

This document is important. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document, which comprises an AIM admission document is drawn up in compliance with the AIM Rules and the POS Regulations, although it does not constitute a prospectus pursuant to the POS Regulations. Accordingly, a copy of this document has not been, and will not be, delivered to the Registrar of Companies in England and Wales for registration under Rule 4(2) of the POS Regulations. This document does not constitute an offer to the public within the meaning of the POS Regulations or otherwise. No securities are being made available to the public pursuant to the Placing.

To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and there is no information the omission of which is likely to affect the import of such information. The Directors, whose names are set out in Section 3 of Part 1 of this Admission document, accept responsibility for the contents of this document accordingly.

Application has been made for the whole of the issued ordinary share capital of the Company and issued warrants immediately following the Placing to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that Admission will become effective and that dealings in the issued ordinary share capital of the Company and the Warrants will commence on 31 May 2005.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with larger or more established companies tends to be attached. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with his or her own independent financial adviser. The London Stock Exchange plc has not itself examined or approved the contents of this document.

RAB SPECIAL SITUATIONS COMPANY LIMITED

(a closed-ended company incorporated with limited liability under the laws of Guernsey under registration number 43060)

Placing of up to 40,000,000 Shares at 100p per Share and of 2 half Warrants for every Share and Admission to trading on AIM Nominated Adviser and Broker Collins Stewart Limited

Application has been submitted for consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1989 for the Company to raise up to £300 million by the issue of the Securities and for the circulation of this document. In giving its consent, neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council accepts any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard thereto.

Collins Stewart Limited is authorised and regulated in the United Kingdom by the Financial Services Authority and is acting exclusively for RAB Special Situations Company Limited and no-one else in connection with the Placing and Admission. Collins Stewart Limited will not regard any other person as its customer or be responsible to any other person for providing the protection afforded to customers of Collins Stewart Limited nor for providing advice in relation to the transactions and arrangements detailed in this document. Collins Stewart Limited is not making any representation or warranty, express or implied, as to the contents of this document.

Collins Stewart Limited has been appointed as nominated adviser and broker to the Company. In accordance with AIM Rules, Collins Stewart Limited has confirmed to the AIM that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by Collins Stewart Limited for the accuracy of any information or opinions contained in this document or for the omissions of any material information, for which it is not responsible.

This document should not be distributed, published, reproduced or otherwise made available in whole or in part or disclosed by recipients to any other person and, in particular, should not be distributed to persons with addresses in Canada, Australia, Japan or in any other country outside the United Kingdom where such distribution may lead to a breach of any law or regulatory requirements. No securities commission or similar authority in Canada has in any way passed on the merits of the securities offered hereunder and any representation to the contrary is an offence. No document in relation to the Placing has been, or will be, lodged with, or registered by, The Australian Securities and Investments Commission, and no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Placing or the Securities. Accordingly, subject to certain exceptions, the Securities may not, directly or indirectly, be offered or sold within Canada, Australia or Japan or offered or sold to a resident of Canada, Australia or Japan.

The Shares, the Warrants and any Shares that may be issued pursuant to the Warrants have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "US Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, any US Person as that term is defined in Regulation S under the US Securities Act and in this document. The Company and the New Master Fund have not been registered and will not register under the United States Investment Company Act of 1940, as amended (the "US Investment Company Act").

The Company may force a shareholder to sell or may repurchase any Securities sold in contravention of any of the prohibitions contained in this Admission Document. In addition, the Company may force a shareholder to sell or may repurchase the Securities of any investor at any time if, at the Directors' discretion, (a) they believe such sale or repurchase would be appropriate to protect the Company from a requirement to register as an Investment Company under the US Investment Company Act, from adverse tax consequences or from other adverse legal or regulatory consequences or (b) such sale or repurchase would be appropriate to avoid the Investment Manager's being required to register as an Investment Adviser under the US Investment Advisers Act or (c) for purposes of the Investment Manager's retaining the applicable exemption from certain disclosure, record keeping and reporting obligations claimed under the US Commodity Exchange Act. The Company also may refuse to register a transfer of Securities on the foregoing grounds. The Company also may require information from any investor.

The Placing is conditional, *inter alia*, on Admission taking place on or before 31 May 2005 (or such later date as the Company and Collins Stewart Limited may agree). The Shares will rank in full for dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all respects with all other Shares which will be in issue on Admission.

Copies of this document which is dated 24 May 2005 will be available free of charge to the public during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the registered office of the Company and from the offices of Collins Stewart Limited, 9th Floor, 88 Wood Street, London EC2V 7QR from the date of Admission for not less than one month thereafter. Attention is drawn to the risks associated with an investment in the Securities, which are set out on page 2 and in Part 2 of this document.

NOTICE

The attention of potential investors is drawn to the Risk Factors set out in Part 2 of this Admission Document.

Investment in the Company will involve certain risks and special considerations:

- (1) Investors should be able and willing to withstand the loss of their entire investment.
- (2) The investments of the Company are subject to market fluctuations and the risks inherent in all investments and there can be no assurance that an investment will retain its value or that appreciation will occur.
- (3) The price of the Securities can go down as well as up.

Placing size

Individual applications under the Placing must be for a minimum of £25,000. The Directors may in their absolute discretion waive the minimum application requirements in respect of any particular application under the Placing. The maximum number of Securities available under the Placing should not be taken as an indication of the number of Securities expected finally to be issued.

Company structure

The Company is a closed-ended company governed by the provisions of the Companies Laws.

General

No broker, dealer or other person has been authorised by the Company, its Directors or Collins Stewart Limited to issue any advertisement or to give any information or to make any representation in connection with the offering or sale of the Securities other than those contained in this Admission Document and, if issued, given or made, any such advertisement, information or representation must not be relied upon as having been authorised by the Company, its Directors or Collins Stewart Limited.

This Admission document does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for any Securities by any person in any jurisdiction (i) in which such offer or invitation is not authorised; or (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation.

Prospective investors should not treat the contents of this Admission Document as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, repurchase or other disposal of Securities; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, repurchase or other disposal of Securities which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, repurchase or other disposal of Securities. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment and other related matters concerning the Company and an investment therein.

Statements made in this Admission Document are based on the law and practice currently in force in Guernsey and in England and Wales and are subject to changes therein.

This Admission Document should be read in its entirety before making any application for Securities.

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DIRECTORY

RAB SPECIAL SITUATIONS COMPANY LIMITED

Registered Office

No. 1 Le Truchot
St. Peter Port
Guernsey
GY1 4AE

Directors

Quentin Spicer (*Chairman*)
Peter Hodson
Christopher Wetherhill
Nicholas Wilson

Investment Manager

RAB Capital plc
No. 1 Adam Street
London WC2N 6LE
England

Administrator

Collins Stewart Fund Management Limited
No. 1 Le Truchot
St. Peter Port
Guernsey
GY1 4AE

Prime Broker

Credit Suisse First Boston (Europe) Limited
One Cabot Square
London E14 4QA
England

Registrar

Capita IRG (CI) Limited,
Landes du Marche Chambers
Vale
Guernsey
GY1 3TY

Nominated Adviser and Broker

Collins Stewart Limited
9th Floor 88 Wood Street
London EC2V 7QR

Reporting Accountants and Tax Advisers

RSM Robson Rhodes LLP
186 City Road
London EC1V 2NU

Auditors

RSM Robson Rhodes
40 Esplanade
St Helier
Jersey
JE4 9RJ

Legal Advisers to the Company and Nominated Adviser and Broker:

As to English law:
Norton Rose
Kempson House
Camomile Street
London EC3A 7AN
England

As to Guernsey law:
Carey Olsen
7 New Street
St Peter Port
Guernsey
GY1 4BZ

PLACING STATISTICS AND EXPECTED TIMETABLE

Placing price	100 pence
Dealings in Shares and Warrants on AIM expected to commence	31 May 2005
CREST Accounts expected to be credited in respect of Shares and Warrants issued in uncertificated form	31 May 2005
Certificates in respect of Shares and Warrants issued in certificated form expected to be despatched	7 June 2005
Number of Shares being placed	40,000,000
Number of Warrants being placed	40,000,000
Maximum number of Shares in issue on exercise of all the Warrants	80,000,000

DEFINITIONS

“Act”	the Companies Act 1985, as amended;
“Administration Agreement”	the agreement dated 23 May 2005 between the Company and the Administrator, under which the Administrator is given responsibility for providing administrative and secretarial services to the Company;
“Administrator”	Collins Stewart Fund Management Limited;
“Admission”	the admission of the issued and to be issued share capital of the Company and the Warrants to be allotted and issued by it to trading on AIM becoming effective accordance with the AIM Rules;
“AIM”	a market operated by the London Stock Exchange;
“AIM Rules”	the rules for AIM companies and their nominated advisers published by the London Stock Exchange;
“Articles”	the Articles of Association of the Company;
“Auditors”	RSM Robson Rhodes;
“Business Day”	any day on which AIM and banks are open for business in London and Guernsey;
“CEA”	the US Commodity Exchange Act;
“CFTC”	the US Commodity Futures Trading Commission;
“City Code”	the City Code on Takeovers and Mergers;
“Closing NAV”	means the Net Asset Value of the Company before deduction of any accrued Performance Fee at the Closing NAV Date;
“Closing NAV Date”	means the date at which a Closing NAV is calculated;
“Company”	RAB Special Situations Company Limited;
“CPO”	commodity pool operator;
“Companies Laws”	The Companies (Guernsey) Laws 1994 and 1996, as amended;
“CREST”	the computerised settlement system (being the relevant system as defined in the Uncertificated Securities Regulations 2001 (S.I. 2001/3755)) to facilitate the transfer of title of shares in uncertificated form operated by CRESTCo Limited;
“CRESTCo”	CRESTCo Limited;
“CREST Agent”	the Registrar;
“CREST Guernsey Requirements”	Rule 8 and such other rules and requirements of CRESTCo as may be applicable to issuers as from time to time specified in the CREST Manual;
“CREST Manual”	the compendium of documents entitled CREST Manual issued by CRESTCo from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, CREST Rules, CCSS Operations Manual and the CREST Glossary of Terms;
“CSFB”	Credit Suisse First Boston (Europe) Limited;
“CTA”	commodity trading adviser;

“Directors” or “Board”	the members of the board of directors of the Company for the time being and any duly constituted committee thereof and any successors to such members as may be appointed from time to time;
“Directors of the New Master Fund”	means the members of the board of directors of the New Master Fund;
“Existing RAB Special Situations Fund”	RAB Special Situations LP, a limited partnership formed in Delaware on 1 January 2000;
“Financial Year”	a financial year of the fund being 1 January to 31 December in each year except that, for the purposes of calculating any performance fee, the first financial year shall be deemed to start on the Business Day immediately following the date of Admission and end on 31 December 2005 and the last financial year shall be deemed to end on the date the Investment Management Agreement is terminated or the Company is wound up or all the Shares are repurchased as applicable;
“FSA”	the Financial Services Authority of the United Kingdom;
“Funds”	the Company and the New Master Fund;
“High Watermark NAV”	the highest of (i) the High Watermark NAV of the Company for the prior Financial Year plus net proceeds from intra year issues less total costs of intra year repurchases; and (ii) the Opening NAV plus net proceeds from intra year issues less total costs of intra year repurchases;
“Initial Gross Proceeds”	£40,000,000;
“Investee Fund”	in relation to the Company, a fund in which the Investment Manager invests any part of the Company’s assets including the New Master Fund and, in relation to the New Master Fund, a fund in which the Investment Manager invests any part of the New Master Fund’s assets;
“Investment Management Agreement”	the agreement dated 23 May 2005 between the Company and the Investment Manager, under which the Investment Manager is given responsibility for the discretionary management of the Fund’s assets;
“Investment Management Fee”	the fee paid by the Company to the Investment Manager as described in Part 1 Section 4 of the Admission Document;
“Investment Manager”	RAB Capital plc;
“Net Asset Value per Share”	the Net Asset Value of the Company, divided by the number of Shares in issue and expressed in Sterling;
“Net Asset Value”	the net asset value of the Company determined in accordance with Part 1 Section 7 of this Admission Document;
“New Master Fund”	RAB Special Situations (Master) Fund Limited;
“NFA”	the US National Futures Association;
“Opening NAV”	means the Net Asset Value of the Company at the end of the prior Financial Year or, in the case of the first issue of Shares, the Net Asset Value of the Company at the date of Admission;

“Performance Fee”	the performance fee payable by the Company to the Investment Manager described in Part 1, Section 4 of this Admission Document;
“Placing”	the placing of up to 40,000,000 Shares and of 2 half Warrants for every Share by Collins Stewart Limited at the Placing Price of 100 pence per share;
“Placing Agreement”	the agreement dated 24 May 2005 between the Company, the Directors, the Investment Manager and Collins Stewart Limited, under which Collins Stewart Limited agrees to use reasonable endeavours to procure subscribers for the Shares and Warrants;
“Placing Price”	100 pence;
“Pounds Sterling” or “£” or “Sterling”	the lawful currency of the United Kingdom;
“Prime Broker and Custodian”	Credit Suisse First Boston (Europe) Limited;
“Prime Brokerage Agreement”	the agreement dated 23 May 2005 between the Company and CFSB, which incorporates certain specified clauses of CSFB’s terms and conditions, under which CSFB agreed to provide prime brokerage services to the Company;
“Registrar”	Capita IRG (CI) Limited;
“Regulatory Information Services Provider”	a Primary Information Provider which has been approved by the FSA to disseminate regulatory information to the market;
“SEC”	the US Securities and Exchange Commission;
“Securities”	the Shares, the Warrants or any Shares issued pursuant to the Warrants;
“Shares” or “Ordinary Shares”	the ordinary shares of 1 pence par value in the capital of the Company issued at 100 pence per share pursuant to the Placing;
“Shareholder”	a person recorded as a holder of Shares in the Company’s register of Shareholders;
“Taxes Act”	the Income and Corporation Taxes Act 1988 (as amended) of the United Kingdom;
“UK”	the United Kingdom of Great Britain and Northern Ireland;
“United States” or “US”	the United States of America (including the states and District of Columbia) and any of its territories, possessions and other areas subject to its jurisdiction;
“US Dollar” or “\$” or “Dollar”	the lawful currency of the United States;
“US Investment Company Act”	United States Investment Company Act of 1940, as amended;
“US Person”	a citizen or resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States or any person (i) falling within the definition of the term “United States Person” in Regulation S promulgated under the US Securities Act or (ii) who is not a “Non-United States person” as that term is defined in Rule 4.7 promulgated under the CEA;
“US Securities Act”	the United States Securities Act of 1933, as amended; and
“Warrants”	warrants to subscribe in Shares on the terms summarised in Part 3 of this Admission Document.

PART 1 – INFORMATION ABOUT THE COMPANY

1. Principal Features

The following is a summary of the principal features of the Company and should be read in conjunction with the full text of this Admission Document. THE PARTICULAR ATTENTION OF POTENTIAL INVESTORS IS DRAWN TO:

- (a) THE RISK FACTORS SET OUT IN PART 2 OF THIS DOCUMENT; AND
- (b) THE EXISTENCE OF A CONCERT PARTY (AS DEFINED BY THE CITY CODE) WHICH WILL HAVE A CONTROLLING INTEREST FOLLOWING ADMISSION. DETAILS OF THIS CONCERT PARTY ARE SET OUT IN PARAGRAPH 4 OF PART 5 ON PAGE 62.

The Shares and Warrants are only suitable for investors who understand, or who have been advised of, the potential risk of capital loss from an investment in the Shares and Warrants and that there may be limited liquidity in both the Shares and Warrants and the underlying investments of the Company and the New Master Fund, and for whom an investment in the Shares and Warrants is part of a diversified investment portfolio and who fully understand and are willing to assume the risks involved with an individual investment in such a portfolio.

Structure

The Company is a company incorporated on 18 April 2005 with registration number 43060 with limited liability in Guernsey as a closed-ended investment company established to provide a listed entity for investors to gain an exposure to the investment strategy that has been pursued by the Existing RAB Special Situations Fund.

The Company intends, subject to maintaining appropriate levels of liquidity, initially to invest up to 100 per cent. of all of its assets directly in shares of the New Master Fund. Any assets that are not so invested are intended to be invested in new investment opportunities consistent with the Company's investment objective. However, the Company may in the future reduce the level of its investment in the New Master Fund or cease altogether to invest in it. The Company has the power to redeem shares in the New Master Fund, such power to be exercised in accordance with the articles of the New Master Fund.

