting, any Director may convene a general meeting. If the Company has fewer than two Directors and the Director (if any) is unable or unwilling to appoint sufficient Directors to make up a quorum or to call a general meeting to do so, two or more members may call a general meeting (or instruct the company secretary to do so) for the purpose of appointing one or more Directors.

3.10 *Record Date for Attendance and Voting at Meetings*

In relation to each general meeting of the Company, the Company shall determine the time by which a person must be entered on the Register in order to be entitled to attend or vote at the meeting. No person shall have the right to attend or vote at the meeting if they are entered on the Register after the time determined by the Company. That time shall not be more than 48 hours before the time fixed for the meeting. In calculating that period of 48 hours, no account shall be taken of any part of a day that is not a working day.

3.11 *Corporate Representatives*

Any body corporate which is a member of the Company may, by resolution of its Directors or other governing body, authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or of any class of members of the Company. Such body corporate shall for the purposes of the Articles be deemed to be present in person at any such meeting if one or more persons so authorised is present thereat and all references to attendance and voting in person shall be construed accordingly.

A person so authorised shall be entitled to exercise (on behalf of the body corporate) the same powers as the body corporate could exercise if it were an individual member of the Company, save that where a body corporate authorises more than one person:

- (i) on a vote on a resolution on a show of hands at a meeting, each authorised person has one vote if the body corporate is entitled to vote on the resolution; and
- (ii) where sub-paragraph (i) does not apply, where more than one authorised person purports to exercise a power on behalf of the body corporate in respect of the same shares, if they purport to exercise the power in the same way as each other, the power is treated as exercised in the same way, or if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.

3.12 *Borrowing Powers*

The Board may exercise all of the powers of the Company to borrow money, to guarantee and to mortgage or charge its undertaking, property and assets and uncalled capital or any part thereof and, subject to the provisions of the CA 2006, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure that the aggregate amount at any one time owing by the Company and its subsidiaries (if any) in respect of moneys borrowed does not at any time without the previous sanction of the Company in general meeting exceed a sum equal to the adjusted total of capital and reserves as calculated in accordance with the Articles.

3.13 *Directors*

3.13.1 *Number of Directors*

Unless otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than two nor more than eight in number.

3.13.2 *Shareholding Qualification*

A Director shall not be required to hold any shares in the Company.

3.13.3 *Directors' Remuneration and Expenses*

The ordinary remuneration of the Directors (other than any Director who holds any executive office, including for this purpose the office of chairman or deputy chairman where such office is held in an executive capacity, or employment with the Company or any associated company, entitling them to remuneration under any agreement and who is not thereby entitled to any fees as a Director) shall not exceed in aggregate £125,000, per annum (or such other amount as may from time to time be determined by ordinary resolution of the Company) as raised in such manner as the Board shall agree to take account of changes in the UK Retail Prices Index from year to year. Such remuneration shall be deemed to accrue from day to day and shall be divisible among the Directors in such proportion and manner as the Directors may determine.

3.13.4 *Retirement*

At each annual general meeting of the Company, any Director who was not appointed or re-appointed at one of the preceding two annual general meetings of the Company shall retire from office and be eligible for re-appointment. Each Director shall offer themselves for re-election at the first annual general meeting following their appointment or where appointed to fill a vacancy where the number of Directors has fallen below the minimum.

3.13.5 *Interests and Conflicts*

The Directors are empowered pursuant to section 175 of the CA 2006 to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director to avoid a situation in which they have, or can have, an interest that conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation shall be subject to such conditions or limitations as the Directors may determine, whether at the time such authorisation is given or subsequently, and may be terminated by the Directors at any time. Neither the Director in question nor any other interested Director shall vote on, or be counted in the quorum at any meeting relating to, any resolution concerning any such authorisation.

A Director, notwithstanding their office, may be or become a Director or other officer of, or hold any place of profit in, or act in a professional capacity for, or otherwise be interested in, any associated company. In such circumstances the Director is authorised to act subject to any guidance from time to time issued by the Directors for dealing with conflict situations arising in relation to associated companies or any of them.

Where a Director has, or can have, an interest that conflicts, or possibly may conflict, with the interests of the Company and the matter constituting such conflict or potential conflict has been authorised by the Directors, or by the Company or otherwise permitted by the Articles, subject to the terms on which any authorisation has been given:

- (i) the Director in question need not disclose to or use for the benefit of the Company any information relating to the relevant matter which they obtain or have obtained otherwise than as a director or employee of the Company and in respect of which they owe a duty of confidentiality to a person other than the Company;

- (ii) the Director in question shall not, unless otherwise agreed, be liable to account to the Company for any profit, remuneration or other benefits realised or receivable by them as a consequence and no contract, transaction or arrangement relating to the relevant matter shall be liable to be avoided on the grounds of their conflict of interests;
- (iii) the Director in question need not consider board papers, nor participate in discussion of the Directors, relating to the relevant matter; and
- (iv) any Director may act in any way authorised by any guidance for dealing with conflicts of interest issued by the Directors from time to time.

3.13.6 *Restrictions on Voting*

Except as provided in the Articles, a Director shall not vote (or, if they do vote, their vote shall not be counted) on any resolution of the Directors in respect of any contract, arrangement, transaction or any other kind of proposal in which they have a direct or indirect interest unless they have interest cannot reasonably be regarded as likely to give rise to a conflict of interests or the resolution relates to one of the permitted matters listed below and they have no other interest beyond that listed below.

A Director shall not be counted as part of the quorum at a meeting in relation to any resolution on which they are not entitled to vote.