The New Master Fund was incorporated with limited liability in the Cayman Islands as an exempted company on 19 April 2005 with registration number 147810. It is intended that the assets in which the Existing RAB Special Situations Fund has invested will be transferred to the New Master Fund by the end of May, and the existing limited partners of the Existing RAB Special Situations Fund will indirectly obtain shareholdings in the New Master Fund. It is intended that the Company will invest in shares in the New Master Fund on 1 June or such later date, at the absolute discretion of the Directors. Following the transfer, the portfolio of the New Master Fund will have the same characteristics as the Existing RAB Special Situations Fund. It will be managed by the Investment Manager and the New Master Fund will adopt the same strategy and approach as the Existing RAB Special Situations Fund.

The Existing RAB Special Situations Fund is a limited partnership formed in Delaware on 1 January 2000 and is also managed by the Investment Manager. The Existing RAB Special Situations Fund has pursued the investment objective, approach and strategies described in this Admission Document since 1 January 2003. Prior to 1 January 2003, the Existing RAB Special Situations Fund had an entirely different strategy from that currently pursued.

In the period from 1 January 2003 to 30 April 2005 the Existing RAB Special Situations Fund has produced a return of in excess of 2200 per cent., and in 2004 the return was 49 per cent. Historic information about the Existing RAB Special Situations Fund should not, however, be considered to be an indication of the future performance of the Company or the New Master Fund, even to the extent that the New Master Fund is made up of investments that have been transferred from the Existing RAB Special Situations Fund. As at 30 April 2005, the Existing RAB Special Situations Fund had a net asset value of \$558.3 million.

The Existing RAB Special Situations Fund has since 1 January 2003 generally focused its investments in natural resources related equity investments. As at 31 March 2005, of funds invested, 42 per cent. were in precious metal related investments, 27 per cent. in base metal related investments, 25 per cent. in energy related investments and 6 per cent. in investments in other sectors. In addition to investments in listed securities, the Existing RAB Special Situations Fund has holdings in unlisted investments, which are generally valued at the cost of investment or the price at which any recent transaction in the security may have been effected, and unlisted warrants, which are generally valued at intrinsic value (market value of underlying equity less strike). These, in aggregate, represented 13 per cent. of the total asset value of the Existing RAB Special Situations Fund as at 31 March 2005.

In its role as the Investment Manager of the Funds and the Existing RAB Special Situations Fund, the Investment Manager expects that it will initially continue to focus on natural resources related investments. In the Investment Manager's view, potential returns from natural resources related investments will continue to be influenced by strong levels of demand for natural resources combined with the effect of a decline in exploration activities over the last decade. The Investment Manager will, however, adapt the strategy to invest where it anticipates the greatest opportunities arising.

The past performance of the Existing RAB Special Situations Fund is not indicative of the future performance of the Company or the New Master Fund.

Investment Objective

The investment objective of each of the Funds is to achieve maximum total returns primarily through the capital appreciation of its investments.

Investment Approach

The Company seeks to achieve its investment objective by investing up to 100 per cent. of all of its assets directly in the shares of the New Master Fund and by investing (including taking short positions) any remaining assets directly in a wide range of securities and other instruments.

Each of the Funds will confer on the Investment Manager maximum flexibility to exploit a very wide range of investment opportunities as they arise. The Investment Manager will search throughout the global markets for investment opportunities, evaluate their risk and profit potential, and invest when it deems appropriate. There are no material limitations on the investment strategies that the Investment Manager may employ on behalf of the Funds or the instruments, markets or countries in which the Fund may invest or trade.

The Investment Manager believes that the investment and trading opportunities available to the Funds will be varied and diverse. The Investment Manager has complete flexibility in selecting the investment and trading strategies implemented by the Funds, and intends to make investments that, in its opinion, present the best opportunities. The Investment Manager is not limited to trading any specific instruments or pursuant to any specific investment or trading strategies.

The Placing

Subject to Admission, the Company is to place up to 40,000,000 Shares at the Placing Price and 40,000,000 Warrants, which will raise up to £40,000,000 (before expenses). Under the Placing for each Share subscribed for, a subscriber will receive one half A Warrant and one half B Warrant. The Warrants have an accelerated call feature. Further details of the Warrants are set out in Part 3 of this Admission Document. The net proceeds from the placing of the Securities will be invested by the Company in accordance with the investment strategy.

Under a placing agreement dated 24 May 2005, conditional upon, *inter alia*, Admission, Collins Stewart Limited has agreed to use reasonable endeavours to procure subscribers for the Shares and the Warrants proposed to be issued by the Company at the Placing Price (without itself being obliged to subscribe for the Shares and Warrants). The Placing is not being underwritten.

The Placing Agreement contains, subject to certain limitations (including as to the amounts of claims that may be made against the Directors), certain indemnities, warranties and undertakings from the Company, the Directors and the Investment Manager in favour of Collins Stewart Limited

together with provisions which enable Collins Stewart Limited to terminate the Placing Agreement in certain circumstances prior to Admission, including in circumstances where any warranties are found not to be true or accurate in any material respect and in the event of certain force majeure events. If Admission takes place, Collins Stewart Limited will receive a commission of 4 per cent. of the proceeds of the Placing (before expenses), a corporate finance fee of £250,000 and an option to acquire at the Placing Price shares equivalent to 1 per cent. of the Shares in issue on Admission.

If Admission does not take place on or before 31 May 2005 or such later date as the Company and Collins Stewart Limited may agree, not being later than 7 June 2005, the obligations of Collins Stewart Limited will terminate. The Company will meet all fees and expenses associated with the Placing.

The minimum investment per subscriber is £25,000, subject to the Directors' discretion to waive such minimum investment requirement.

The Securities have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons.

The Company and the New Master Fund have not been registered and will not be registered under the US Investment Company Act. The Securities are being offered and sold only outside the United States in an "offshore transaction" within the meaning of Regulation S. Collins Stewart Limited has agreed that it will not offer or sell the Securities as part of its distribution or otherwise within the United States or to, or for the account or benefit of, US Persons, and it will have sent to each dealer to which it sells Securities a confirmation or other notice setting forth the restrictions on offers and sale of the Securities in the United States or to, or for the account or benefit of, US Persons. The Company intends to exclude investors in the Company who are US Persons as that term is defined in Regulation S and in this document and may in its sole discretion refuse to accept any investments in the Company in whole or in part. The Company also may repurchase or force sale of Securities held by US Persons, under its general discretion. Irrespective of the foregoing, until 40 days after the closing of the offering, an offer or sale of Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the US Securities Act. Terms used in this paragraph not otherwise defined have the meanings given to them by Regulation S under the US Securities Act.

It is intended that subsidiaries of the Investment Manager will subscribe £11,800,000, the Investment Manager as trustee of the WPSR sub trust will subscribe £1,000,000 and the Investment Manager as trustee of the MUAAB sub trust will subscribe £1,000,000, in the Placing. Further details of the shareholdings (and the impact of the City Code on these) are set out in paragraph 4 of Part 5 on page 62.

Fees and Expenses

Formation and Initial Expenses

The formation and initial expenses of the Company are those which are necessary for the incorporation of the Company and the Placing. These expenses will be paid on or around Admission. Such expenses will be immediately written off in the first year of incorporation and will include fees payable under the Placing Agreement (described above), registration, listing and admission fees, printing, advertising and distribution costs and legal fees and any other applicable expenses. The formation and initial expenses, including the placing commission payable to Collins Stewart Limited, will be approximately 5 per cent. of the Initial Gross Proceeds.

Ongoing and Annual Expenses

The Company will also incur ongoing annual expenses. These expenses will include the following:

(i) *Investment Manager*

The Investment Manager will be entitled to a management fee, payable in arrears, of up to 1/2 of 2 per cent. per month of the Net Asset Value (before deduction of that month's Investment Management Fee and before deduction of any accrued Performance Fee) of the Company. The

Investment Manager is also entitled to reimbursement of certain expenses incurred by it in connection with its duties and to a performance fee equal to 20 per cent. of the increase in the Company's Net Asset Value, subject to certain adjustments, as described in Part 1, Section 4 of this document. The Investment Management Agreement is terminable on 90 days' notice after two years of its commencement.

(ii) *Administrative Services*

The Administrator will perform the necessary secretarial and administrative services for the Company under the Administration Agreement. The Administrator will be paid an annual fee of 0.1 per cent. of the Net Asset Value of the Company, subject to a minimum annual fee of £100,000. The Administrator is also entitled to reimbursement of certain expenses incurred by it in connection with its duties. The Administration Agreement is terminable on 90 days' notice.

(iii) *Collins Stewart Limited*

Under an engagement letter dated 23 May 2005 between the Company and Collins Stewart Limited, Collins Stewart Limited has agreed to act as nominated adviser and broker to the Company for the purposes of the AIM Rules for an annual fee of £35,000. The appointment may be terminated by either party on written notice and the letter contains certain indemnities given by the Company in favour of Collins Stewart Limited.

(iv) *Directors*

Each Director will be paid a fee of £15,000 per annum (£20,000 for the Chairman).

(v) *Prime Broker and Custodian*

The Prime Broker and Custodian will receive from the Company such fees as may be agreed with the Company from time to time. The Prime Broker and Custodian will receive prime brokerage fees at normal commercial rates which are based upon a combination of transaction charges and interest costs. The Prime Broker and Custodian charges interest on debit balances at a rate agreed with the Company. The Prime Broker and Custodian will not receive a separate fee for its custodial services.

(vi) *Other Operational Expenses*

The Company also pays the costs and expenses of (i) all transactions carried out by it or on its behalf and (ii) the administration of the Company including (a) the charges and expenses of legal advisers and independent auditors, (b) brokers' commissions (if any) and any issue or transfer taxes chargeable in connection with its investment transactions, (c) all taxes and corporate fees payable to governments or agencies, (d) communication expenses with respect to investor services and all expenses of meetings of Shareholders and of preparing, printing and distributing financial and other reports, proxy forms, admission documents and similar documents, (e) the cost of insurance for the benefit of the Directors (if any), (f) litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business and (f) all other organisational and operating expenses. These expenses will be deducted solely from the assets of the Company. All out of pocket expenses of the Investment Manager, the Administrator, the Registrar, the CREST Agent and the Directors relating to the Company will be borne by the Company.

Charges of the Funds

The Investment Manager will receive from the Company (but not from the New Master Fund) a monthly management fee as well as a performance fee in respect of its management of the Company. However, the Investment Manager will not receive a management or a performance fee in respect of its role as investment manager of the New Master Fund in respect of the Company's shareholding in the New Master Fund.

Borrowing Powers

Under its memorandum of association, the Company has the power to borrow money in any manner. It is intended that the Company will borrow no more than 20 per cent. of the value of any direct investments.

Generally, the managers of Investee Funds will be permitted to borrow in accordance with the borrowing restrictions applicable to the relevant Investee Fund. The gearing on the Existing RAB Special Situations Fund as at 30 April 2005 was 71 per cent. The gearing on the New Master Fund will match that of the Existing RAB Special Situations Fund prior to receiving cash from the Company and will decrease following the investment by the Company in the New Master Fund.

Share Repurchases

The Company may purchase Shares in the market with a view to addressing any imbalance between the supply of and demand for Shares, increasing the Net Asset Value per Share and assisting in maintaining a narrow discount to Net Asset Value per Share in relation to the price at which Shares may be trading. Any such repurchases will be made at the price prevailing in the market.

Written resolutions, which will take effect on completion of the Placing, have been passed granting the Company authority to make market purchases of up to 14.99 per cent. of its own issued Shares following the conclusion of the Placing as well as eliminating the Company's share premium account so as to create a distributable reserve out of which to fund repurchases. The Company's authority to make purchases of its own issued Shares will expire at the earlier of 18 months from the date of the resolution and the conclusion of the first annual general meeting of the Company. A renewal of the authority to make purchases of Shares will be sought from Shareholders at each annual general meeting of the Company or, more frequently, at a general meeting of Shareholders, if required. Purchases of Shares will be made within guidelines established from time to time by the Directors. The timing of any such purchases will be decided by the Directors.

In order to effect share repurchases, the Company may need to redeem part of its shareholding in the New Master Fund. The Directors of the New Master Fund will, subject to certain limitations, permit the Company to redeem all or part of its holdings of shares in the New Master Fund for cash. Redemption will be effected at the prevailing net asset value per share.

Prospective Shareholders should note that the exercise of the Company's powers to repurchase Shares is entirely discretionary and they should place no expectation or reliance on the Directors exercising such discretion on any one or more occasions.

Dividend Policy

It is not envisaged that any income or gains derived from the Company's investments will be distributed by way of dividend. This does not preclude the Directors from declaring a dividend at any time in the future to shareholders, if they consider it appropriate to do so. To the extent that a dividend is declared, it will be paid in compliance with any applicable laws.

Reports and Financial Statements

Annual financial statements will be made up to 31 December in each year and interim financial statements will be made up to 30 June in each year. An annual report and the audited financial statements of the Company will be sent to Shareholders as soon as practicable and in any event within six months of the financial year end and the interim financial statements of the Company will be sent to Shareholders as soon as practicable and in any event within three months of the half-year end.

The Company's financial statements will be prepared in accordance with the applicable UK accounting standards, with the interim financial statements presented and prepared in a form consistent with that which will be adopted in the annual financial statements.

Taxation

On the basis of current Guernsey law and practice, the Company will not be liable to taxation in Guernsey other than on Guernsey source income. Relevant bank deposits are not treated as Guernsey source for this purpose.

The Company may be subject to taxation or withholding taxes in other countries with respect to investments made in financial instruments of such countries.

Prospective applicants for Shares should consult their own advisers as to the particular tax consequences of their proposed investment in the Company.

2. Investment Objective, Approach and Strategies

Investment Objective

The investment objective of each of the Funds is to achieve maximum total returns primarily through the capital appreciation of its investments.

Investment Approach

The Company seeks to achieve its investment objective by investing up to 100 per cent. of all of its assets directly in shares of the New Master Fund and investing any remaining assets in a range of securities and other investments such as, without limitation, listed and unlisted equities, listed and unlisted warrants, debt securities (which may be rated or unrated), units or shares in other collective investment schemes, options, futures, over-the-counter derivative contracts and other derivative instruments.

Each of the Funds will confer on the Investment Manager maximum flexibility to exploit a very wide range of investment opportunities as they arise. The Investment Manager will search throughout the global markets for investment opportunities, evaluate their risk and profit potential, and invest when it deems appropriate. There are no material limitations on the investment strategies that the Investment Manager may employ on behalf of the Funds or the instruments, markets or countries in which the Funds may invest or trade.

The Investment Manager believes that the investment and trading opportunities available to the Funds will be varied and diverse. The Investment Manager has complete flexibility in selecting the investment and trading strategies implemented by the Funds, and intends to make investments that, in its opinion, present the best opportunities. The Investment Manager is not limited to trading any specific instruments or pursuant to any specific investment or trading strategies. As a result, it is possible that the nature and character of the Funds' investment portfolios may change substantially from time to time based upon the Investment Manager's view of where opportunities exist in the global marketplace. Furthermore, as a result of the Funds' opportunistic investment strategy, the expenses, risks, volatility and returns to which the Funds are subject, could vary significantly, from time to time, depending upon the investment strategies utilised by the Funds at any particular time.

Investment Strategies

The general investment strategies that the Investment Manager anticipates that it will likely use, on behalf of the Funds include, but are not limited to:

Undervalued Securities: One of the objectives of the Funds is to invest in undervalued securities where in the Investment Manager's opinion there is a mispricing of the inherent business and financial risks. The Investment Manager will seek to identify investment opportunities in undervalued securities through its research efforts, and through the access to opportunities afforded to it by its network of contacts and its recognised position in special situations investment opportunities.

Directional Strategies: The Investment Manager may take "outright" directional market positions on a case-by-case opportunistic basis. In making such investments, the Investment Manager may rely on fundamental, quantitative and/or statistical analysis, including, without limitation, third-party fundamental research, news from wire services, periodicals and internal proprietary research.

Relative Value Strategies: The Investment Manager may attempt to exploit pricing differentials between closely-related instruments. Relative value trades typically involve taking largely offsetting long and short positions in closely-related instruments, the price movements of which are anticipated to be significantly but not entirely correlated. Theoretically, if the risks inherent in a mispriced asset could be fully hedged by a short position in another fairly-priced asset, the rate of return achieved would be a function of the degree of mispricing when the position was initiated, the cost of the capital needed to maintain the position, and the length of time required for the market to correct the mispricing. However, such perfectly hedged investment opportunities are extremely rare, and the Funds must assume economic risk in such investments.

Different relative value strategies that the Funds may utilise include, without limitation, convertible bond arbitrage, statistical and volatility arbitrage, capital structure arbitrage, pairs trading, fixed income arbitrage and closed-end fund arbitrage. The types of instruments that will be traded will vary considerably depending on the strategy utilised.

Event Driven Strategies: The Investment Manager may commit a portion of the Company's and/or the New Master Fund's portfolio to event driven transactions, including mergers, acquisitions or other special situations that alter a company's financial structure or operating strategy. Merger arbitrage involves the purchase and sale of securities of companies that are involved in acquisitions, mergers, exchange offers or cash tender offers. Other event driven strategies include investing in, or in response to, spin-offs, liquidations, restructurings, extraordinary litigation and other significant, unusual or possibly non-recurring corporate events.

Universe of Investment Instruments

The Funds are permitted to invest in a wide variety of investment strategies and a wide range of asset classes, including, without limitation, common stock, equities issued at a discount, convertible securities with embedded put and call features, warrants to purchase equities, initial public offerings, high yield debt instruments (in some cases, with equity participation), bonds, derivatives, options (both exchange-traded and over-the-counter), warrants, futures contracts and options thereon, security futures contracts, commodity interests, open-ended and closed-ended investment companies, privately placed or "restricted securities" and other investment instruments. Investments may be made on both a long and short basis, and in the United States as well as other developed and emerging markets.

Certain of the over-the-counter instruments utilised by the Funds may be swaps, options, warrants and other similar derivative instruments, the returns of which are derived from the returns of an underlying collective investment vehicle or portfolio of collective investment vehicles or other indices. Additionally, the Investment Manager may, in its sole discretion, invest a portion of the Company's and/or the New Master Fund's assets directly in other unaffiliated privately offered collective vehicles and allocate Company and/or New Master Fund assets directly to separate investment accounts managed by unaffiliated portfolio managers. The fees and expenses embedded in such instruments and investments will be borne by the Funds.

New Strategies

The Investment Manager anticipates that it will continue to develop and implement new trading and investment strategies as it seeks to exploit profit and investment opportunities on a global basis. Accordingly, there are no investment restrictions or predetermined limitations on the investments that may be made by the Funds. There are no requirements with respect to diversification, or as to the type or market capitalisation of securities which the Funds may hold or buy or sell. Investments may be made for short-term or long-term investment horizons and may be on a leveraged or unleveraged basis. The Funds' respective portfolio turnovers may be substantially greater than that of similar investment vehicles. Although the Funds may buy securities that pay dividends or interest, little emphasis will be placed on dividend or interest income. The Funds may also hold cash or cash equivalents when the Investment Manager deems it appropriate, and may borrow funds on a secured or unsecured basis.

Duration of Investment Positions

The Investment Manager typically does not know (except in the case of certain bonds, options or derivatives positions which have pre-established expiration dates) the maximum or, often, even the expected (as opposed to optimal) duration of any particular position at the time of initiation. The length of time for which a position is maintained varies significantly, based on the Investment Manager's subjective judgment of the appropriate point at which to liquidate a position so as to augment gains or minimise losses.

Many of the Funds' transactions may involve acquiring related positions in a variety of different instruments or markets at or about the same time. Frequently, optimising the probability of being

able to exploit the pricing anomalies among these positions requires holding for periods of significant length – often many months to a year or more. Actual holding periods depend on numerous market factors which can both expedite and disrupt price convergences.

Risk Management

The Investment Manager seeks to identify discrete investment opportunities for the Funds that the Investment Manager believes offer superior risk/reward parameters. However, the Investment Manager reviews the risk parameters of the Funds' overall portfolios as well as the risk parameters of each investment held by the Funds and may actively manage and trade various asset classes in an effort to hedge a portion of the risks inherent in the Funds' portfolios.

The Investment Manager does not, however, attempt to hedge all market or other risks inherent in the Funds' investments. The Investment Manager has complete discretion to determine not to hedge certain risks – regardless of whether such risks relate to the Funds' overall portfolios or any particular instrument.

Hedging Policy

Currency hedging will be used by the Investment Manager in an attempt to ensure that the value of the Company's portfolio is not diminished by adverse movements in currencies. In relation to the Company's interests in the New Master Fund, the Investment Manager will subscribe for sterling denominated shares in the New Master Fund. This sterling asset within the New Master Fund along with share class hedging undertaken through the prime broker will generate gains and losses which will offset falls and rises in the value of the sterling shares against the US Dollar, the base currency of the New Master Fund. The Investment Manager reserves the right to use other hedging techniques in relation to currencies or other market instruments. The Investment Manager may also use hedging techniques in an attempt to enhance returns.

In relation to the Company's interest in any direct investments or otherwise, foreign currency or other hedging may require cash payments to be made out of the Company in order to close out hedging contracts during the life of the Company. Any such payments for the short term will generally be funded out of the Company's borrowings in respect of the Company. If closing out such contracts results in cash receipts into the Company, the Investment Manager may invest such cash in the portfolio of the Company and/or retain all or part of such cash on deposit to meet possible cash payments resulting from closing out such contracts in the future.

If cash payments out of the Company from closing out such contracts, as described above, are significant, the Investment Manager may realise part of the Company's portfolio in order to meet such payments.

Soft Commission arrangements

The Investment Manager will not effect transactions for the Company or the New Master Fund with or through the agency of another person under a soft commission arrangement.

3. Directors

Directors' Functions

The Directors are responsible for the overall management and control of the Company. The Directors will review the operations of the Company at regular meetings and it is the current intention of the Directors to meet at least quarterly. For this purpose, the Directors will receive periodic reports from the Administrator detailing the Company's performance and providing an analysis of its investment portfolio. The Administrator will provide such other information as may from time to time be reasonably required by the Directors for the purpose of such meetings.

Directors

All the Directors act in a non-executive capacity. For the purposes of this Admission Document, the address of each of the Directors is the registered office of the Company.

Below is a description of the directors of the Company:

Quentin Spicer (Chairman)

Mr Spicer is aged 60. He qualified as a solicitor with Wedlake Bell in 1968 and became a partner in 1970. He moved to Guernsey in 1996 as senior partner in Wedlake Bell Guernsey, specialising in United Kingdom property transactions for non-United Kingdom resident entities. He is Chairman of the Guernsey Housing Association LBG, Mercator Group Holdings Limited, European Value and Income Fund Limited and ISIS Property Trust 2 Limited and is a non-executive director of several other funds.

Peter Hodson

Mr Hodson is aged 53. He qualified as a solicitor with Hyman Isaacs Lewis & Mills (now Beachcroft Starkys) in 1975 and became a partner in Masons, Hong Kong in 1985. He is a qualified solicitor in Hong Kong, England and Wales and also an Accredited Mediator with the Centre for Effective Dispute Resolution (CEDR) in London and with the Hong Kong International Arbitration Centre. He moved to Guernsey in 1998 where he is now based with Hodson & Company independent fiduciary Consultants and Managers. He has had almost twenty years' experience in fiduciary services, including roles with Standard Chartered Bank and Bank of Bermuda.

Christopher Wetherhill

Mr Wetherhill is aged 56. He founded and was Chief Executive Officer of Hemisphere Management Limited (now renamed BISYS Hedge Fund Services Limited), a financial services company located in Bermuda, from 1981 to 2002, when he chose to retire. Mr Wetherhill is a Chartered Accountant, a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Canadian and Bermudan Institutes of Chartered Accountants, a Fellow of the Institute of Directors and a Freeman of the City of London. He is Bermudan resident and is a non-executive director of investment companies of several jurisdictions.

Nicholas Wilson

Mr Wilson is aged 59 and has over 30 years' experience in hedge funds and derivatives. He is managing director and controlling shareholder of Beresford Gabler Securities Limited, a licensed investment business specialising in exchange-traded derivatives. He is non-executive chairman of Alternative Investment Strategies Limited, a non-executive director of Blue Chip Value and Income Fund Limited and a non-executive director of Epic Reconstruction plc. He is resident in the Isle of Man.

4. Investment Manager

RAB Capital plc has been appointed as Investment Manager by the Company to manage and invest the assets of the Company in pursuit of the investment objective, approach and strategies described in this Admission Document.

RAB Capital plc is a London based investment management group founded in 1999. RAB Capital plc and its subsidiaries specialise in absolute return funds and as at 31 December 2004 had approximately \$1.75 billion of assets under management. RAB Capital plc floated on AIM in March 2004 and is authorised and regulated by the Financial Services Authority.

Below is a description of the executive directors of the Investment Manager who will have responsibility for the Funds:

William Philip Richards (Chief Executive Officer) co-founded the Investment Manager in 1999. He is the Fund manager of the Existing RAB Special Situations Fund and the New Master Fund, as well as Chief Investment Officer of the Investment Manager. From 1987 to 1998, Mr Richards worked at Smith New Court (later Merrill Lynch) where he was a founding member and executive director of the European equity division. At various times, he was responsible for Belgian, French and Italian equity research at Smith New Court and, after its acquisition by Merrill Lynch in 1995,

he became Managing Director of European research and later Managing Director of investment banking for Belgium and Luxembourg. From 1985 to 1987, Mr Richards was a member of the European equity broking team at James Capel & Co. Mr Richards holds a BA (Hons) from Oxford University (Corpus Christi College) in Philosophy, Politics and Economics.

Michael Alen-Buckley (Chairman) co-founded the Investment Manager in 1999. He is Head of Client Services, Chairman of the Risk Committee and also focuses on business development. Mr Alen-Buckley was previously a director and Head of international equity sales at ABN-AMRO Hoare Govett (1996 to 1998) and director of institutional sales at Merrill Lynch (previously Smith New Court) from 1991 to 1996. Between 1987 and 1991, Mr Alen-Buckley was a senior executive for UK equity sales at James Capel & Co. He was a director of UK equity sales at Fielding Newson Smith/County Securities from 1985 to 1987, where he was responsible for sales to US institutions.

RAB Capital plc has also been appointed as investment manager of the New Master Fund by the Directors of the New Master Fund. Under the investment management agreement between the Investment Manager and the New Master Fund, the Investment Manager has full discretion, subject to the control of and review by the Directors of the New Master Fund, to invest the assets of the New Master Fund in pursuit of the same investment objective, approach and strategies as described in this Admission Document.

The Investment Manager is an authorised person under the Financial Services and Markets Act 2000 of the United Kingdom and as such is regulated by the FSA in the conduct of its regulated activities. The Investment Manager is registered as a CPO and as a CTA with the CFTC under the CEA and is a member of the NFA.

The Investment Manager (and/or its directors, employees, related entities and connected persons) may subscribe directly or indirectly for Shares and Warrants and may invest a proportion of the Performance Fee which is paid to it by the Company directly or indirectly back into the Company or the New Master Fund by the acquisition of Shares.

It is intended that subsidiaries of the Investment Manager will subscribe £11,800,000, the Investment Manager as trustee of the WPSR sub trust will subscribe £1,000,000 and the Investment Manager as trustee of the MUAAB sub trust will subscribe £1,000,000, in the Placing. Further details of the shareholdings (and the impact of the City Code on these) are set out in paragraph 4 of Part 5 on page 62.

Fees

The Investment Manager will be entitled to an investment management fee, payable by the Company monthly in arrears, of up to $\frac{1}{12}$ of 2 per cent. per month calculated on the Net Asset Value (before deduction of that month's Investment Management Fee and before deduction of any accrued Performance Fee) of the Company and from which it may, at its discretion, pay to any person to which it may have delegated any of the functions it is permitted to delegate. The Administrator will calculate the Investment Management Fee. The Investment Manager is also entitled to reimbursement of certain expenses incurred by it in connection with its duties.

The Investment Manager may also be entitled to a Performance Fee calculated on an aggregate net asset value basis in respect of any Financial Year if the Closing NAV for that Financial Year exceeds High Watermark NAV. In such circumstances, the performance fee will equate to 20 per cent. of the excess of the Closing NAV for that Financial Year over the aggregate of the High Watermark NAV. The Administrator will calculate the Performance Fee and it will be due to the Investment Manager within 10 Business Days of the end of the Financial Year.

The Investment Manager has discretion to waive and rebate all or part of the Performance Fee payable in relation to the Company. Under the investment management agreement in respect of the New Master Fund, the Investment Manager is not entitled to an investment management fee or a performance fee.

5. Administrator

The Company has appointed Collins Stewart Fund Management Limited as its administrator.

Pursuant to the Administration Agreement the Administrator will be responsible for providing administration and secretarial services to the Company, including the calculation of the Net Asset Value and the Net Asset Value per Share of the Company. The Administrator will also serve as the Company's agent for the issue and repurchase of Shares. Capita IRG (CI) Ltd will act as registrar of the Company. The Administrator will be paid an annual fee of 0.1 per cent. of the Net Asset Value of the Company, subject to a minimum annual fee of £100,000.

6. Prime Broker and Custodian

The Company has appointed Credit Suisse First Boston (Europe) Limited as its Prime Broker and Custodian pursuant to the Prime Brokerage Agreement.

The services CSFB provides include execution, settlement, custody, customer reporting, securities lending and financing services. CSFB serves as a custodian of the Company's assets. CSFB may also act as the Company's clearing broker through which futures transactions may be executed and carried out for the Company.

The Prime Brokerage Agreement provides that CSFB has discretion as to how the Company's assets are held as custodian which may be by way of custody or by way of collateral. Securities that are held by CSFB as custodian ("Custody Securities") are credited to a custody account in the Company's name in order to ensure that such assets are unavailable to the creditors of CSFB or any other entity. However, CSFB is entitled to treat all Custody Securities held for its clients as being fungible and is entitled to allocate specific securities (not being the original securities received) to the Company, provided that the securities so allocated are of identical type, nominal value, description and amount to those originally deposited. Where Custody Securities are held in the name of CSFB due to the nature of the law or market practice of any particular jurisdiction, such securities may not be as well protected as if they were held in the name of the Company. However, such Custody Securities will be clearly identified on the books of CSFB as belonging to the Company. Assets which are required to be deposited as collateral will not be held in the name of the Company and will be available to the creditors of CSFB in the event of its insolvency or default.

In addition, in relation to any particular market or jurisdiction, CSFB may, where it deems it reasonably necessary, require that assets of the Company will not be held as Custody Securities but will be transferred to CSFB whereupon such assets will become the property of CSFB. CSFB is obliged to inform the Company of the markets or jurisdictions where any such assets will be so transferred. In relation to such assets ("Specified Assets"), CSFB shall be obliged only to return equivalent assets and the Company will have a right against CSFB for the return of equivalent assets. The Company will rank as an unsecured creditor in relation thereto and, in the event of the insolvency of CSFB, the Company may not be able to recover equivalent assets in full.

As security for the payment and performance by the Company of all of its obligations to CSFB and its affiliates, the Company charges in favour of CSFB its interest in cash and other assets held by CSFB other than Specified Assets. The Prime Brokerage Agreement also includes an indemnity in favour of CSFB and its affiliates.

CSFB has discretion to delegate certain of its functions, including the holding of the Company's assets, to other parties. CSFB will be responsible for the acts of any custodian which is controlled by it or any of its affiliates. Where CSFB has appointed a custodian which is not an affiliated company, it will not be responsible or liable for the solvency, acts or omissions of any such custodian which is appointed in good faith by CSFB unless such losses result from the fraud, bad faith, wilful default or negligence of CSFB or any of its affiliates.

Provided that the US Dollar equivalent value of such Custody Securities does not exceed an amount equal to 150 per cent. of the US Dollar equivalent value of the Company's obligations to CSFB or such affiliate, CSFB and its affiliates are authorised to sell, borrow, lend or otherwise use Custody Securities for their own purposes whereupon such securities will become the property of CSFB or its

relevant affiliate and the Company will have a right against CSFB for the return of equivalent assets. The Company will rank as an unsecured creditor in relation thereto and, in the event of the insolvency of CSFB, the Company may not be able to recover equivalent assets in full.

CSFB may make cash advances to the Company at the Company's request in accordance with the Prime Brokerage Agreement. CSFB may determine from time to time the total advances it will allow in respect of any account maintained by the Company and the total margin deposits it requires in respect of such advances. All advances will be repayable immediately on demand. Interest will accrue on advances on a daily basis at the rate notified by CSFB from time to time. Any margin deposits held on behalf of the Company will not be segregated and may therefore be available to the creditors of CSFB in the event of its insolvency.