The following are permitted matters for the purposes of the Articles:

- (i) any contract, arrangement, transaction or other proposal concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in which offer they are, or may be, entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which they are to participate;
- (ii) any contract, arrangement, transaction or other proposal to which the Company is or is to be a party concerning any other body corporate in which they do not, to their knowledge, directly or indirectly, hold an interest in shares (as that term is defined in the CA 2006) representing 1.0 per cent. or more of either any class of the equity share capital (excluding, for the avoidance of doubt, any shares of that class held as treasury shares), or the voting rights (excluding, for the avoidance of doubt, any voting rights attached to shares held as treasury shares), in such body corporate;
- (iii) any contract, arrangement, transaction or other proposal concerning in any way a pension, retirement, superannuation, death and/or disability benefits scheme or fund or employees' share scheme under which they may benefit and which either:
 - (a) has been approved, or is conditional on approval, by HMRC for taxation purposes; or
 - (b) relates both to employees and directors of the Company (or any associated company) and does not award them any privilege or benefit not generally awarded to the employees to whom such scheme or fund relates; and
 - (c) any contract or other proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any Directors or for persons including Directors.

3.13.7 *Indemnity*

Subject to the CA 2006 and the Articles but without prejudice to any indemnity to which they may otherwise be entitled, every director, alternate director or secretary (or former director or secretary) of the Company or of any associated company shall be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities which they may sustain or incur in the execution or purported execution or discharge of their duties or in the exercise or purported exercise of their powers or otherwise in relation to or in connection with their duties, powers or office. This indemnity shall not operate to provide an indemnity against any liability attaching to a Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or any associated company except as permitted by law.

3.14 *Untraced Shareholders*

The Company shall be entitled to sell, at the best price reasonably obtainable at the time of sale, the shares of a member or the shares to which a person is entitled by transmission if, during a period of 12 years at least three dividends (whether interim or final) in respect of those shares have become payable and no dividend in respect of those shares during that period has been claimed, the Company has advertised its intention to sell the relevant shares in a UK national newspaper and, within a further period of three months following the date of such advertisement, the Company, so far as the Directors are aware, has not received any communication from such member or person entitled by transmission (in their capacity as such).

4. Directors

- 4.1 As at the date of this Prospectus, the interests (all of which were beneficial, unless otherwise indicated) of the Directors, their immediate families and related trusts (and, so far as known to or could with reasonable diligence be ascertained by the Directors, any persons connected with them for the purposes of the Disclosure and Transparency Rules) in the Ordinary Shares were as set out in the following table.

<i>Director</i>	<i>No. of Ordinary Shares</i>	<i>% of Issued Share Capital</i>
G D C Burns	90,000	0.13
A J R Collins	50,000	0.07
A D Cooke	165,500	0.25
B M L Coulson	27,143	0.04
R Ö Prickett	12,500	0.02

Save as disclosed in this paragraph 4.1, as at the date of this Prospectus none of the Directors (or, so far as known to or could with reasonable diligence be ascertained by the Directors, any persons connected with them for the purposes of the Disclosure and Transparency Rules) had:

- (i) any interest in the share capital of the Company; or
- (ii) any options over shares in the Company's capital.

- 4.2 The Directors and persons connected with the Directors for the purposes of the Disclosure and Transparency Rules intend to apply for CULS in the Open Offer as set out in the following table.

<i>Director</i>	<i>Nominal Amount of CULS (£)</i>
G D C Burns	20,192
A J R Collins	22,434
A D Cooke	10,000

- 4.3 There are no existing or proposed service contracts between any of the Directors and the Company. Each of the Directors has entered into a letter of appointment with the Company pursuant to which he is subject to re-election on retirement at any annual general meeting of the Company at which he is required to retire by rotation (although the Directors have determined that they will all seek annual re-election with effect from the annual general meeting of the Company to be held later in 2011). The Directors are entitled to the remuneration referred to in paragraph 4.4 of this Part 8, payable quarterly in arrears, and are entitled to out-of-pocket expenses and other expenses incurred in the proper performance of their duties as directors of the Company. The Directors are not entitled to any compensation or benefits upon termination of their office as directors of the Company.

- 4.4 As at the date of this Prospectus, the Directors are entitled to aggregate annual remuneration (including any contingent or deferred compensation but excluding expenses) equal to:

- (i) in the case of Geoffrey Burns (chairman of the Board), £25,000 (financial year ended 30 June 2011: £22,000);
- (ii) in the case of Adrian Collins (chairman of the audit committee), £20,000 (financial year ended 30 June 2011: £17,000); and
- (iii) in the case of each of the other Directors, £18,000 (financial year ended 30 June 2011: £16,000);

or such higher amount(s) as the Company may from time to time determine. No benefits in kind have been, or are expected to be, granted to the Directors.

- 4.5 There are no commission or profit sharing arrangements between the Company and the Directors. Similarly, none of the Directors is entitled to pension, retirement or similar benefits.
- 4.6 The Company maintains directors' and officers' liability insurance on behalf of the Directors at the expense of the Company to the extent that the Company is able to maintain such insurance.
- 4.7 Adam Cooke is employed by the Investment Manager and entitled to discretionary bonus payments based on, *inter alia*, the financial performance of the Investment Manager. CQS is paid fees by the Company in accordance with the terms of the Investment Management Agreement and CQS pays fees to the Investment Manager in relation to its management of the Company's investments.
- 4.8 As at the date of this Prospectus and except as disclosed in paragraph 4.7 of this Part 8, there are no potential conflicts of interest between any duties to the Company of any of the Directors and their private interests and/or other duties.
- 4.9 The names of those companies and partnerships of which the Directors have been members of the administrative, management or supervisory bodies or partners at any time during the five years immediately preceding the date of this Prospectus (apart from their directorships of the Company and the subsidiaries of any issuers of which the Directors are or have been members of the administrative, management or supervisory bodies) were as follows:

4.9.1 *Geoffrey Burns (Chairman)*

Current directorships and partnerships: Barnellan Equity Advice Limited; IBEX (U.K.) International Limited; Premier Energy and Water Trust plc; The Inverclyde Trust; The Balmore Trust Limited.

Previous directorships and partnerships: CCM Motorcycles Limited¹.

4.9.2 *Adrian Collins*

Current directorships and partnerships: Colombo Commercial Company (Produce) Limited; DouglasBay Capital plc; Fincorp International Limited; Liontrust Asset Management plc; LTC Holdings plc; New City High Yield Fund Limited; New City High Yield Trust plc²; The Sri Lanka Fund Limited; Tri-Star Resources.