CSFB will charge the Company for prime brokerage services in accordance with its fee schedule, which may be revised by CSFB from time to time upon prior notice to the Company. Such fees will initially be based upon a combination of transactions charges and interest costs and will charge interest on debit balances at a rate agreed with the Company. The fees charged will be exclusive of any charges which may apply in relation to the execution of transactions, all applicable taxes and duties to which the Company may be subject and any value added tax.

To facilitate transactions with CSFB the Company has entered into a number of derivatives and other similar market standard master agreements with CSFB and affiliates of CSFB.

The Prime Brokerage Agreement may be terminated by CSFB or the Company at any time by written notice to take effect 7 business days from receipt of such notice.

The terms of the prime brokerage agreement entered into between the New Master Fund and CSFB will be substantially the same as those of the Prime Brokerage Agreement entered into between the Company and CSFB.

General

It is the responsibility of the Funds (and not that of the Prime Broker and Custodian) to ensure that all assets of the Funds (other than margin deposits) are delivered to the Prime Broker and Custodian. The Prime Broker and Custodian will not be responsible for monitoring the Company's and the New Master Fund's compliance with this obligation.

Each of the Prime Broker and Custodian is a service provider to the Company and the Funds and is not responsible for the preparation of this document or the activities of the Funds and therefore accepts no responsibility for any information contained in this document. The Prime Broker and Custodian will not participate in the investment decision-making process.

The Company and the Funds reserve the right to change the prime brokerage and custodian arrangements described above by agreement with the relevant Prime Broker and Custodian and/or, in their discretion, to appoint additional or alternative prime broker(s) and custodian(s) without prior notice to Shareholders. Shareholders will be notified in due course of any appointment of additional or alternative prime broker(s).

7. Lock In and Orderly Marketing Agreements

Under a lock in agreement dated on or around the date hereof, each of Quentin Spicer and Christopher Wetherhill undertakes to Collins Stewart that he shall not effect a disposal of any of the Securities within twelve months of Admission.

Under an orderly marketing agreement dated on or around the date hereof, each of Leumas Limited, I2S Limited, RAB Partners Limited, the Investment Manager as trustee of the WPSR sub trust and the Investment Manager as trustee of the MUAAB sub trust (the "Covenantors") undertakes to Collins Stewart Limited that (subject to certain exceptions) it shall give notice of any intended disposal of any of the Securities to Collins Stewart and such disposal shall be carried out through Collins Stewart, provided Collins Stewart can obtain the price required by the Covenantor. During this period, the Covenantors have also undertaken to consult in good faith with Collins Stewart in relation to any disposal of any of the Securities, including as to timing of disposal.

8. Net Asset Value Publication and Calculations

Net Asset Value Publication

The Company intends to publish, during the following month, the Net Asset Value as prepared by the Administrator as at each month end. In normal circumstances, publication of the Net Asset Value will take place within 5 Business Days after the month end through a Regulatory Information Services provider.

For the purposes of calculation of the Net Asset Value, investments in Investee Funds will be valued at the values provided by their managers or their administrators. The managers or administrators of Investee Funds in most cases provide prices as at each month end. To the extent that such information is not available in a timely manner, the Net Asset Value will be published based on estimated values of the Investee Funds and on the basis of the information available to the Administrator. In the event that a price or valuation estimate accepted by the Company in relation to an Investee Fund subsequently proves to be incorrect or varies from a final published price, no adjustment to any previously published price will be made.

In addition, the Investment Manager intends to calculate an indicative Net Asset Value each Thursday or the preceding Business Day of any week in which Thursday is not a Business Day. In normal circumstances, publication of the indicative Net Asset Value will take place within 2 Business Days of being calculated.

Net Asset Value Calculation

The Net Asset Value of the Company will be determined by the Administrator by deducting the value of the liabilities (including accrued Performance Fees) of the Company from the value of the Company's assets.

Assets of the Company will be valued in accordance with the following principles:

- (A) Shares in the New Master Fund will be valued at the latest relevant valuation provided by the New Master Fund's administrator, or if not available, the best estimate available of the value by the Investment Manager of the New Master Fund; and
- (B) any other assets and liabilities of the Company will be valued in accordance with standard accounting policies used in the United Kingdom.

The Directors may, at their discretion, permit any other method of valuation to be used if they consider that such method of valuation better reflects value and is in accordance with good accounting practice.

The Directors have delegated to the Administrator the determination of the Net Asset Value.

9. Taxation

The following is based on the Company's understanding of certain aspects of the law and practice currently in force in Guernsey and the United Kingdom. There can be no guarantee that the tax position or proposed tax position at the date of this Admission Document or at the time of an investment will endure indefinitely.

The information provided in this section is for guidance only and does not constitute advice to any person and should not be relied upon as such. Investors should consult their professional advisers on the possible tax and other consequences of their subscribing for, purchasing, holding, selling or redeeming Shares under the laws of their country of incorporation, establishment, citizenship, residence or domicile.

General

The information below, which relates only to Guernsey and United Kingdom taxation, summarises the advice received by the Board and is applicable to the Company and to persons who are resident or ordinarily resident in Guernsey or the United Kingdom for taxation purposes and who hold Shares as an investment. It is based on current UK and Guernsey revenue law and published practice, respectively, which law or practice is, in principle, subject to any subsequent changes therein.

If you are in any doubt about your tax position, you should consult your professional adviser. You should also consult your professional adviser if you are or may be subject to tax in a jurisdiction other than the United Kingdom or Guernsey.

Guernsey

On 17 May 2005, States of Guernsey Income Tax determined that the income of the Company is exempted from tax for 2005. Confirmation has been sought and obtained from the Administrator of Income Tax that, under current law and practice in Guernsey, the Company will only be liable to tax in Guernsey in respect of income arising in Guernsey, other than bank deposit interest. A fee, currently £600 per annum, will be payable to the States of Guernsey Income Tax Authority in respect of the Company's exempt status.

Guernsey does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax), gifts, sales or turnover, nor are there any estate duties, save for an ad valorem fee for the grant of probate or letters of administration. Document duty is payable on the creation or increase of authorised share capital at the rate of one half of one per cent, of the authorised share capital of a company incorporated in Guernsey up to a maximum of £5,000 in the lifetime of a company. No stamp duty is chargeable in Guernsey on the issue, transfer, switching or repurchase of shares.

Any Shareholders who are resident for tax purposes in Guernsey, Alderney or Herm will suffer no deduction of tax by the Company from any dividends payable by the Company but the Manager will provide details of distributions made to Shareholders resident in the Islands of Guernsey, Alderney and Herm to the Administrator of Income Tax in Guernsey. Shareholders resident in Guernsey who sell their Shares to the Company may be liable to Guernsey income tax on the proportion of the disposal proceeds which represents accumulated income. Shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of any Shares owned by them.

United Kingdom

(i) The Company

The Directors intend that the affairs of the Funds should be managed and conducted so that neither of them becomes resident in the United Kingdom for United Kingdom taxation purposes. Accordingly, and provided that all the trading transactions in the United Kingdom of the Funds are carried out through a broker or investment manager which is not a fixed place of business or agent situated in the United Kingdom that constitutes a "permanent establishment" or "UK representative" for United Kingdom taxation purposes, the Funds will not be subject to United Kingdom corporation tax or income tax on their profits other than on any United Kingdom source income. The Directors and the Investment Manager each intend that, so far as this is within their respective control, the affairs of the Company, the Existing RAB Special Situations Fund and the Investment Manager are conducted so that these requirements are met. However it cannot be guaranteed that the necessary conditions for these requirements to be met will at all times be satisfied.

(ii) Shareholders

UK resident individual shareholders will be liable to income tax on the amount of any dividends received. Higher rate taxpayers will be liable to income tax at 32.5 per cent., and other individual taxpayers at 10 per cent. Since the Company will not be UK resident there will be no tax credit in respect of the dividends. UK resident corporate shareholders will be liable to corporation tax in respect of any dividends received from the Company.

(iii) Capital Gains Tax

The Company should not be an offshore fund for the purposes of United Kingdom taxation and the provisions of Chapter V of Part XVII of the Taxes Act will not apply. Accordingly, Shareholders (other than those holding Shares as dealing stock, who are subject to separate rules) who are resident or ordinarily resident in the United Kingdom, or who carry on business in the United Kingdom through a branch or agency with which their investment in the Company is connected may, depending on their circumstances and subject as mentioned below, be liable to United Kingdom tax on capital gains realised on the disposal of their Shares.

On a subsequent disposal (which includes a repurchase) by an individual Shareholder who is resident or ordinarily resident in the United Kingdom for taxation purposes, the Shares may attract taper relief which reduces the amount of chargeable gain according to how long, measured in years, the Shares have been held. Holders of Shares who are bodies corporate resident in the United Kingdom for taxation purposes will benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the retail prices index.

The Company should not be an offshore fund for the purposes of United Kingdom taxation, but should the Company become an offshore fund for the purposes of United Kingdom taxation as a result of changes in current UK law and/or practice, this will, compared to current UK law and practice, have adverse tax consequences for UK Shareholders.

(iv) *Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

Generally, no United Kingdom stamp duty or SDRT is payable on a transfer of or agreement to transfer Shares.

(v) *Other United Kingdom tax considerations*

United Kingdom resident companies having an interest in the Company, such that 25 per cent. or more of the Company's profits for an accounting period could be apportioned to them, may be liable to United Kingdom corporation tax in respect of their share of the Company's undistributed profits, if any, in accordance with the provision of Chapter IV of Part XVII of the Taxes Act relating to controlled foreign companies. These provisions only apply if the Company is controlled by United Kingdom residents.

The attention of United Kingdom Shareholders resident or ordinarily resident and, if an individual, domiciled in the United Kingdom, is drawn to the provisions of Section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to a Shareholder who holds, alone or together with associated persons, more than 10 per cent. of the Shares. This applies if the Company is a close company for the purposes of United Kingdom taxation.

If any Shareholder is in doubt as to his taxation position, he is strongly recommended to consult an independent professional adviser without delay.

General

The receipt of dividends (if any) by Shareholders, the repurchase or transfer of Shares and any distribution on a winding-up of the Company may result in a tax liability for the Shareholders according to the tax regime applicable in their various countries of residence, citizenship or domicile. Shareholders resident in or citizens of certain countries which have anti-tax avoidance legislation may have a current liability to tax on the undistributed income and gains of the Company. The Directors, the Company and each of the Company's agents shall have no liability in respect of the individual tax affairs of Shareholders.

10. Settlement, Dealings and CREST

The Directors have applied for the entire issued share capital of the Company and the Warrants to be admitted to trading on AIM. It is expected that Admission will take place and that dealings in the entire issued share capital of the Company and the Warrants will commence on AIM on 31 May 2005. The Shares will be placed free of expenses and will rank *pari passu* in all respects with the shares of the Company which will be in issue on completion of the Placing, including the right to receive all dividends and other distributions declared, paid or made (after the date of allotment of the Shares) in respect of the share capital of the Company.

It is expected that definitive certificates in respect of the Shares and the Warrants will be despatched by first class post by 7 June 2005. In respect of uncertificated securities, it is expected that applicants' CREST stock accounts will be credited on 31 May 2005.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. CREST is a voluntary system and applicants who wish to receive and retain certificates will be able to do so. The articles of association of the Company permit the holding of the Shares and the Warrants under the CREST system. The Company will apply for the entire issued share capital of the Company and the Warrants to be admitted to CREST on the date of Admission. It is expected that Admission will become effective and dealings in the Shares and the Warrants will commence on 31 May 2005. Accordingly, settlement of transactions in the uncertificated Shares and Warrants following Admission may take place within the CREST system if any shareholder or warrant holder so wishes.

The Shares, the Warrants and the Shares issued upon the exercise of any Warrant will be subject to restrictions on transfer and, if in certificated form, will bear a legend evidencing such restrictions appearing on the front or back of the certificates evidencing them. See “Part 5 – Additional Information, Section 7 – Representations in relation to Transfer.”

11. CEA Matters

The Investment Manager is registered as a CPO and as a CTA with the CFTC under the CEA. The Investment Manager has claimed exemption from certain disclosure, recordkeeping and reporting obligations as a CPO with respect to its operation of the Company pursuant to Advisory 18-96 promulgated by the CFTC under the CEA. In order to claim the exemption pursuant to Advisory 18-96, among other conditions that must be satisfied, Shareholders must be limited only to persons who are “non-United States persons” as that term is defined in Rule 4.7 under the CEA. Accordingly, Shares may only be placed with persons who are not US Persons as that term is defined in this document. Further, the Directors of the Company have expressly retained the authority to require a Shareholder to sell its Shares at any time in the event that the Company reasonably determines that such Shareholder is a US Person or that such Shareholder’s holding of Shares would otherwise make the Investment Manager ineligible to operate the Company pursuant to Advisory 18-96 or such other then-applicable exemption that may be claimed by the Investment Manager.

PART 2 – RISK FACTORS AND CONFLICTS OF INTEREST

Investors are referred to the risks set out below. No assurance can be given that Shareholders will realise a profit or will avoid a loss on their investment. The Shares and Warrants are suitable only for investors who understand, or who have been advised of, the potential risk of capital loss from an investment in the Shares and Warrants and that there may be limited liquidity in both the Shares and Warrants and the underlying investments of the Company and the New Master Fund, and for whom the investment in the Shares and the Warrants is part of a diversified investment portfolio and who fully understand the risks involved with such an investment. The risks referred to below do not purport to be exhaustive and potential investors should review this Admission Document carefully and in its entirety and consult with their professional advisers before making an application for Shares and Warrants.

Strategy Risks

Investment Approach

No guarantee or representation is made that the Funds will be successful. All investments of the Funds risk the loss of capital. As is true of any investment, there is a risk that an investment in the Company will be lost entirely or in part.

Investment Fund Restrictions

In an attempt to keep its expenses low and favour long-term investors, a family of funds or investment companies such as that managed by the Investment Manager may restrict or deny the ability of an investor from purchasing or redeeming its shares, or from exchanging shares of one fund for another. In particular, the Company may not always be able to redeem its shares in the New Master Fund. This may restrict the Funds' purchases, repurchases or exchanges and may prevent the Investment Manager from making other investments and as a result, the Funds may be locked into an unintended market position or the Funds' "capacity" may potentially be limited. Accordingly, the Funds face the risk that investment company families may restrict or limit the Funds' purchases, repurchases or exchanges of investment company shares, may involuntarily redeem Funds' investments or require the Funds to pay additional fees or penalties, all of which could reduce the Funds' returns.

Risks of Investing in Investment Entities

Although the Investment Manager will attempt to monitor the performance of each investment company or other collective investment vehicle (collectively, "Investment Entities") the Funds may invest in, the Funds will not receive perfect information regarding the actual investments made by the Investment Entities and must ultimately rely on (i) the investment manager or sponsor of each Investment Entity to operate in accordance with the investment strategy or guidelines laid out by such investment manager or sponsor, and (ii) the accuracy of the information provided to the Funds by such investment manager or sponsor. If the investment manager or sponsor of an Investment Entity does not operate in accordance with the investment strategy or guidelines specified for such entity, or if the information furnished by an Investment Entity is not accurate, the Funds might sustain losses with respect to their investment in such Investment Entity despite the Investment Manager's attempts to monitor such entity. In addition, privately offered or closed ended Investment Entities often have restrictions in their partnership agreements or other governing documents that limit the Funds' ability to withdraw funds from or invest in the entity. The Funds' ability to withdraw funds from or invest funds in Investment Entities with such restrictions will be limited and such restrictions may limit the Investment Manager's flexibility to reallocate assets among other investments or restrict the liquidity of the Funds.

Changes in portfolio and strategy

The Investment Manager is not limited to trading any specific instruments or pursuant to any specific investment or trading strategies. As a result, it is possible that the nature and character of the Funds' investment portfolios may change substantially from time to time based upon the Investment Manager's view of where opportunities exist in the global marketplace. Furthermore,

as a result of the Funds' opportunistic investment strategy, the expenses, risks, volatility and returns to which the Funds are subject, could vary significantly, from time to time, depending upon the investment strategies utilised by the Funds at any particular time.