Previous directorships and partnerships: Avanti Capital plc; Bestinvest (Brokers) Limited; Bluewater Bio International; Campden Partners Limited; Corvus Capital Inc.; Deutsche Land plc; HIM Capital Holdings Limited; Hiscox Investment Management Limited; Midas Capital Partners Limited; MAM Funds plc; Nuwara Eliya (Holdings) Limited; Nuwara Eliya Tea Estates Company Limited; Raven Russia Limited; Smash & Grab Glass Recycling Limited; Strand Partners Limited; Windsor plc.

4.9.3 *Adam Cooke*

Current directorships and partnerships: Midas Income & Growth Trust plc; Premier Energy and Water Trust plc.

Previous directorships and partnerships: CQS Asset Management Limited; Ingenious Film Partners 2 LLP.

4.9.4 *Michael Coulson*

Current directorships and partnerships: AMPFHER Wealth Holdings Ltd.

Previous directorships and partnerships: Moneta Porcupine Mines Inc.; South American Mineral Exploration Limited.

4.9.5 *Richard Prickett*

Current directorships and partnerships: Asian Growth Properties Limited; European Sales Company Limited; Landore Resources Canada Inc; Landore Resources Limited; Patagonia Gold plc; The Capital Pub Company plc; The Romania Property Fund Limited.

Previous directorships and partnerships: Santana Diamonds Inc.

Note: ¹This company was dissolved on 21 October 2008 following a creditors' voluntary liquidation.

²This company is currently in solvent voluntary liquidation.

4.10 Save as disclosed in paragraph 4.9 of this Part 8, as at the date of this Prospectus, none of the Directors:

- (i) had been a member of any administrative, management or supervisory body or partner of any company or partnership at any time during the five years immediately preceding the date of this Prospectus;
- (ii) had any convictions in relation to fraudulent offences in the five years immediately preceding the date of this Prospectus;
- (iii) had been associated with any bankruptcies, receiverships or liquidations in the five years immediately preceding the date of this Prospectus;
- (iv) had been the subject of any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) in the five years immediately preceding the date of this Prospectus; or
- (v) had been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer in the five years immediately preceding the date of this Prospectus.

5. Substantial Share Interests

5.1 Under Chapter 5 of the Disclosure and Transparency Rules, subject to certain limited exemptions, a person must notify the Company (and, at the same time, the FSA) of the percentage of voting rights they hold (within two trading days) if they acquire or dispose of shares in the Company to which voting rights are attached and if, as a result of the acquisition or disposal, the percentage of voting rights which they hold as a Shareholder (or, in certain cases, which they hold indirectly) or through their direct or indirect holding of certain types of financial instruments (or a combination of such holdings):

- (i) reaches, exceeds or falls below 3.0 per cent. and each 1.0 per cent. threshold thereafter; or
- (ii) reaches, exceeds or falls below an applicable threshold in sub-paragraph (i) above as a result of events changing the breakdown of voting rights and on the basis of the total voting rights notified to the market by the Company.

Such notification must be made using the prescribed form TR-1 available from the FSA's website at <http://www.fsa.gov.uk>. Under the Disclosure and Transparency Rules, the Company must announce the notification to the public as soon as possible and in any event by not later than the end of the trading day following receipt of a notification in relation to voting rights. The FSA may take enforcement action against a person holding voting rights who has not complied with Chapter 5 of the Disclosure and Transparency Rules.

5.2 As at 26 August 2011, the only persons known to the Company who, directly or indirectly, were interested in 3.0 per cent. or more of the Company's issued share capital or voting rights were as set out in the following table.

<i>Investor</i>	<i>No. of Ordinary Shares</i>	<i>% of Issued Share Capital</i>
Henderson Global Investors	3,884,504	5.8
Reliance Mutual Insurance Society	3,305,000	4.9
Jupiter Asset Management	3,200,618	4.8
SVM Asset Management Limited	2,750,000	4.1
West Yorkshire Super Fund Trustee	2,700,000	4.0
South Yorkshire Pensions Authority	2,655,000	4.0
Brewin Dolphin Securities	2,383,049	3.6
Legal & General Investment Management	2,381,968	3.6
Rathbone Investment Management	2,139,177	3.2
Killik & Co	2,118,474	3.2

5.3 The Company's major shareholders do not have different voting rights from other Shareholders. The voting rights attached to the Ordinary Shares are described in paragraph 3.2 of this Part 8.

5.4 As at the date of this Prospectus, the Company was not aware of any person who, directly or indirectly, jointly or severally, exercised or could exercise control over the Company.

5.5 As at the date of this Prospectus, the Company was not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

6. Investment Management, Administration and Custody Arrangements

6.1 *Investment Management*

6.1.1 By an investment management agreement dated 26 June 2003 (and further amended by agreement between the parties on 2 October 2003) between (i) the Company and (ii) Midas Capital Partners Limited (“MCP”) (the “Original IMA”), the Company appointed MCP to act as investment manager of the Company, including to manage the assets of the Company in accordance with the Company’s investment objective, policy and restrictions from time to time. By a deed of retirement and appointment effective as at 31 March 2005, the Original IMA was novated to New City Investment Managers Limited (now known as CQS Asset Management Limited and trading as New City Investment Managers). By a deed of novation and amendment dated 19 September 2007 among (i) the Company, (ii) NCIM and (iii) CQS, NCIM novated its interest in the Original IMA to CQS.

Under the terms of the Investment Management Agreement, CQS is authorised (subject to the prior approval of the Directors) to delegate any of its functions, powers, authorities, duties and discretions under that agreement to an associate or a nominated third party. Accordingly, CQS has delegated its function as the Company’s investment manager pursuant to the IMA to NCIM.

Under the terms of the Investment Management Agreement, subject to the overall supervision and direction of the Directors, CQS and, therefore, NCIM has complete discretion to buy, sell, retain, exchange or otherwise deal in investments for the account of the Company.