Trading Strategies

There can be no assurance that the specific trading strategies utilised for the Funds will produce profitable results. Profitable trading is often dependent on anticipating trends or trading patterns. Markets subject to random price fluctuations, rather than defined trends or patterns, may generate a series of losing trades. There have been periods in the past when the markets have been subject to limited and ill-defined price movements, and such periods may recur. Any factor which may lessen major price trends (such as governmental controls affecting the markets) may reduce the prospect for future trading profitability. Any factor which would make it difficult to execute trades, such as reduced liquidity or extreme market developments resulting in limit moves, could also be detrimental to profits. The best trading strategy, whether based on fundamental or technical analysis, will not be profitable if there are no trends of the kind it seeks to follow. No assurance can be given that the techniques and strategies of the Investment Manager or any other portfolio manager engaged by the Investment Manager will be profitable in the future.

New Strategies

While the Investment Manager might develop new investment strategies in the future, any such strategies may not be thoroughly tested before being employed and may not, in any event, be successful. Were the Investment Manager to attempt to implement new strategies, the risk/reward profile of the Company and/or the New Master Fund could be shifted significantly towards increased levels of risk. The Funds can only be successful if the Investment Manager is able to trade and invest successfully, and there can be no assurance that this will be the case.

Undervalued Securities

One of the objectives of the Funds is to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there can be no assurance that such opportunities will be successfully recognised. While investments in undervalued securities offer opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Funds' investments may not adequately compensate for the business and financial risks assumed.

The Funds may make certain speculative investments in securities which the Investment Manager believes to be undervalued; however, there can be no assurance that the securities purchased will in fact be undervalued. In addition, the Funds may be required to hold such securities for a substantial period of time before realising their anticipated value. During this period, a portion of the Funds' capital would be committed to the securities purchased, thus possibly preventing the Funds from investing in other opportunities. In addition, the Funds may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Directional Strategies

Directional investing is subject to all of the risks inherent in incorrectly predicting future price movements. Often these price movements will be determined by unanticipated factors, and the Investment Manager's analysis of known factors may prove inaccurate, in each case potentially leading to substantial losses.

Use of Leverage

The Funds may use leverage to enable them to make investments substantially in excess of their equity. The Funds reserve the right to use as much borrowing and leverage as permitted under applicable law and under the limits set by the Prime Broker and Custodian. Although such techniques increase the opportunity for a higher return on investment, they also increase the risk of loss.

The Investment Manager may, from time to time, adjust the New Master Fund's leverage. Such adjustments may be in respect of certain markets or in respect of the New Master Fund's overall investment portfolio. Factors which may affect the decision to adjust leverage include: ongoing research, volatility of individual markets, risk considerations, and the Investment Manager's subjective judgment and evaluation of general market conditions. Adjustments to leverage may result in greater profits or losses and increased brokerage costs. No assurance can be given that any leverage adjustment will be to the financial advantage of investors in the Funds.

Business and Regulatory Risks of Hedge Funds

Legal, tax and regulatory changes could occur that may adversely affect the Funds. The regulatory environment for hedge funds is evolving and changes in the regulation of hedge funds may adversely affect the value of investments held by the New Master Fund and the ability of the New Master Fund to obtain the leverage it might otherwise obtain or to pursue its investment strategies.

No Formal Diversification Policies

Although diversification is an integral part of the Investment Manager's overall portfolio risk management process, the Investment Manager is not restricted as to the percentage of the Funds' assets that may be invested in any particular instrument, market or asset class. The Funds have not adopted fixed guidelines for diversification of their investments among issuers, industries, instruments or markets and may be heavily concentrated, at any time, in a limited number of positions. In attempting to maximise the Funds' returns, the Investment Manager may concentrate the holdings of the Funds in those industries, companies, instruments or markets which, in the sole judgment of the Investment Manager, provide the best profit opportunity in view of the Funds' investment objectives.

Illiquidity in Certain Markets

The Funds will invest in illiquid or restricted securities for which there is no established resale market, including publicly traded or privately placed securities of small-capitalisation or financially troubled companies, illiquid over-the-counter securities, non-publicly traded securities, mortgage-backed securities, fixed income securities and securities traded on non-US exchanges and emerging markets. Investors should note that, from time to time, such illiquid or restricted positions may represent a significant percentage of the Company's and/or the New Master Fund's capital. The Funds might only be able to liquidate these positions at disadvantageous prices, should the Investment Manager determine, or it become necessary, to do so. For example, withdrawals from the New Master Fund could require it to liquidate its positions more rapidly than otherwise desired in order to obtain the cash necessary to meet such withdrawals. Illiquidity in certain markets could make it difficult for the Funds to liquidate positions on favourable terms, thereby resulting in losses or a decrease in the Net Asset Value of the Funds. In addition, although many of the securities which the Funds may acquire may be traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities which it lists. Such a suspension could render it difficult or impossible for the Funds to liquidate their positions and would thereby expose the Funds to losses. The Funds therefore may be locked into an adverse price movement for several days or more which may result in immediate and substantial loss to an investor.

Distressed and High Yield Securities

The Funds may invest in securities of issuers in weak financial condition, experiencing poor operating results, needing substantial capital investment, perhaps having negative net worth, facing special competitive or product obsolescence problems or involved in or potentially facing bankruptcy or reorganisation proceedings. Investments of this type may involve substantial financial and business risks that can result in significant or even total losses. Among the risks inherent in investments in financially troubled issuers is the fact that it is frequently difficult to obtain reliable information as to their true financial condition. The market prices of distressed and high yield securities are subject to abrupt and erratic market movements and excessive price volatility. The spread between the bid and ask prices of such securities may be abnormally large, and the markets for such securities illiquid.

Changes in Portfolio Holdings and Liquidity of Interests

The relative portfolio holdings of the Funds may be altered from time to time due to certain events such as significant repurchases of Shares by the Company and/or withdrawals from the New Master Fund. As a result, the illiquid portions of the Funds' portfolios may, at times, constitute a substantial portion of the Funds' overall holdings, and therefore, make liquidation of the Funds' holdings more difficult. Investors should note that the Company has the ability to defer repurchase requests in certain circumstances.

Participation on Creditors' Committees and Boards of Directors

Although not presently contemplated, from time to time the Funds may participate in committees formed by creditors to negotiate with the management of financially troubled companies that may or may not be in bankruptcy. The Funds may also seek to negotiate directly with debtors with respect to restructuring issues. In the situation where the Company and/or the New Master Fund chooses to join a creditors' committee, the Company and/or the New Master Fund, as appropriate, would likely be only one of many participants, each of whom would be interested in obtaining an outcome that is in its individual best interest. There can be no assurance that the Funds would be successful in obtaining results most favourable to them in such proceedings, although the Funds may incur significant legal fees and other expenses in attempting to do so. As a result of participation by the Funds on such committees, the Funds may be deemed to have duties to other creditors represented by the committees, which might thereby expose the Funds to liability to such other creditors who disagree with the Funds' actions.

Participation in restructuring activities frequently provides the participant with material non-public information that may restrict the Funds' ability to trade in the company's securities. Determination of whether information is material and non-public and how long knowledge of such information restricts trading is a matter of considerable uncertainty and judgment. While the Funds intend to comply with all applicable securities laws and to make judgments concerning restrictions on trading in good faith, the Funds may trade in a company's securities while engaged in restructuring activities relating to that company. Such trading creates a risk of litigation and liability that may cause the Funds to incur significant legal fees and potential losses.

In certain circumstances, it is possible that the Company and/or the New Master Fund may be represented on the boards of some of the companies in which it makes an investment. While such representation should enhance the Funds' abilities to manage their investments, it may also have the effect of impairing the ability of the Funds to sell the related securities when, and upon the terms, they might otherwise desire, including as a result of applicable securities laws. Such representation creates a risk of litigation and liability that may cause the Funds to incur significant legal fees and potential losses.

Interests of the Company and reporting obligations

The Investment Manager may hold substantial interests in investments, in relation to which the Company is subject to disclosure obligations, failure to comply with which may give rise to penalties.

Investments in Equity Securities

Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer. Warrants and stock purchase rights are securities permitting, but not obligating, their holders to subscribe for other equity securities, and they do not represent any rights in the assets of the issuer. As a result, warrants and stock purchase rights may be considered more speculative than other types of equity investments.

Derivative Instruments

The Funds may make extensive use of various derivative instruments, such as swaps, warrants, options and forward contracts. The use of derivative instruments involves a variety of material risks. These risks include the high degree of leverage which can be embedded in such instruments, a risk which can be materially increased by the limited liquidity which often characterises the derivatives markets. The pricing relationships between derivatives and the underlying instruments on which they are based also may not conform to anticipated or historical correlation patterns, resulting in unanticipated losses. In addition, some of the derivatives traded by the Investment Manager may be over-the-counter instruments (contracts) between the Funds and third parties. The Funds may place collateral with certain of their counterparties in connection with their over-the-counter transactions. Although the Funds will principally engage in such transactions with money centre financial institutions, it is still subject to the risk of loss of such collateral as the risk of counterparty non-performance can be significantly greater in the case of these over-the-counter instruments (contracts) as opposed to exchange-traded derivative instruments. Furthermore, “bid-ask” spreads may be unusually wide in the substantially unregulated over-the-counter markets. To the extent the Funds invest in derivatives of various mortgage-backed securities, the prepayment risks, credit risks, interest rate risks and hedging risks associated with such securities also may be substantially magnified.

Price Fluctuations

Prices of derivative instruments are highly volatile. Prices are affected by a wide variety of complex and difficult-to-predict factors, such as supply of money, inflation, weather and climatic conditions, changing supply and demand relationships, governmental activities and regulations, political and economic events and prevailing psychological characteristics of the marketplace. These same factors also can affect the securities markets adversely.

Specific Commodity Futures Considerations

Volatility and Leverage

Commodity futures prices can be highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested.

Daily Price Fluctuation Limits

Commodity exchanges limit daily price fluctuations in certain commodity futures contracts. For contracts that have a price limit, no trades may be executed at prices beyond the “daily limit” during the trading day. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither initiated nor liquidated unless traders are willing to effect trades at or within the limit. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Funds from promptly liquidating unfavourable positions and subject the Funds to substantial losses.

Risk Disclosure

Commodity futures trading is speculative. Price movements of commodity futures contracts are influenced by, among other things, changing supply and demand relationships, governmental, agricultural and trade programs and policies, and national and international political and economic events. Changing crop prospects occasioned by unexpected weather or damages by insects and plant diseases make it difficult to forecast supplies of agricultural commodities. Similarly, demand is also difficult to forecast due to such factors as variable world production patterns, unexpected purchases and continued changes in demand. Financial instrument futures prices are influenced primarily by changes in interest rates. Currency futures prices are influenced by, among other things, changes in balances of payments and trade, domestic and international rates of inflation, international trade restrictions and currency devaluations and revaluations.

Security Futures Contracts

The Funds may engage in the trading of security futures contracts listed on US or non-US markets. In the US security futures contracts are defined as both a security and futures contract and the offer, sale and trading of security futures are subject to a complex regulatory structure under both the US securities and commodities laws. Non-US listed security futures are subject to the regulatory regime of the exchange on which the contract is traded and the foreign regulatory authority having jurisdiction over such exchange. Because security futures contracts are new in the US (trading did not begin until November 2002), there can be no assurance that the trading strategies used by the Investment Manager will be applicable to any particular security futures contract which it chooses to trade. Moreover, to date the markets for security futures contracts in the US have been characterised by very limited trading volume when compared to the US futures markets generally. As a result, the Investment Manager may at times find it difficult to buy or sell a security futures contract at a favourable price, which could result in losses to the Funds.

Forward Trading

The Funds may trade forward contracts in the United States and in markets (including interbank markets) located outside the United States. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. In such a case, the Funds will be subject to the risk that a counterparty will be unable, or refuse, to perform with respect to such contracts. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Funds due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the Funds. Market illiquidity or disruption could result in major losses to the Funds.

Short Sales

The Funds may sell securities short as an aspect of their trading strategy. Since the borrowed securities sold short must later be replaced by market purchases, any appreciation in the price of the borrowed securities results in a loss. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Furthermore, a short seller may be prematurely forced out of a position if the lender from which the short seller borrowed stock, in order to effect settlement of a short sale, recalls such stock under circumstances in which such stock cannot be borrowed from other sources.

Global Market Exposure

The Funds invest on a global basis in both developed and emerging markets. In doing so, the Funds are subject to (i) currency exchange-rate risk, (ii) the possible imposition of withholding, income or excise taxes, (iii) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and little or potentially biased government supervision and regulation, and (iv) economic and political risks, including expropriation, currency exchange control and potential restrictions on investment and repatriation of capital.

Currency Risks

The Shares are denominated in Pounds Sterling. Certain of the assets of the Company may, however, be invested in securities and other investments which are denominated in other currencies. In particular, the New Master Fund is denominated in US Dollars.

Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates.

Swap Agreements

The Funds may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Funds' exposure to long-term or short-term interest rates (in the United States or abroad), foreign currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices, baskets of equity securities, or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Funds are not limited to any particular form of swap agreement if the Investment Manager determines it is consistent with the Funds' investment objective, approach and strategies.

Swap agreements tend to shift the Funds' investment exposure from one type of investment to another. For example, if the Funds agree to exchange payments in US Dollars for payments in foreign currency, the swap agreement would tend to change the Funds' exposure to US interest rates and its exposure to foreign currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Funds' portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Funds. If a swap agreement calls for payments by the Funds, the Funds must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Funds.

Options may be cash settled, settled by physical delivery or by entering into a closing purchase transaction. In entering into a closing purchase transaction, the Funds may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

Repurchase and Reverse-Repurchase Agreements

The Funds may use repurchase and reverse-repurchase agreements, which involve certain risks. For example, if the seller of securities under a repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Funds will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the Funds' ability to dispose of the underlying securities may be restricted. Finally, it is possible that the Funds may not be able to substantiate their interest in the underlying securities. If the seller fails to repurchase the securities, the Funds may suffer a loss to the extent proceeds from the sale of the underlying securities are less than the repurchase price. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

Operating Risks

Restructuring and potential delays

Some of the assets which currently form part of the Existing RAB Special Situations Fund's investments have not yet been transferred to the New Master Fund. These events are part of a complicated restructuring of the special situations funds managed by the Investment Manager and, while it is intended that they should occur by the end of May 2005, it is possible that they may be delayed. Such a delay would mean that investors' subscription monies will not be invested in accordance with the investment objective immediately but would rather be held with the Prime Broker and Custodian. It is intended that all the assets in which the Existing RAB Special Situations Fund has invested will be transferred to the New Master Fund but there is a possibility that a limited number of investments may not be able to be transferred.

Operating History

There is no guarantee that either the Company or the New Master Fund will be managed, or perform, in the same way as the Existing RAB Special Situations Fund has performed previously and its past performance should not be taken to be an indication of the potential performance of the Company and/or the New Master Fund. Prospective investors should also note that a limited number of investments are not being transferred and the Company (and therefore the Shareholders) will not participate in such investments. Finally, given that the Company may invest and engage in currency hedging activities independently of the New Master Fund, the Company's performance may at times differ from the New Master Fund. **Past performance is not necessarily indicative of future results.**

Dependence Upon the Investment Manager

The operations of the Funds are substantially dependent upon the skill, judgment and expertise of the Investment Manager and its principals, specifically Philip Richards, responsible on a day-to-day basis for investment of the Funds' assets. In the event of the death, disability or other unavailability of Philip Richards, the business of the Funds may be materially and adversely affected.

Lack of Right to Redeem

A Shareholder may request the Company to repurchase all or part of its shareholding in the Company. The Company has absolute discretion whether to repurchase such holding and the terms on which it will do so. However, the Company will usually repurchase shares at the prevailing market price.

Credit Risk

The Funds are subject to the risk that the Prime Broker and counterparties with which, and the exchanges on which, they execute transactions or carry positions may default. The default by the Prime Broker in particular, an exchange, clearing house or counterparty (whether due to insolvency, bankruptcy or other causes) with or through which the Funds trade could result in material losses. Further details are set out in the paragraph headed Prime Broker and Custodian below.

Suspensions of Trading

Each exchange typically has the right to suspend or limit trading in the securities it lists. Such a suspension could render it impossible for the Funds to liquidate their positions and thereby expose them to losses. In addition, there is no guarantee that non-exchange markets will remain liquid enough for the Funds to close out positions they hold on such markets.

Unregulated Markets and Jurisdictions

The Funds may invest in securities of companies domiciled and operating in unregulated environments. This involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in regulated securities markets. Unregulated markets are less liquid, more volatile and less subject to governmental supervision than in regulated environments.