In consideration for providing the Company with management services, CQS is entitled to an investment management fee at the rate of 0.1 per cent. per month of the value of the Company’s gross assets (excluding any cross-holdings) less any borrowings (plus VAT), payable monthly in arrears. CQS is responsible for the fee payable to NCIM.

The Investment Management Agreement contains indemnity provisions (which are standard for this type of agreement) in favour of CQS (and any person to whom CQS properly delegates its duties under the IMA, which includes NCIM) against all claims and demands except where there has been fraud, negligence or wilful default on the part of CQS (or any third party to whom CQS properly delegates its duties under the IMA, including NCIM).

Either party may terminate the Investment Management Agreement by giving not less than three months’ prior notice in writing. Either party may also terminate the Investment Management Agreement forthwith by notice if the other party goes into liquidation or commits a material breach of its obligations under the IMA without rectifying the breach upon 30 days’ notice thereof. In addition, the Company will also be entitled to terminate the IMA forthwith by notice and without penalty if a winding-up of the Company occurs following the defeat of a continuation vote at any general meeting of the Company. Upon termination of the IMA, CQS will be entitled to all fees accrued to the date of termination.

6.1.2 CQS and NCIM may provide investment management, investment advisory and other services to other clients (including investment companies) who may invest in securities in which the Company may invest, and, in providing such services, may use information obtained by CQS or NCIM in managing the Company’s investments. In the event of a conflict of interest arising, CQS and NCIM will take reasonable steps to ensure that it is resolved fairly. NCIM, authorised and regulated by the FSA, will seek to resolve any conflict of interest arising in accordance with the FSA’s Conduct of Business Sourcebook. None of CQS, NCIM or any of their associates will be liable to account to the Company for any profit, commission or remuneration earned as a result of such conflict.

6.1.3 NCIM is required to account to the Company for all brokerage commission disclosure on a periodic basis, as required by the FSA handbook of rules and guidance for the time being in force. Neither CQS nor NCIM will receive any ancillary profits or gains from any transactions in investments made for the account of the Company.

- 6.1.4 CQS was established and registered in the Cayman Islands on 29 May 2003 as a limited partnership under Cayman Islands law with registered number CR14077. CQS operates under the laws of the Cayman Islands and regulations made thereunder. CQS has its registered office and principal place of business at PO Box 242, 45 Market Street, Gardenia, Camana Bay, Grand Cayman KY1-1104, Cayman Islands. CQS's telephone number at its principal place of business is +1 (345) 949 9900. CQS is authorised and registered in the Cayman Islands with the Cayman Islands Monetary Authority.
- 6.1.5 CQS Asset Management Limited (formerly New City Investment Managers Limited) trading as New City Investment Managers was incorporated and registered in England and Wales on 8 December 2003 as a private company limited by shares under the CA 1985 with registered number 4988116. NCIM operates under the CA 2006 and regulations made thereunder. NCIM has its registered office at 5th Floor, 33 Chester Street, London SW1X 7BL. NCIM's telephone number at its principal place of business is +44 (0) 20 7201 6900. NCIM is authorised and regulated in the United Kingdom by the FSA.

6.2 Administration

By a secretarial and administration agreement dated 26 March 2004 between (i) the Company and (ii) F&C Asset Management plc (formerly ISIS Asset Management plc) and varied pursuant to a deed of variation dated 10 June 2010, the Administrator agreed to act as the administrator of the Company and to provide administration, accounting, compliance oversight and company secretarial services to the Company with effect from 1 April 2004.

The Administrator is entitled to a basic annual fee from the Company of, as at the date of this Prospectus, approximately £104,400 (plus VAT), payable quarterly in advance. The basic annual fee is recalculated for each successive period of 12 months in line with any increase in RPI over the preceding year. In addition, the Administrator is entitled to a variable fee equivalent to 0.05 per cent. per annum of the value of the Company's assets (less current liabilities but excluding any (bank borrowings) in excess of £100 million (plus VAT), payable quarterly in advance, subject to a maximum variable fee of £40,000 per annum (plus VAT).

The Administrator may delegate all or any of its functions under the Administration Agreement. The Administration Agreement is terminable by either party giving to each other not less than six months' written notice.

The Administration Agreement contains indemnity provisions (which are standard for this type of agreement) in favour of the Administrator against all claims and demands except where there has been fraud, negligence or wilful default on the part of the Administrator.

6.3 Custody

6.3.1 By a custody agreement dated 12 June 2006 between (i) HSBC Bank plc and (ii) the Company, the Custodian was appointed to act as custodian of the Company's investments, cash and other assets and to accept responsibility for the safe custody of the property of the Company which is delivered to, and accepted by, the Custodian or any of its sub-custodians. Either party is able to terminate the Custody Agreement on 30 days' notice in writing or with immediate effect for cause, including the bankruptcy or insolvency of the other party.

The Custodian may delegate any of its duties under the Custody Agreement to agents and sub-custodians as it thinks fit and may delegate safe custody of the Company's investments and assets to a sub-custodian on the basis that the sub-custodian may, subject to applicable laws and regulations, hold the Company's investments, cash and other assets on such terms as it sees fit and may also delegate its delegated duties to a third party.

The Custody Agreement provides that the Custodian will be liable for losses, liabilities and costs incurred by the Company arising directly from the performance by the Custodian of the services under the Agreement that result from the Custodian and any appointed sub-custodian's negligence, fraud or wilful default in performing their duties under the Custody Agreement. The Custodian is not, however, liable for losses arising as a result of events or circumstances that are beyond its reasonable control. Furthermore, the Custody Agreement contains warranties, representations and indemnities in favour of the Custodian (which are standard for this type of agreement), including provisions

indemnifying the Custodian against any losses, liabilities and costs with respect to any act or omission taken by the Custodian in the absence of the Custodian's negligence, fraud or wilful default or arising out of or in connection with any breach by the Company of the terms of the Custody Agreement.

The Custodian receives fees for the provision of its services under the Custody Agreement comprising transaction charges of between £15 and £45 for each transaction settlement and an annual safekeeping custody charge of between 0.175 per cent. and 0.8 per cent. of the value of the Company's gross assets, in each case dependent on the jurisdiction in which the investments are held. The Custodian has a general lien in respect of sums due and payable by the Company under the Custody Agreement.

6.3.2 The Custodian was incorporated and registered in England and Wales on 1 July 1880 with registered number 14259. It is a public company limited by shares and operates under the CA 2006 and regulations made thereunder. The Custodian has its registered office and principal place of business at 8 Canada Square, London E14 5HQ. The Custodian's telephone number at its principal place of business is +44 (0) 20 7005 8101. The Custodian is authorised and regulated in the United Kingdom by the FSA.

7. Issue Arrangements

7.1 By a placing and offer agreement dated 26 August 2011 between (i) the Company, (ii) CQS, (iii) NCIM and (iv) Canaccord Genuity, Canaccord Genuity agreed, as agent for the Company, to use its reasonable endeavours to procure subscribers for up to £40 million nominal of CULS at the Issue Price.

The Issue is conditional on, *inter alia*:

- (i) the passing of the Resolution at the General Meeting;
- (ii) the Company, CQS and NCIM having complied with all of their respective obligations under the Placing Agreement which fall to be performed or satisfied on or prior to Admission;
- (iii) the Minimum Net Issue Proceeds being not less than £25 million (or such lower amount as the Company and Canaccord Genuity may agree in writing);
- (iv) the Placing Agreement not having been terminated in accordance with its terms prior to Admission; and
- (v) Admission becoming effective by 8.00 a.m. on Monday, 26 September 2011 (or such later date as the Company and Canaccord Genuity may agree, being in any event not later than Friday, 7 October 2011).

Conditional on Admission, the Company will pay to Canaccord Genuity a commission equal to 1.25 per cent. of the aggregate value, at the Issue Price, of the CULS issued pursuant to the Issue (plus VAT, if applicable). In addition, conditional on Admission, the Company will pay to Canaccord Genuity a corporate finance fee of £125,000 (plus VAT). The Company will also pay all other costs and expenses incurred in connection with the Issue and the application for Admission, including Canaccord Genuity's out-of-pocket expenses and legal fees.

Under the Placing Agreement, the Company, CQS and NCIM have given certain warranties and indemnities (which are standard for this type of agreement) to Canaccord Genuity concerning, *inter alia*, the accuracy of the information contained in this Prospectus.

Canaccord Genuity may terminate the Placing Agreement in certain limited circumstances including, *inter alia*, if there is a fundamental change or development in economic, financial, political, diplomatic or other market conditions or any change in any government regulation which, in Canaccord Genuity's reasonable opinion (acting in good faith), is likely to be prejudicial to the Company or to the success of the Issue or to dealings in the CULS.

7.2 The currency of the Issue is sterling.

7.3 No commissions will be paid by the Company to any applicants for CULS pursuant to the Issue.

7.4 There is no minimum nominal amount of CULS that can be applied for pursuant to the Issue. There is no maximum number of CULS that may be applied for pursuant to the Placing, but applications pursuant to the Placing may be subject to claw back to meet valid applications pursuant to the Open Offer (including the Excess Application Facility) and scaling back so that the maximum nominal amount of CULS issued pursuant to the Issue does not exceed £40 million

(or, if the size of the Issue is scaled back so that the nominal amount of CULS issued pursuant to the Issue does not exceed an amount equal to 25 per cent. (or, at the Board's discretion, 20 per cent.) of Shareholders' funds at the Calculation Date, the nominal amount of the CULS available under the reduced size of the Issue). The maximum number of CULS Units that Qualifying Shareholders may apply for under the Open Offer is 200 per cent. of their Open Offer Entitlement (that is 200 per cent. of the number calculated by multiplying the number of Ordinary Shares held by them at the Record Date by 0.22435897, with the result rounded down to the nearest whole number).

7.5 The Issue has not been underwritten.

8. Material Contracts

8.1 The Bank Facility has been established by the Company with HSBC Bank plc under which the Company may draw up to £30 million. The Bank Facility is unsecured and incurs interest at the base rate plus 1.75 per cent. per annum, payable monthly. The Bank Facility is repayable on demand.

8.2 Save for the Investment Management Agreement, the Administration Agreement, the Custody Agreement, the Placing Agreement and the Bank Facility, the Company has not:

(i) entered into any material contract (not being a contract entered into in the ordinary course of business) in the two years immediately preceding the date of this Prospectus; or

(ii) entered into any other contract (not being a contract entered into in the ordinary course of business) which contains any provision under which the Company has any obligation or entitlement which is material to the Company as at the date of this Prospectus.

8.3 If the Issue proceeds, the Company will enter into the CULS Trust Deed.

9. Miscellaneous

9.1 Certain information contained in this Prospectus has been sourced from third parties (which can be identified by the word "source" and followed by the source). Such information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

9.2 Save as disclosed in paragraphs 4.2, and 7.1 of this Part 8, no persons involved in the Issue have any interests that are material to the Issue.

9.3 No application is being made for the CULS to be listed or dealt in on any stock exchange or investment exchange other than the London Stock Exchange's Main Market.

9.4 Canaccord Genuity has given and not withdrawn its written consent to the inclusion in this Prospectus of the references to its name in the form and context in which they are included.

9.5 Any further CULS issued after Admission will be subject to Shareholder approval at a general meeting of the Company and carried out on the basis of a prospectus published by the Company at the time of any such issue.

10. Documents Available for Inspection

Copies of the following documents are available for inspection at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB, during normal business hours on any day (Saturdays, Sundays and public holidays excepted) until Monday, 26 September 2011:

(i) the articles of association of the Company;

(ii) the annual report and accounts of the Company for the three years ended 30 June 2010;

(iii) the unaudited interim report of the Company for the six months ended 31 December 2010; and

(iv) the written letter of consent from Canaccord Genuity referred to in paragraph 9.4 of this Part 8.