Commissions and Expenses

The Funds are obliged to pay brokerage commissions and related transaction fees and costs, which can be substantial, regardless of whether their trading activities are profitable. The Funds must also pay their own fees and operating and administrative expenses. It will be necessary for the Funds to achieve gains in excess of these aggregate fees and costs in order for Shareholders to realise an increase in the Net Asset Value of their Shares. There can be no assurance that the Funds will be able to achieve such, or any, appreciation of their assets.

Other Clients of the Investment Manager and its Affiliates

The Investment Manager, its affiliates and their principals manage other accounts and other collective investment vehicles. These accounts may employ different or similar trading strategies, and could increase the level of competition for the same trades or positions that the Funds might

otherwise make, including the priorities of order entry. This could make it difficult or impossible to take or liquidate a position of a particular security at a satisfactory price. Moreover, in such situations, the Funds may not be able to engage in as large a portion of a transaction as they otherwise would.

The Investment Manager and its affiliates may employ investment methods, policies and strategies for their clients that differ from those under which the Funds operate. Therefore, the results of the Funds' trading may differ from those of other accounts traded by the Investment Manager and its affiliates. Moreover, certain of the Investment Manager's principals also may invest for their own accounts.

Litigation

The Funds' investment activities are subject to the normal risks of becoming involved in litigation by third parties. This risk is somewhat greater because the Funds will often hold substantial stakes in listed companies which could be considered to give rise to exercise of control or significant influence over a company's direction. Furthermore, many of the exchanges on which the Funds invest impose reporting and other obligations which, if not met, could lead to fines and other sanctions against the Funds or the Investment Manager. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments may have to be borne by the Funds. The Investment Manager and others will be indemnified by the New Master Fund in connection with any such litigation which relates to the activities of the New Master Fund, subject to certain conditions. In addition, certain of the Funds' strategies may be subject to claims for the return of profits or the recovery of losses on the basis of certain statutory, regulatory or administrative entitlements or prohibitions.

Prime Broker and Custodian

Cash held by the Prime Broker and Custodian will not be treated as client money subject to the protections conferred by the rules of the FSA and accordingly would not be segregated from the Prime Broker and Custodian's own money, would be used by the Prime Broker and Custodian in the course of their investment business and the Funds would therefore rank as unsecured creditors of the Prime Broker and Custodian in relation thereto. In relation to the Funds' right to the return of assets equivalent to those of the Funds' investments which the Prime Broker and Custodian borrow, lend or otherwise use for their own purposes, the Funds will rank as their unsecured creditors and in the event of the insolvency of the Prime Broker and Custodian the Funds might not be able to recover such equivalent assets in full.

Market Price Considerations

The market price of the Company's Shares is expected to fluctuate over time due to the performance of the Funds' investments as well as market considerations. A Shareholder may not fully recover his initial investment when he chooses to sell his Shares.

Tax Considerations

Where the Funds invest in securities that are not subject to withholding tax at the time of acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. Typically, the Funds will not be able to recover such withheld tax and so any change would have an adverse effect on the Net Asset Value of the Shares. Where the Funds sell securities short that are subject to withholding tax at the time of sale, the price obtained will reflect the withholding tax liability of the purchaser. In the event that in the future such securities cease to be subject to withholding tax, the benefit thereof will accrue to the purchaser and not to the Funds.

Profit Sharing

In addition to receiving an Investment Management Fee, the Investment Manager may also receive a Performance Fee based on the appreciation in the Net Asset Value of the Company and accordingly the Performance Fee will increase with regard to unrealised appreciation, as well as realised gains. The Performance Fee may create an incentive for the Investment Manager to make investments for the Funds which are riskier than would be the case in the absence of a fee based on the management of the Funds.

Conflicts of Interest

As a result of the Company having the opportunity to receive the Investment Management Fee and the Performance Fee as described above, the Investment Manager (and its affiliates) may have conflicts of interest in allocating investments among the Company and the other clients and in effecting transactions between the Company and other clients, including ones in which the Investment Manager (and its affiliates) may have a greater financial interest. Where appropriate, the Investment Manager and its affiliates may give advice or take action with respect to such other clients that differs from the advice given with respect to the Company.

The Investment Manager and its affiliates may be involved in other financial, investment or professional activities which may on occasion give rise to conflicts of interest with the Company. In particular the Investment Manager may provide investment management, investment advice or other services in relation to a number of funds which may have similar investment policies to that of the Company.

Each of these parties will have regard to its obligations under its agreement with the Company or otherwise to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients, when potential conflicts of interest arise. In the event of a conflict of interest arising involving the Investment Manager, the Investment Manager will resolve such conflict of interest fairly. In particular, the Investment Manager will use its reasonable efforts to ensure that the Company has the opportunity to participate in potential investments identified by the Investment Manager which fall within the Company's investment objective and policy on the best terms reasonably obtainable at the relevant time with the aim of ensuring that the principle of best execution is attained.

The Investment Manager and its affiliates may carry on investment activities for their own accounts, for the accounts of their employees (and their families) and for other accounts in which the Company has no interest. The Investment Manager and its affiliates also provide investment management services to other clients, including other collective investment vehicles. The Investment Manager and its affiliates may give advice and recommend securities to other managed accounts or investment funds which may differ from advice given to, or securities recommended or bought for, the Company, even though their investment programs may be the same or similar.

Certain inherent conflicts of interest arise from the fact that the Investment Manager and its affiliates generally carry on other investment activities in which the Company will have no interest. The Investment Management Agreement does not impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunity by the Investment Manager to the Company. The Investment Manager and its members, officers and employees will devote as much of their time to the activities of the Company as they deem necessary and appropriate. The Investment Manager and its affiliates are not restricted from forming additional investment funds, from entering into other investment management or advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the Company or any Investee Fund manager and/or may involve substantial time and resources of the Investment Manager. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of the Investment Manager and its officers and employees will not be devoted exclusively to the business of the Company, but will be allocated between the business of the Company and the management of the monies of other clients of the Investment Manager.

The Company may, whether for the account of the Company or otherwise to the extent permitted by applicable law, engage in transactions with the Investment Manager or its affiliates. The Investment Manager may allocate a portion of the Company's assets to portfolio investments managed by the Investment Manager or its affiliates to the extent that the Investment Manager determines, in its sole discretion, that such Investee Funds represent an appropriate investment strategy for the Company. To the extent the Company invests in Investee Funds managed by the Investment Manager or its affiliates, all fees charged by the Investment Manager or its affiliates at the portfolio investment level will be waived or rebated to the Company.

PART 3 – DETAILS OF THE WARRANTS

The Warrants are constituted by, and will be issued subject to and with the benefit of, a Deed Poll of the Company dated the date of this Admission Document (the “Warrant Instrument”). Holders of Warrants will be bound by all the terms and conditions set out in the Warrant Instrument. The terms and conditions attached to the Warrants are set out below.

The Warrants and the Shares issued upon the exercise of any Warrant have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons. See also Section 2(l) below and the restrictions on transfer as described in Part 5 – Additional Information, Section 7 – Representations in relation to Transfer.”

1. Definitions and interpretation

In addition to the defined terms, for the purposes of this Part 3 the following expressions have the following meanings, except where the context otherwise requires:

“AIM”	a market operated by the London Stock Exchange;
“Articles”	the articles of association of the Company as altered from time to time;
“Auditors”	the auditors for the time being of the Company;
“Average Price”	for any security, as of any date: (i) in respect of ordinary shares, the mid-market closing price of the ordinary shares on AIM as shown on Bloomberg; (ii) in respect of any other security, the volume weighted average price for such security on AIM as reported by Bloomberg through its “Volume at Price” functions; (iii) if AIM is not the principal securities exchange or trading market for such security, the volume weighted average price of such security on the principal securities exchange or trading market on which such security is listed or traded as reported by Bloomberg through its “Volume at Price” functions; (iv) if the foregoing do not apply, the last closing trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg; or (v) if no last closing trade price is reported for such security by Bloomberg, the last closing ask price of such security as reported by Bloomberg. If the Average Price cannot be calculated for such security on such date on any of the foregoing bases, the Average Price of such security on such date shall be the fair market value as mutually determined by the Company and the holders or Warrants representing a majority of the ordinary shares outstanding under the Warrants;
“A Warrants”	Warrants exercisable at a subscription price of 115p per ordinary share during subscription period 1;
“Bloomberg”	Bloomberg Financial Markets;
“B Warrants”	Warrants exercisable at a subscription price of 130p per ordinary share during subscription period 2;
“Capital Distribution”	(a) any dividend which is expressed by the Company or declared by the Board of Directors of the Company to be a capital distribution, extraordinary dividend, extraordinary distribution, special dividend, special distribution or return of value to shareholders of the Company or any analogous or similar term, including without limitation any payment in respect of a capital reduction (not including a purchase by the

Company of its own shares into treasury), in which case the Capital Distribution shall be the Fair Market Value of such dividend or (b) any dividend which is, or to the extent determined to be, a capital distribution in accordance with the following formula:

$$E=A+B-C$$

Where:

- A is the Fair Market Value of the relevant dividend (“Dividend A”) (such Fair Market Value being determined as at the date of announcement of Dividend A);
- B is the Fair Market Value of all other dividends (other than any Dividend or portion thereof previously deemed to be a Capital Distribution) made in respect of the same financial year as Dividend A (“Financial Year A”) such Fair Market Value being determined in each case as at the date of announcement of the relevant dividend);
- C is equal to 110 per cent. of the Fair Market Value of all dividends (other than any dividend or portion thereof previously deemed to be a Capital Distribution) made in respect of the financial year immediately preceding Financial Year A (such Fair Market Value being determined, in each case, as at the date of announcement of the relevant dividend); and
- E is the Capital Distribution (provided that if E is less than zero, the Capital Distribution shall be deemed to be zero);

Provided that:

- (a) where a cash dividend is announced which is to be, or may at the election of a holder or holders of ordinary shares be, satisfied by the issue or delivery of ordinary shares or other property or assets, then for the purposes of the above formula the dividend in question shall be treated as a dividend of (i) the cash dividend so announced or (ii) of the Fair Market Value on the date of announcement of such dividend, of the ordinary shares or other property or assets to be issued or delivered in satisfaction of such dividend (or which would be issued if all holders of ordinary shares elected therefor, regardless of whether any such election is made) if the Fair Market Value of such ordinary shares or other property or assets is greater than the cash dividend so announced; and
- (b) for the purposes of the definition of Capital Distribution, any issue of ordinary shares falling within paragraph 3(b) shall be disregarded;

“Cash Dividends”

final, interim, special, extraordinary, non-recurring or other dividends or other distributions that are paid by the Company in cash;

“Directors”

the directors for the time being of the Company;

“extraordinary resolution”	a resolution passed at a meeting of the holders of the Warrants duly convened and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll;
“Fair Market Value”	with respect to any property on any date, the fair market value of that property as determined in good faith by an independent investment bank of international repute selected by the Company and approved in writing by the holders of Warrants representing a majority of the ordinary shares outstanding under the Warrants provided, that (i) the Fair Market Value of a Cash Dividend paid or to be paid shall be the amount of such Cash Dividend; (ii) the Fair Market Value of any cash amount (other than a Cash Dividend) shall be the amount of such cash; (iii) where Spin-Off Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by an independent investment bank of international repute selected by the Company and approved in writing by the holders of Warrants representing a majority of the Shares outstanding under the Warrants), the Fair Market Value: (a) of such Spin-Off Securities shall equal the arithmetic mean of the daily Average Prices of such Spin-Off Securities; and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (a) and (b) during the period of five Trading Days on the relevant market commencing on the first such Trading Day such Spin-Off Securities options, warrants or other rights are publicly traded; and (iv) in the case of (i) converted into sterling (if declared or paid in a currency other than sterling) at the rate of exchange used to determine the amount payable to ordinary shareholders who were paid or are to be paid the Cash Dividend in sterling; and in any other case, converted into sterling (if expressed in a currency other than sterling) at such rate of exchange as may be determined in good faith by an independent investment bank of international repute selected by the Company and approved in writing by the holders of Warrants representing a majority of the ordinary shares outstanding under the Warrants to be the spot rate ruling at the close of business on that date (or if no such rate is available on that date the equivalent rate on the immediately preceding date on which such a rate is available);
“holder”	the registered holder for the time being of Warrants;
“London Stock Exchange”	London Stock Exchange plc;
“Registrar”	the registrar for the time being of the Company;
“ordinary shares”	the ordinary shares of 1p each (or of such other nominal amount as may be adjusted as described in paragraph 3 below) in the capital of the Company;
“subscription date”	the date on which a holder exercises his subscription rights;
“subscription period 1”	the period beginning on the date of this instrument and ending twelve months from the date of the Warrant Instrument;

“subscription period 2”	the period beginning on the date of the Warrant Instrument and ending twenty four months from the date of this instrument;
“Spin off”	a distribution of Spin-off Securities by the Company to the Shareholders;
“Spin-off Securities”	equity securities of an individual or corporation which are, or are intended to be, publicly traded in a market of adequate liquidity (as determined by an independent investment bank of international repute selected by the Company and approved in writing by the holders representing a majority of the ordinary shares outstanding under the Warrants;
“subscription price”	the price of 115p per ordinary share at which the subscription rights are exercisable during subscription period 1 for A Warrants and the price of 130p per ordinary share at which the subscription rights are exercisable during subscription period 2 for B Warrants, or such adjusted price as may be determined from time to time in accordance with the provisions described in paragraph 3 below; and
“subscription rights”	the rights to subscribe for ordinary shares specified in paragraph 2(a) below.
“Trading Day”	any day when the Shares or other securities are traded on AIM;

2. Subscription rights

- (a) A holder of A Warrants shall have rights (“A subscription rights”) to subscribe in cash during subscription period 1 for all or any of the ordinary shares for which he is entitled to subscribe under such Warrants of which he is the holder at the price per ordinary share of 115p payable in full on subscription, subject to adjustment as provided in paragraph 3 below and a holder of B Warrants shall have rights (“B subscription rights”) to subscribe in cash during subscription period 2 for any or all of the ordinary shares for which he is entitled to subscribe under such Warrants of which he is the holder at the price per ordinary share of 130p payable in full on subscription, subject to adjustment as provided in paragraph 3 below and subject to the other restrictions and conditions described in this document. The number of ordinary shares to which each Warrant relates is (prior to any adjustment as provided in paragraph 3 below) one ordinary share. The subscription price, the number of Warrants outstanding and the number and/or nominal value of the ordinary shares to be subscribed upon exercise of the Warrants shall be subject to adjustment as provided in paragraph 3 below. The Warrants registered in a holder’s name will be evidenced by a Warrant certificate issued by the Company.
- (b) In order to exercise the subscription rights, in whole or in part, the holder of a Warrant must, unless the Directors may in their absolute discretion determine otherwise, lodge the relevant Warrant certificate(s) (or such other document(s) as the Company may, in its absolute discretion, accept) at the office of the Registrar during the relevant subscription period, having completed the notice of exercise of subscription rights thereon (or by giving such other notice of exercise of subscription rights as the Company may, in its absolute discretion, accept), accompanied by a remittance for the aggregate subscription price for the ordinary shares in respect of which the subscription rights are being exercised. The Directors may accept as valid, notices of exercise of subscription rights which are received twenty four hours after the end of the relevant subscription period provided they are accompanied by the correct remittance, as described above. Once lodged, a notice of exercise of subscription rights shall be irrevocable, save with the consent of the Directors. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.