11. Availability of this Document

A copy of this Prospectus will be available for inspection at the National Storage Mechanism which is located at www.hemscott.com/nsm.do. Copies of this Prospectus may also be collected, free of charge during normal business hours, from the Company at its registered office at c/o F&C Asset Management plc, Exchange House, Primrose Street, London EC2A 2NY.

PART 9

DEFINITIONS

The following definitions apply throughout this Prospectus unless the context otherwise requires:

"Administration Agreement"	the administration agreement between the Administrator and the Company, details of which are set out in paragraph 6.2 of Part 8 of this Prospectus
"Administrator"	F&C Asset Management plc
"Admission"	admission of the CULS issued pursuant to the Issue to the standard debt segment of the Official List and to trading on the London Stock Exchange's Main Market becoming effective in accordance with the Listing Rules and the LSE Admission Standards respectively
"AIC"	The Association of Investment Companies
"Application Form"	the personalised application form for use by Qualifying non-CREST Shareholders in connection with the Open Offer accompanying, where relevant, this Prospectus and shall, where the context permits, include reference to the Savings Plans Application Form
"Articles"	the articles of association of the Company (as amended from time to time)
"Bank Facility"	the £30 million loan facility provided to the Company by HSBC Bank plc
"Board"	the board of directors of the Company (or any duly authorised committee thereof) from time to time
"business day"	any day other than a Saturday, Sunday or public holiday in the United Kingdom
"CA 1985"	the Companies Act 1985
"CA 2006"	the Companies Act 2006
"Calculation Date"	the date as at which (i) the Conversion Price is calculated and (ii) the value of Shareholders' funds is calculated for the purpose of determining whether the size of the Issue requires to be scaled back so that the nominal amount of CULS issued pursuant to the Issue does not exceed an amount equal to 25 per cent. (or, at the Board's discretion, 20 per cent.) of Shareholders' funds
"Canaccord Genuity"	Canaccord Genuity Limited
"certificated form"	evidenced by a share certificate (i.e. not in uncertificated form)
"Company"	City Natural Resources High Yield Trust plc
"Conversion Price"	the nominal amount of CULS required for conversion into one Ordinary Share in accordance with the provisions of this Prospectus and the Trust Deed
"Conversion Rights"	the right of each CULS Holder (and where applicable, the Trustee on their behalf) to convert the whole or such part (being an integral multiple of £1 nominal) of their CULS as they may specify into fully paid Ordinary Shares in accordance with the provisions of this Prospectus and the Trust Deed
"CQS"	CQS Cayman Limited Partnership
"CQS Group"	CQS Cayman Limited Partnership, CQS (UK) LLP and any other affiliated entity (including NCIM)

“CREST”	the paperless settlement system operated by Euroclear governed by the CREST Regulations and any successor system or operator for the purposes of the CREST Regulations
“CTA 2010”	the Corporation Tax Act 2010
“CULS”	3.5 per cent. convertible unsecured loan stock 2018 of the Company, with the rights described in Part 3 of this Prospectus
“CULS Holder”	a holder of CULS
“CULS Register”	the register of CULS Holders maintained on behalf of the Company
“Custodian”	HSBC Bank plc
“Custody Agreement”	the custody agreement between the Custodian and the Company, details of which are set out in paragraph 6.3.1 of Part 8 of this Prospectus
“Directors”	the directors of the Company from time to time
“Disclosure and Transparency Rules”	the disclosure and transparency rules made by the FSA pursuant to section 73A of FSMA
“EEA State”	has the meaning given by Schedule 1 to the Interpretation Act 1978
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Excess Application Facility”	the arrangement pursuant to which each Qualifying Shareholder may apply for an amount of CULS in excess of their Open Offer Entitlement up to a maximum amount equal to 100 per cent. of their Open Offer Entitlement provided they have agreed to take up their Open Offer Entitlement in full and such application may be subject to scaling back in accordance with the provisions of this Prospectus
“Excess CREST Open Offer Entitlement”	in respect of each Qualifying CREST Shareholder, the entitlement to apply for CULS in excess of their Open Offer Entitlement which will be credited to their stock account in CREST, pursuant to the Excess Application Facility, provided that the Qualifying CREST Shareholder has agreed to take up their Open Offer Entitlement in full and such application may be subject to scaling back in accordance with the provisions of this Prospectus
“Excess CULS”	CULS in addition to the Open Offer Entitlement for which Qualifying Shareholders may apply under the Excess Application Facility
“Excluded Jurisdictions”	the United States, Canada, Australia, Japan, New Zealand and the Republic of South Africa
“Excluded Shareholders”	Shareholders resident in Excluded Jurisdiction
“Firm Placed CULS”	the CULS which have been placed with investors who have agreed to participate in the Firm Placing
“Firm Placing”	the placing of up to £25 million nominal of CULS by Canaccord Genuity on behalf of the Company pursuant to the Placing Agreement
“Form of Direction”	the form of direction which accompanies (where relevant) this Prospectus for use by Savings Plans Participants in connection with the General Meeting
“Form of Proxy”	the form of proxy which accompanies this Prospectus for use by Shareholders in connection with the General Meeting
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000