- (c) In relation to any Warrants that are in uncertificated form on any subscription date, the subscription rights shall be exercised (and treated by the Company as exercised) on that subscription date if an uncertificated notice of exercise is received as referred to below during the relevant subscription period (but not later than the latest time for input of the instruction permitted by the relevant system on that date). For these purposes, an “uncertificated notice of exercise” shall mean a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company or by such person as it may require and in such form and subject to such terms and conditions as may be from time to time prescribed by the Directors (subject always to the facilities and rules of the relevant system concerned) and that specifies (in accordance with the form prescribed by the Directors as aforesaid) the number of Warrants in respect of which the subscription rights are to be exercised. Such uncertificated notice of exercise shall be accompanied by a payment transfer for the aggregate amount payable on subscription for the ordinary shares in respect of which the subscription rights are being exercised, such payment to be made through the relevant system in accordance with its rules or by any other means permitted by the Directors. The Directors may in addition determine when any such properly authenticated dematerialised instruction and/or instruction and notification is to be treated as received by the Company or by such person as it may require for these purposes (subject always to the facilities and rules of the relevant system concerned). Once lodged, a notice of exercise shall be irrevocable save with the consent of the Directors of the Company. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.
- (d) Not earlier than 56 days nor later than 28 days before the end of each subscription period, the Company shall give notice in writing to the relevant holders of the outstanding Warrants reminding them of their subscription rights. Failure by any holder to receive such notice shall not prejudice his rights, nor those of any other holder, to subscribe for ordinary shares pursuant to their Warrants.
- (e) Unless the Directors otherwise determine, or unless the Regulations and/or the rules of the relevant system concerned otherwise require, the ordinary shares arising on exercise of the Warrants shall be issued in uncertificated form (where the Warrants exercised were in uncertificated form on the subscription date concerned) or in certificated form (where the Warrants exercised were in certificated form on the subscription date concerned). Ordinary shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after, and with effect from, the relevant subscription date. In the case of any Warrants that were in certificated form on the subscription date concerned, certificates in respect of such ordinary shares will be issued free of charge and despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant subscription date to the person(s) in whose name(s) the Warrants are registered at the date of such 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 payment of stamp duty, stamp duty reserve tax or any like tax as may be applicable) to such other person(s) as may be named in the Form of Nomination available from the Registrar (and, if more than one, to the first named, which shall be sufficient despatch for all).
- (f) In the event of a partial exercise of the subscription rights evidenced by a Warrant certificate, the Company shall at the same time issue a fresh Warrant certificate in the name of the Warrant holder for any balance of Warrants with subscription rights remaining exercisable. In the case of any Warrants in uncertificated form, evidence of title to the Shares allotted will be recorded in accordance with the Regulations and/or the rules of the relevant system concerned. No Form of Nomination may be submitted in respect of uncertificated Warrants unless and until the Directors otherwise determine in accordance with the rules of the relevant system.
- (g) No fractions of an ordinary share will be issued on the exercise of any Warrant, provided that if more than one Warrant is exercised at the same time by the same holder then, for the purposes of determining the number of ordinary shares to be issued upon the exercise of such Warrants and whether (and, if so, what) fraction of an ordinary share arises, the number of ordinary shares arising on the exercise of each Warrant (including for this purpose fractions)

shall first be aggregated. Any fractions of ordinary shares arising on the exercise of Warrants on any subscription date shall be aggregated and, if practicable, sold in the market. The net proceeds of such sale will be paid to the holders of Warrants entitled thereto in proportion to the fractions arising on exercise of their Warrants, save that amounts of less than £3.00 will be retained for the benefit of the Company.

- (h) Ordinary shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, paid or made on the ordinary shares by reference to a record date prior to the relevant subscription date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the ordinary shares and otherwise will rank *pari passu* in all other respects with ordinary shares in issue at the subscription date, provided that on any allotment falling to be made pursuant to paragraph 4(g) below, the ordinary shares to be allotted shall not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to the date of actual allotment.
- (i) For so long as the Company's ordinary share capital is traded on AIM, it is the intention of the Company to apply to the London Stock Exchange for the ordinary shares allotted pursuant to any exercise of subscription rights to be admitted to trading on AIM and the Company will use all reasonable endeavours to obtain such admissions as soon as practicable and, in any event, not later than 14 days after the allotment thereof.
- (j) Within seven days following the expiry of the relevant subscription period the Company shall appoint a trustee who, provided that in his opinion the proceeds of sale after deduction of all costs and expenses incurred by, and any fee payable to, him will exceed the costs of subscription, shall within the period of 14 days following the expiry of the relevant subscription period exercise the subscription rights which shall not have been exercised, on the terms (subject to any adjustments made previously pursuant to paragraphs 3(a) to (l) below) on which the same could have been exercised on the final subscription date and sell in the market the ordinary shares acquired on such subscription. The trustee shall distribute *pro rata* the net proceeds of such sale (after deduction of any costs and expenses incurred by, and any fee payable to, him) less such subscription costs to the persons entitled thereto within two months of the expiry of the relevant subscription period, provided that entitlements of under £3.00 shall be retained for the benefit of the Company. If the trustee shall not exercise the subscription rights within the period of 14 days following the expiry of the relevant subscription period (and so that his decision in respect thereof shall be final and binding on all holders of outstanding Warrants), any outstanding Warrants shall lapse at the expiry of the period of 14 days following the expiry of the relevant subscription period.
- (k) The trustee referred to in paragraph 2(j) above shall have no liability of any nature whatsoever where he has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.
- (l) Without prejudice to the generality of the final sentence of paragraph 2(b) and 2(c) above, no US Person who is a holder of Warrants is entitled to exercise subscription rights in the Warrants. In addition to the other restrictions applicable to the Securities as described in this document, each Warrant issued will bear a legend stating that the Warrant and the Shares to be issued upon its exercise have not been registered under the US Securities Act and that the Warrant may not be exercised by or on behalf of any US Person. In addition, each person exercising a Warrant will be required to give written certification that it is not a US person and the Warrant is not being exercised on behalf of a US Person.

3. Adjustments of subscription rights

The subscription price (and the number of Warrants outstanding and the number and/or the nominal value of the ordinary shares to be subscribed upon exercise of the Warrants) shall from time to time be adjusted in accordance with the provisions of this paragraph 3.

- (a) If and whenever there shall be an alteration in the nominal amount of the ordinary shares as a result of a consolidation or sub-division, the subscription price in force immediately prior to such alteration shall be adjusted by multiplying the relevant subscription price by the following fraction:

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

Where:

- A equals the nominal amount of one ordinary share immediately after the alteration; and
B equals the nominal amount of one ordinary share immediately after the alteration;
and the adjustment shall become effective on the date the alteration takes effect.

- (b) If, at any time or from time to time on or after the date of the Warrant Instrument, the Company shall issue any securities (other than ordinary shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire any ordinary shares) to ordinary shareholders as a class by way of rights or grant to ordinary shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase or otherwise acquire any securities (other than ordinary shares or options, warrants or other rights to subscribe for or purchase ordinary shares) then, on the occasion of each issue or grant, the Company shall either:

- (i) adjust the relevant subscription price by multiplying the relevant subscription price in force immediately prior to the issue or grant by the following fraction:

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

where:

- A equals the arithmetic average of the Average Price of one ordinary share for the five consecutive Trading Days immediately preceding the date on which the terms of such issue or grant are publicly announced; and
B equals the Fair Market Value on the date of such announcement of the portion of the rights attributable to one ordinary share; or
(ii) make a like issue or grant of options, rights, warrant or securities to each holder as if each holder had submitted a notice of exercise in respect of the entire Warrant on the record date applicable to such issue or grant at the relevant subscription price per share then applicable.

This adjustment shall become effective on the date on which the issue or grant is made.

- (c) If, at any time or from time to time on or after the date of the Warrant Instrument, the Company shall issue ordinary shares to Shareholders by way of rights, or issue or grant to Shareholders as a class by way of open offer rights, options, warrants or other rights to subscribe for or purchase any ordinary shares, in each case at less than the current market price, the relevant subscription price shall be adjusted by multiplying the relevant subscription price in force immediately prior to such issue or grant by the following fraction:

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

where:

- A equals the ordinary shares in issue immediately before such announcement; and
B equals the number of ordinary shares which the aggregate amount (if any) payable for the ordinary shares being issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of ordinary shares comprised therein would purchase at the current market price; and

C equals the number of ordinary shares being issued or, as the case may be, the maximum number of ordinary shares which may be issued pursuant to such options, warrants or rights.

The adjustment shall be effective from the date of such issue or grant.

- (d) If, at any time or from time to time on or after the date of the Warrant Instrument, the Company shall issue any ordinary shares credited as fully paid to the ordinary Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve), other than to the extent that any ordinary shares are issued instead of the whole or part of a Cash Dividend, the relevant subscription price shall be adjusted by multiplying the relevant subscription price in force immediately prior to the issue by the following fraction:

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

where:

A equals the aggregate nominal amount of the issued ordinary shares immediately before the issue; and

B equals the aggregate nominal amount of the issued ordinary shares immediately after the issue.

This adjustment shall become effective on the date of issue of such ordinary shares.

- (e) If, at any time or from time to time on or after the date of the Warrant Instrument, the Company shall pay or make any Capital Distribution to the ordinary Shareholders, the relevant subscription price shall be adjusted by multiplying the relevant subscription price in force immediately prior to the Capital Distribution by the following fraction:

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

where:

A equals the Current Market Price of one ordinary share on the Trading Day immediately preceding the date of the first public announcement of the relevant Capital Distribution or, in the case of a Spin-Off, is the mean of the Average Prices of an ordinary share for the five consecutive Trading Days ending on the Trading Day immediately preceding the date on which the ordinary shares are traded ex- the relevant Spin-Off; and

B equals the portion of the Fair Market Value of the Capital Distribution attributable to one Ordinary Share, determined by dividing the Fair Market Value of the aggregate Capital Distribution by the number of ordinary shares entitled to receive the Capital Distribution.

This adjustment shall become effective on the date on which such Capital Distribution is made or if later, the first date upon which the Fair Market Value of the Capital Distribution is capable of being determined as provided in the Warrant Instrument.

- (f) If, at any time or from time to time on or after the date of the Warrant Instrument, the Company shall issue (otherwise than as mentioned in paragraph (c) above) wholly for cash or for no consideration any ordinary shares (other than ordinary shares issued on exercise of the Warrants or on the exercise of any rights of conversion into, or exchange or subscription for, ordinary shares, which rights are outstanding on the date of the Warrant Instrument or issue or grant (otherwise than as mentioned in paragraph (c) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase any ordinary

shares, at a price per ordinary share which is less than the current market price for Shares, the relevant subscription price shall be adjusted by multiplying the relevant subscription price in force immediately prior to such issue by the following fraction:

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

where:

- A equals the number of ordinary shares in issue before the issue of the ordinary shares or the grant of such options, warrants or rights;
- B equals the number of ordinary shares which the aggregate consideration (if any) receivable for the issue of such additional ordinary shares or, as the case may be, for the ordinary shares to be issued or otherwise made available upon the exercise of any options, warrants or rights, would purchase at the current market price for Shares; and
- C equals the number of ordinary shares to be issued pursuant to such issue or, as the case may be, the maximum number of ordinary shares which may be issued upon exercise of such options, warrants or rights.

This adjustment shall become effective on the date of issue of such additional ordinary shares or, as the case may be, the grant of the options, warrants or rights.

- (g) If, at any time or from time to time on or after the date of the Warrant Instrument, the Company or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other Person (otherwise than as mentioned in paragraphs (c) or (f) above) shall issue wholly for cash or for no consideration any securities (or enter into any contractual arrangements which would have an equivalent economic effect of issuing such securities) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, ordinary shares (other than ordinary shares already in issue at the time of the issue of the securities referred to) (or shall grant any rights in respect of existing securities so issued) or securities which by their terms might be redesignated as ordinary shares, and the consideration per ordinary share receivable upon conversion, exchange, subscription or redesignation is less than the current market price for Shares, the relevant subscription price shall be adjusted by multiplying the relevant subscription price in force immediately prior to the issue (or grant) by the following fraction:

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

where:

- A equals the number of ordinary shares in issue immediately before the issue or grant (but where the relevant securities carry rights of conversion into or rights of exchange or subscription for ordinary shares which have been issued by the Company for the purposes of or in connection with the issue, less the number of the ordinary shares so issued);
- B equals the number of ordinary shares which the aggregate consideration (if any) receivable for the ordinary shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the securities or, as the case may be, for the ordinary shares to be issued or to arise from any such redesignation would purchase at the current market price for ordinary shares; and
- C equals the maximum number of ordinary shares to be issued or otherwise made available upon conversion or exchange of the securities or upon the exercise of the right of subscription attached to the securities at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of ordinary shares which may be issued or arise from the redesignation,

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

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

- (h) If, at any time or from time to time on or after the date of the Warrant Instrument, there shall be any modification of the rights of conversion, exchange or subscription attaching to any securities (or any contractual arrangement shall occur which shall have an equivalent economic effect of a modification) as are mentioned in paragraph 3(f) (other than in accordance with the terms (including terms as to adjustment) applicable to the securities upon issue) so that following the modification the consideration per ordinary share receivable has been reduced and is less than the Current Market Price per ordinary share on the Trading Day immediately preceding the date of the first public announcement of the proposals for the modification, the relevant subscription price shall be adjusted by multiplying the relevant subscription price in force immediately prior to such modification by the following fraction:

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

where:

- A equals the number of ordinary shares in issue immediately before such modification (but where the relevant securities carry rights of conversion into or rights of exchange or subscription for ordinary shares which have been issued by the Company for the purposes of or in connection with such issue, less the number of such ordinary shares so issued);
- B equals the number of ordinary shares which the aggregate consideration (if any) receivable for the ordinary shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Ordinary Share; and
- C equals the maximum number of ordinary shares which may be issued or otherwise made available upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an independent investment bank of international repute, selected by the Company and approved in writing by the Holders of Warrants representing a majority of the Warrant Shares outstanding under the Warrants shall, acting as an expert, consider appropriate for any previous adjustment under this paragraph or the sub-paragraph immediately above,

provided that if at the time of such modification (the “Modification Specified Date”) such number of ordinary shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this paragraph 3(h), “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Modification Specified Date and as if such conversion, exchange or subscription had taken place on the Modification Specified Date.

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

- (i) If, at any time or from time to time on or after the date of the Warrant Instrument, the Company or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other Person shall offer any securities in connection with which offer ordinary Shareholders as a class are entitled to participate in arrangements where securities may be acquired by them (except where the relevant subscription price falls to be adjusted under paragraphs 3(b), (c), (d) (e), (f) or (g) above (or the Company makes an issue or grant in consequence of such arrangements under paragraph 3(b) or the relevant subscription price would fall to be so adjusted (or such an issue or grant would fall to be made under paragraph 3(b)) if the relevant issue or grant was at less than the current market price per ordinary share on the relevant Trading Day) the relevant subscription price shall be adjusted by multiplying the relevant subscription price in force immediately before the making of the offer by the following fraction:

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

where:

- A equals the current market price of one ordinary share on the Trading Day immediately preceding the date on which the terms of such offer are first publicly announced; and
- B equals the Fair Market Value on the date of such announcement of the portion of the relevant offer attributable to one ordinary share.

Such adjustment shall become effective on the first date on which the ordinary shares are traded ex-rights on AIM.

- (j) The Company shall not and shall procure that none of its Subsidiaries shall issue or sell ordinary shares, options or convertible securities at a price, or take any other action, that would require an adjustment pursuant to this paragraph 3 unless the Company has obtained all consents and approvals necessary (including, but not limited to, any applicable approvals and consents of the Board of Directors of the Company, the Ordinary Shareholders or the Principal Market) to issue additional Warrant Shares which may be required to be issued upon exercise of the Warrants at the adjusted relevant Subscription Price.
- (k) At the same time as the public announcement by the Company of the making of an offer, grant or issue to which paragraph 3(b) applies, the Company shall notify the holder in writing whether it shall adjust the Exercise Price or extend the offer or grant or issue to the holder as set out in paragraph 3(b)(ii) (as the case may be).
- (l) If the date of exercise of the Warrant in relation to any Warrant shall be after the record date for any such issue, distribution, grant or offer (as the case may be) as is mentioned in paragraphs 3(b) to (j) above, but before the relevant adjustment becomes effective or the relevant offer is made to holders, the Company shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued or transferred to the converting holder or in accordance with the instructions contained in the exercise notice such additional number of ordinary shares or other securities as, together with the ordinary shares issued or transferred, as the case may be, on exercise, is equal to the number of ordinary shares which would have been required to be issued, allotted or transferred, as the case may be, on exercise if the relevant adjustment or offer had in fact been made and accepted and become effective immediately after the relevant record date. Such additional ordinary shares or other securities shall be issued or transferred as at, and within one month after, the relevant date of exercise of the Warrant or within one month after the date of issue of ordinary shares or other securities if the relevant adjustment results from the issue or transfer of ordinary shares and certificates for such ordinary shares (if such ordinary shares are in certificated form) will be despatched within such period of one month.
- (m) If holders of Warrants representing a majority of the ordinary shares outstanding under the Warrants and the Company (acting reasonably and in good faith and after a reasonable period of consultation with each other) determine that an adjustment should be made to the relevant Subscription Price as a result of one or more events or circumstances not referred to

above in this paragraph 3 (even if the relevant event or circumstance is specifically excluded from the operation of paragraphs (a) to (l) above), such holders shall (within 21 days of the event or circumstance arising), at their own expense, request an independent investment bank of international repute, acting as expert, to determine as soon as practicable what adjustment (if any, and provided that it shall result in a reduction of the relevant subscription price) to the relevant subscription price is fair and reasonable to take account of it and the date on which the adjustment should take effect and upon determination the adjustment (if any) shall be made and shall take effect in accordance with the determination provided that no more than one adjustment shall be made in respect of any one event or circumstance.