“General Meeting”	the general meeting of the Company convened for 11.00 a.m. on Friday, 23 September 2011, or any adjournment of that meeting, and notice of which is set out in Part 10 of this Prospectus
“HMRC”	HM Revenue & Customs
“Investment Management Agreement” or “IMA”	the investment management agreement originally between the Company and Midas Capital Partners Limited and now, pursuant to deeds of retirement and appointment and novation and amendment, between the Company and CQS, details of which are set out in paragraph 6.1.1 of Part 8 of this Prospectus
“Investment Manager”, “NCIM” or “New City Investment Managers”	CQS Asset Management Limited, which trades under the name of New City Investment Managers
“ISA”	an individual savings account
“Issue”	the Placing and Open Offer
“Issue Price”	100p per £1 nominal of CULS, being the price at which the CULS is being offered pursuant to the Placing and Open Offer
“Listing Rules”	the listing rules made by the FSA pursuant to section 73A of FSMA
“London Stock Exchange”	London Stock Exchange plc
“LSE Admission Standards”	the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for, securities admitted to the Main Market
“Main Market” or “London Stock Exchange’s Main Market”	the London Stock Exchange’s market for larger and established companies, being a regulated market for the purposes of Directive 2004/39/EC, the “Markets in Financial Instruments Directive”
“Member Account ID”	the identification code or number used in CREST to identify a particular CREST member or other CREST participant
“Minimum Net Issue Proceeds”	the minimum Net Issue Proceeds
“Money Laundering Regulations”	the Money Laundering Regulations 2007
“NAV”	the net asset value of the Company as calculated by the Company in accordance with the Company’s normal accounting policies (with the net asset value per Ordinary Share being calculated by dividing the net asset value of the Company by the number of Ordinary Shares in issue on the relevant date)
“Net Issue Proceeds”	the proceeds of the Issue after deducting the costs payable by the Company in connection with the Issue
“Participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or CREST participant
“Official List”	the list maintained by the UK Listing Authority pursuant to Part VI of FSMA
“Open Offer”	the open offer to Qualifying Shareholders for subscription of CULS on and subject to the terms and conditions set out in this Prospectus (and, where applicable, the Application Form)
“Open Offer Entitlement”	the entitlement of a Qualifying Shareholder to apply for £0.22435897 nominal of CULS for each Ordinary Share held by them at the Record Date (but excluding, for the avoidance of doubt, CULS pursuant to the Excess Application Facility), on and subject to the terms of the Open Offer, including the right to scale back the size of the Issue so that the nominal amount of CULS issued pursuant to the Issue does not exceed an amount equal to 25 per cent. (or, at the Board’s discretion, 20 per cent.) of Shareholders’ funds at the Calculation Date

“Ordinary Shares”	ordinary shares of 25p each in the capital of the Company
“Placees”	any persons who have conditionally agreed or shall agree to subscribe for CULS pursuant to the Placing subject to claw back to satisfy valid applications by Qualifying Shareholders pursuant to the Open Offer
“Placing”	the conditional placing of up to £40 million nominal of CULS by Canaccord Genuity on behalf of the Company pursuant to the Placing Agreement, including, where appropriate, the Firm Placing
“Placing Agreement”	the conditional placing and offer agreement between the Company, CQS, the Investment Manager and Canaccord Genuity, details of which are set out in paragraph 7.1 of Part 8 of this Prospectus
“Prospectus”	this document, including the information incorporated by reference into this document by paragraphs 2.2, 2.4, 3.2 and 3.4 of Part 6 of this Prospectus
“Prospectus Rules”	the prospectus rules made by the FSA pursuant to section 73A of FSMA
“Qualifying CREST Shareholders”	Qualifying Shareholders holding Ordinary Shares in uncertificated form in CREST
“Qualifying non-CREST Shareholders”	Qualifying Shareholders holding Ordinary Shares in certificated form
“Qualifying Shareholders”	holders of Ordinary Shares (other than Excluded Shareholders) on the Register at the Record Date
“Receiving Agent”, “Registrar” or “Equiniti”	Equiniti Limited
“Record Date”	6.00 p.m. on Friday, 26 August 2011
“Register”	the register of members of the Company
“Resolution”	the resolution to be proposed at the General Meeting in connection with the Issue
“RIS”	a regulatory information service that is on the list of regulatory information services maintained by the FSA
“RPI”	the UK retail prices index (all items), using the monthly index numbers
“Savings Plans”	the New City Investment Managers ISA and New City Investment Managers Investment Plan administered by Halifax Share Dealing Limited
“Savings Plans Application Form”	the personalised application form for use by Savings Plans Participants in connection with the Open Offer accompanying, where relevant, this Prospectus
“Savings Plans Participants”	beneficial owners of Ordinary Shares held through one or more of the Savings Plans
“Shareholders”	holders of Ordinary Shares
“SIPP”	a self-invested personal pension
“SSAS”	a small self-administered scheme
“Trust Deed” or “CULS Trust Deed”	the trust deed proposed to be entered into between the Company and the Trustee constituting the CULS, the principal terms of which are summarised in Part 3 of this Prospectus
“Trustee”	the trustee from time to time of the CULS, which on the issue of the CULS will be The Law Debenture Trust Corporation p.l.c.
“UK GAAP”	UK generally accepted accounting practice

“UK Listing Authority”	the FSA acting in its capacity as competent authority for the purposes of Part VI of FSMA
“uncertificated form”	recorded in the Register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America (including each of its states and the District of Columbia), its territories, possessions and other areas subject to its jurisdiction
“US Person”	any “US Person” as such term is defined in Regulation S under the US Securities Act
“US Securities Act”	the United States Securities Act of 1933 (as amended)
“VAT”	value added tax

Notes:

- 1. All references to “£”, “sterling” and “pence” (including the abbreviation “p”) are to the lawful currency of the United Kingdom.*
- 2. All references in this Prospectus to 26 August 2011 should be regarded as being references to the latest practicable date prior to the publication of this Prospectus.*

PART 10

NOTICE OF GENERAL MEETING

City Natural Resources High Yield Trust plc

*(Incorporated in England and Wales with registered number 2978531;
an investment company under section 833 of the Companies Act 2006)*

Notice is hereby given that a general meeting of City Natural Resources High Yield Trust plc will be held at 11.00 a.m. on Friday, 23 September 2011 at the offices of Maclay Murray & Spens LLP at One London Wall, London EC2Y 5AB, for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as a special resolution:

Special Resolution

THAT, subject to and conditional upon the proposed issue of up to £40 million nominal of convertible unsecured loan stock 2018 (the “CULS”) as described in the prospectus of the Company dated 31 August 2011 of which this notice forms part (the “Prospectus”) becoming unconditional in all respects (other than as regards any condition relating to the passing of this resolution):

- (i) in addition to any existing authorisation granted to the directors of the Company (the “Directors”), the Directors be and they are hereby unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the “Act”), to exercise the powers of the Company to grant Conversion Rights in connection with the Issue up to a maximum nominal amount of £40 million, provided that such authorisation shall (unless previously renewed, varied or revoked) expire on 7 October 2011, save that the Company may before the expiry of such authorisation make an offer or enter into an agreement which would or might require Conversion Rights to be granted after the expiry of such authorisation and the Directors are authorised to grant such rights in pursuance of such an offer or agreement as if the authorisation had not expired;
- (ii) in accordance with section 571 of the Act, section 561 of the Act does not apply to the grant of Conversion Rights pursuant to the authorisation conferred by sub-paragraph (i) of this resolution provided that this sub-paragraph (ii) shall cease to have effect when such authorisation is revoked or would (if not renewed) expire, save that the Company may before the expiry of such authorisation make an offer or enter into an agreement which would or might require Conversion Rights to be granted after the expiry of such authorisation and, notwithstanding the expiry of this sub-paragraph (ii), the Directors may grant such rights in pursuance of such an offer or agreement; and
- (iii) a temporary increase in the maximum level of borrowings permitted under the Company's investment policy to an aggregate of the amount drawn down under the Bank Facility at Admission and the nominal amount of the CULS issued pursuant to the Issue be approved, provided that:
 - (a) the nominal amount of the CULS issued pursuant to the Issue does not exceed 25 per cent. of the value of Shareholders' funds at the Calculation Date; and
 - (b) such temporary increase shall expire five business days after the date on which Admission occurs, at which time there must be no borrowings under the Bank Facility;

and words and expressions defined in the Prospectus have the same meanings when used in this resolution.

By order of the Board
F&C Asset Management plc
Company Secretary

Registered Office
Exchange House
Primrose Street
London
EC2A 2NY

31 August 2011

Notes

1. *Website Giving Information Regarding the General Meeting*

Information regarding the General Meeting, including the information required by section 311A of the CA 2006, is available from http://www.ncim.co.uk/cnr_top.php.

2. Entitlement to Attend and Vote

Only those members registered on the Register at 6.00 p.m. on Wednesday, 21 September 2011 (or, if the General Meeting is adjourned, at 6.00 p.m. on the day two working days prior to the adjourned meeting) shall be entitled to attend and vote at the General Meeting in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the Register after 6.00 p.m. on Wednesday, 21 September 2011 (or, if the General Meeting is adjourned, at 6.00 p.m. on the day two working days prior to the adjourned meeting) shall be disregarded in determining the rights of any person to attend, speak and vote at the General Meeting. A member wishing to attend the General Meeting in person should register, on arrival at the venue for the General Meeting (the offices of Maclay Murray & Spens LLP at One London Wall, London EC2Y 5AB), attendance with the Company's registrar, Equiniti Limited (the "Registrar").

3. Appointment of Proxies

- 3.1 A member of the Company at the time set out in note 2 above is entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the General Meeting. A proxy does not need to be a member of the Company but must attend the General Meeting to represent the member. A proxy may only be appointed using the procedures set out in these notes and the notes on the Form of Proxy.
- 3.2 A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Ordinary Shares. A member cannot appoint more than one proxy to exercise rights attached to the same Ordinary Shares. If a member wishes to appoint more than one proxy, they should contact the Registrar on 0871 384 2965. Calls to this number cost 8p per minute (excluding VAT) from a BT landline, other providers' costs may vary. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday. Overseas shareholders should call +44 121 415 0214.
- 3.3 Appointment of a proxy will not preclude a member from attending the General Meeting and voting in person.
- 3.4 A person who is not a member of the Company but has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 7 below.

4. Appointment of Proxy Using Hard-copy Form of Proxy

The notes on the Form of Proxy explain how to direct a proxy how to vote, or abstain from voting, on the resolution. To appoint a proxy using the Form of Proxy, the Form of Proxy must be completed and signed and sent or delivered to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZR, so as to be received by the Registrar no later than 11.00 a.m. on Wednesday, 21 September 2011. Any power of attorney or other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.

5. Appointment of Proxies through CREST

- 5.1 CREST members who wish to appoint a proxy or proxies for the General Meeting by utilising the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual, which can be reviewed at www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- 5.2 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must be transmitted so as to be received by the Company's agent, Equiniti Limited (Issuer's Agent ID: RA19), by 11.00 a.m. on Wednesday, 21 September 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- 5.3 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 5.4 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. Appointment of Proxy by Joint Members

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register in respect of the joint holding (the first-named being the most senior).

7. Nominated Persons

A person who has been nominated under section 146 of the CA 2006 to enjoy information rights (a “**Nominated Person**”):

- (i) may have a right under an agreement between the Nominated Person and the member of the Company who has nominated them to have information rights (the “**Relevant Member**”) to be appointed or to have someone else appointed as a proxy for the General Meeting; and
- (ii) if they either do not have such a right or if they have such a right but do not wish to exercise it, may have a right under an agreement between them and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.

A Nominated Person’s main point of contact in terms of their investment in the Company remains the Relevant Member (or, perhaps, their custodian or broker) and they should continue to contact them (and not the Company) regarding any changes or queries relating to their personal details and their interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from the Nominated Person.

8. Questions at the General Meeting

Under section 319A of the CA 2006, the Company must cause to be answered any question relating to the business being dealt with at the General Meeting put by a member attending the General Meeting unless (i) answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information, (ii) the answer has already been given on a website in the form of an answer to a question or (iii) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.

9. Issued Shares and Total Voting Rights

As at 6.00 p.m. on 26 August 2011, the Company’s issued share capital comprised 66,857,143 Ordinary Shares, none of which were held in treasury. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 26 August 2011 was 66,857,143.

10. Disclosure Obligations

Any person holding 3.0 per cent. or more of the total voting rights of the Company who appoints a person other than the chairman of the General Meeting as their proxy will need to ensure that both they and their proxy complies with their respective disclosure obligations under the Disclosure and Transparency Rules.

11. Communication

Any electronic address provided either in this notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the Company may not be used for any purposes other than those expressly stated.