- (n) The Company covenants and undertakes to each holder that it shall not, and shall procure that none of its subsidiaries shall, do anything which would give rise to an adjustment pursuant to this paragraph 3 which would cause the relevant subscription price per Ordinary Share to be reduced to an amount that is less than the nominal value of an ordinary share from time to time.
- (o) References to any issue or offer to ordinary shareholders “as a class” or “by way of rights” shall be taken to be references to an issue or offer to all or substantially all ordinary shareholders other than ordinary shareholders to whom, by reason of laws of any territory or requirements of any recognised regulatory body or any other stock exchange in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer.
- (p) Simultaneously with any adjustment to the relevant subscription price pursuant to this paragraph 3, the number of Shares that may be purchased upon exercise of this Warrant shall be increased or decreased proportionately, so that after the adjustment the aggregate relevant subscription price payable under the Warrant Instrument for the increased or decreased number of Shares shall be the same as the aggregate relevant subscription price in effect immediately prior to the adjustment.
- (q) On any adjustment pursuant to this paragraph 3 the resultant relevant subscription price shall be rounded down to the nearest £0.0001.
- (r) No adjustment shall be made to the relevant subscription price where ordinary shares or other securities (including rights, warrants or options) are issued, offered, exercised, allotted, appropriated, modified or granted to employees (including directors holding executive office) of the Company or any Subsidiary pursuant to any employees’ share scheme (as defined in section 743 of the Companies Act 1985 (as amended)).
- (s) If a holder shall become entitled to exercise his subscription pursuant to paragraph 4(g) below, the subscription price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the Auditors in accordance with the following formula:

$$A = (B + C) - D$$

where:

A = the reduction in the subscription price;

B = the subscription price which would, but for the provisions of this paragraph 3(h), be applicable (subject to any adjustments previously made pursuant to paragraphs 3(a) to (m) above) if the subscription rights were exercisable on the date on which the Company shall become aware as provided in paragraph 4(g) below;

C = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Warrant for the 10 consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 4(g) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and

D = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one ordinary share for the 10 consecutive London Stock Exchange dealing days referred to in the definition of C above,

provided that:

- (i) the subscription price shall not be reduced so as to cause the Company to be obliged to issue ordinary shares at a discount to nominal value and, if the application of the above formula would, in the absence of this sub-paragraph 3(s)(i), have reduced the subscription price to below the nominal value of an ordinary share, the number of ordinary shares to be subscribed pursuant to paragraph 4(g) below shall be adjusted in such manner as the Auditors shall report to be appropriate to achieve the same economic result for the holders of the Warrants as if the subscription price had been reduced without regard to this sub-paragraph 3(s)(i);
- (ii) the subscription price shall not be reduced where the value of D exceeds the aggregate value of B and C in the above formula;
- (iii) notwithstanding (ii) above, the subscription price shall be further adjusted to take account, to the extent that it is not already reflected in the market value of the Warrants, of the time value of money in such manner as the Directors shall determine, subject to the Auditors having reported that in their opinion, in all the circumstances, such adjustment is fair and reasonable.

The notice required to be given by the Company under paragraph 4(g) below shall give details of any reduction in the subscription price pursuant to this paragraph 3(s).

- (t) For the purpose of determining whether paragraph 4(i) below shall apply and, accordingly, whether each holder of a Warrant is to be treated as if his subscription rights had been exercisable and had been exercised as therein provided, the subscription price which would have been payable on such exercise shall be reduced by an amount determined by the Auditors in accordance with the following formula:

$$A = (B + C) - D$$

where:

A = the reduction in the subscription price;

B = the subscription price which would, but for the provisions of this paragraph 3(t), be applicable (subject to any adjustments previously made pursuant to paragraphs 3(a) to (m) above) if the subscription rights were exercisable immediately before the date on which the order referred to in paragraph 4(i) below shall be made or on which the effective resolution referred to in that paragraph shall be passed (as the case may be);

C = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Warrant for the 10 consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement of the presentation of such petition or the convening of such meeting (as the case may be) or that the same is proposed; and

D = the amount (as determined by the Auditors) of the surplus available for distribution in respect of each ordinary share, taking into account for this purpose the ordinary shares which would arise on exercise of all the subscription rights and the subscription price which would be payable on the exercise of such subscription rights (subject to any adjustments previously made pursuant to paragraphs 3(a) to (m) above but ignoring any adjustment to be made pursuant to this paragraph 3(t)).

The provisos set out in paragraph 3(s) above shall apply *mutatis mutandis* to any adjustment made in accordance with this paragraph 3(t).

4. Other provisions

Save as otherwise provided herein, so long as any subscription rights remain exercisable:

- (a) the Company shall not (except with the sanction of an extraordinary resolution):
 - (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid ordinary shares issued to the holders of its ordinary shares or except on the winding up of the Company;
 - (ii) issue securities by way of capitalisation of profits or reserves except fully paid ordinary shares issued to the holders of its ordinary shares; or
 - (iii) on or by reference to a record date falling within the period of six weeks ending on the expiry of the relevant subscription period, make any allotment as is referred to in paragraph 3(d) above or any offer or invitation as is referred to in paragraph 3 above (except by extending to the holders of the Warrants any offer or invitation as may be made by a third party);
- (b) the Company shall not (except with the sanction of an extraordinary resolution) in any way modify the rights attached to its existing ordinary shares as a class, or create or issue any new class of equity share capital except for shares which carry, as compared with the rights attached to the existing ordinary shares, rights which are not more advantageous as regards voting, dividend or return of capital, provided that nothing herein shall restrict the right of the Company to increase, consolidate or sub-divide its share capital or to issue further ordinary shares which carry, as compared with the rights attached to the existing ordinary, rights which are not more advantageous as regards voting, dividend or return of capital;
- (c) the Company shall not issue any ordinary shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 3 above if, in either case, the Company would on any subsequent exercise of the subscription rights be obliged to issue ordinary shares at a discount to nominal value;
- (d) the Company shall keep available for issue sufficient authorised but unissued ordinary share capital to satisfy in full all subscription rights remaining exercisable;
- (e) the Company shall not (except with the sanction of an extraordinary resolution) change its financial year end from 31 December except to a date falling within fourteen days before or after 31 December;
- (f) except in circumstances where paragraph 3 above applies or except with the sanction of an extraordinary resolution, the Company shall not grant (or offer or agree to grant) any option in respect of, or create any rights of subscription for, or issue any loan capital carrying rights of conversion into, ordinary shares if the price per ordinary share at which any such option or right is exercisable, or into which such loan capital is convertible, is lower than the subscription price for the time being;
- (g) subject as provided in paragraph 4(h) below, if at any time an offer is made to all holders of ordinary shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware on or before the end of the relevant subscription period that as a result of such offer (or as a result of such offer and any other offer made by the offeror) the right to cast a majority 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 such companies or persons as aforesaid, the Company shall give notice to the holders of the Warrants of such vesting within 14 days of its becoming so aware, and each such holder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his subscription rights on the terms (subject to any adjustments previously made pursuant to paragraphs 3(a) to (m) and subject to paragraph 3(s) above) on which the same could have been exercised if they had been exercisable and had been exercised on the date on which the Company shall have become aware as aforesaid. If any part of such period falls after the end of the relevant subscription period the end of the relevant subscription period shall be deemed to be the last business day of that 30 day period;

- (h) if under any offer as referred to in paragraph 4(g) above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants, which offer the financial advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and to the terms of paragraph 3(s) and any other circumstances which may appear to such financial advisers to be relevant), then a holder of Warrants shall not have the right to exercise his subscription rights on the basis referred to in paragraph 4(g) above and, subject to the offer as referred to in paragraph 4(g) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it, and/or any company controlled by it and/or any persons acting in concert with it, any Director of the Company shall be irrevocably authorised as attorney for the holders of the Warrants who have not accepted the offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants:
- (i) to execute a transfer thereof in favour of the offeror in consideration of the issue of warrants to subscribe for ordinary shares in the offeror as aforesaid, whereupon all the Warrants shall lapse; and
 - (ii) to do all such acts and things as may be necessary or appropriate in connection therewith;
- (i) if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution) each holder of a Warrant shall (if in such winding up, on the basis that all subscription rights then unexercised had been exercised in full and the subscription price therefor had been received in full by the Company, there shall be a surplus available for distribution amongst the holders of the ordinary shares, including for this purpose the ordinary shares which would arise on exercise of all the subscription rights (taking into account any adjustments previously made pursuant to paragraphs 3(a) to (f) and subject to paragraph 3(t) above), which surplus would, on such basis, exceed in respect of each ordinary share a sum equal to such subscription price) be treated as if immediately before the date of such order or resolution (as the case may be) his subscription rights had been exercisable and had been exercised in full on the terms (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) and subject to paragraph 3(t) above) on which the same could have been exercised if they had been exercisable immediately before the date of such order or resolution (as the case may be), and shall accordingly be entitled to receive out of the assets available in the winding up *pari passu* with the holders of the ordinary shares, such a sum as he would have received had he been the holder of the ordinary shares to which he would have become entitled by virtue of such subscription after deducting a sum per ordinary share equal to the subscription price (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) and subject to paragraph 3(t) above). Subject to the foregoing, all subscription rights shall lapse on winding up of the Company; and
- (j) if at any time an offer or invitation is made by the Company to the holders of its ordinary shares generally for purchase by the Company of any of its ordinary shares, the Company shall simultaneously give notice thereof to the holders of the Warrants and each holder of a Warrant shall be entitled, at any time while such offer or invitation remains open for acceptance, to exercise his subscription rights on the terms (subject to any adjustments previously made under paragraphs 3(a) to (m) above) on which the same could have been exercised if they had been exercisable on the day immediately preceding the record date for such offer or invitation and any ordinary shares arising on exercise of the subscription rights shall be included in the offer or invitation on the same terms and conditions as if the ordinary shares arising on the exercise of subscription rights had been in issue on the record date for such offer or invitation.

5. Accelerated call feature

- (a) If the mid-market closing price on AIM as shown by Bloomberg shall be 150p or more in the case of the A Warrants, or 170p or more in the case of the B Warrants for any twenty or more Trading Days out of a period of thirty consecutive Trading Days, the Company shall become entitled at the close of AIM on the thirtieth consecutive Trading Day to give notice to the relevant holders of A Warrants or B Warrants, as applicable (the “Call Notice”).
- (b) The Call Notice must be sent in writing by the Company to the relevant holders within two Trading Days of the thirtieth consecutive Trading Day, stating that the Company is giving the holder 21 days from the date of the Call Notice to exercise the call feature under the relevant Warrants at the subscription price.
- (c) If on receipt of the Call Notice, a holder elects to exercise the option, he must send a notice of exercise (as defined in paragraph 10(c) below) in relation to all or part only of his holding of relevant Warrants, which must be received within 21 days of the date of the Call Notice. The notice of exercise must be accompanied by a remittance or payment transfer for the aggregate subscription price for the ordinary shares in respect of which the holder is exercising the call feature and (in the case of Warrants in certificated form only) the holder’s Warrant Certificate. Once the notice of exercise is received, it shall be irrevocable, save with the consent of the Directors.
- (d) If a holder fails to respond to the Company within 21 days from the date of the Call Notice, all rights of the holder under those Warrants will lapse.
- (e) In respect of any Warrants which lapse under paragraph 5 (d) above, the Company is entitled, at its sole discretion, to issue further forms of notice in respect of those lapsed Warrants to prospective holders, offering them subscription rights in respect of the relevant Warrants at the subscription price, to be exercised with immediate effect. Each further form of notice will state that if the prospective holder wishes to take up these subscription rights, they must apply to the Company before the specified deadline and accompany their application with a remittance or payment transfer for the aggregate subscription price of the ordinary shares in respect of which the call feature is being exercised.
- (f) In exceptional circumstances, the Company is entitled, at its sole discretion, to give notice that it is not to exercise the call on the date falling 21 days from the date of the Call Notice in which case it may then exercise the call feature at any subsequent date without further notice.
- (g) Compliance must also be made under this paragraph 5 with any statutory and regulatory requirements for the time being applicable.

6. Modification of rights

Subject to the existing rights of the holders of ordinary shares, all or any of the rights for the time being attached to the Warrants and all or any of these terms and conditions may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution. All the provisions of the Articles of Association for the time being of the Company as to general meetings shall apply *mutatis mutandis* as though the Warrants were a class of shares forming part of the capital of the Company, but so that:

- (a) the necessary quorum shall be the requisite number of holders (present in person or by proxy) entitled to subscribe one-third in nominal amount of the ordinary shares attributable to such outstanding Warrants;
- (b) every holder of a Warrant present in person at any such meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy shall be entitled on a poll to one vote for each ordinary share for which he is entitled to subscribe;
- (c) any holder of a Warrant present in person or by proxy may demand or join in demanding a poll; and
- (d) if at any adjourned meeting a quorum as above defined is not present, the holder or holders of Warrants then present in person or by proxy shall be a quorum.

Any such alteration or abrogation approved as aforesaid shall be effected by deed poll executed by the Company and expressed to be supplemental to the Warrant Instrument. Modifications to the Warrant Instrument which are of a formal, minor or technical nature, or made to correct a manifest error, and which do not adversely affect the interests of the holders of the Warrants, may be effected without the sanction of an extraordinary resolution by deed poll executed by the Company and expressed to be supplemental to the Warrant Instrument and notice of such alteration or abrogation or modification shall be given by the Company to the holders of the Warrants.

7. Purchase

The Company and its subsidiaries shall have the right to purchase Warrants in the market, by tender or by private treaty or otherwise, and the Company may accept the surrender of Warrants at any time but:

- (a) such purchases will be made in accordance with the rules of any stock exchange on which the Warrants are listed; and
- (b) if such purchases are by tender, such tender will be available to all holders of Warrants alike.

All Warrants so purchased or surrendered shall forthwith be cancelled and shall not be available for re-issue or resale.

8. Transfer

Each Warrant will be in registered form and will be transferable by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors. No transfer of a right to subscribe for a fraction of an ordinary share may be effected.

Each Warrant is subject to the restrictions on transfer and will bear a restrictive legend as described in Part 5 – Additional Information, Section 7 – Representations in relation to Transfer.

9. General

- (a) The Company will, concurrently with the issue of the same to the holders of the ordinary shares, send to each holder of a Warrant (or, in the case of joint holders, to the first-named) a copy of each published annual report and accounts of the Company (or such abbreviated or summary financial statement sent to holders of ordinary shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by the Company to holders of ordinary shares.
- (b) Subject as otherwise provided in these terms and conditions, the provisions of the Articles of Association for the time being of the Company relating to notice of meetings, untraced members, lost certificates and the registration, transfer and transmission of ordinary shares shall apply *mutatis mutandis* to the Warrants as if they were ordinary shares.
- (c) Any determination or adjustment made pursuant to these terms and conditions by the Auditors shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company, its shareholders and each holder of Warrants.
- (d) Any reference in these terms and conditions to a statutory provision shall include that provision as from time to time modified or re-enacted.

10. Warrants in uncertificated form

In these terms and conditions:

- (a) “Regulations” means such regulations as may be applicable to the holding of dematerialised securities, including the Uncertificated Securities Regulations 2001 and includes:
 - (i) any enactment or subordinated legislation which amends or supersedes those regulations; and
 - (ii) any applicable rules made under those regulations including those of a relevant system or under any such enactment or subordinated legislation for the time being in force;

- (b) words and expressions used in these terms and conditions have the same meaning as in the Regulations;
- (c) “notice of exercise” means, in relation to any Warrants that are in certificated form on any subscription date, a certificated notice of exercise (as set out in paragraph 2(b) above) or, in relation to any Warrants that are in uncertificated form on any subscription date, an uncertificated notice of exercise (as defined in paragraph 2(c) above);
- (d) whether any Warrants are in certificated form or uncertificated form on a subscription date shall be determined by reference to the register of holders of Warrants as at the close of business on the relevant subscription date or at such other time or date as the Directors (subject to the facilities and requirements of the relevant system concerned) in their absolute discretion determine;
- (e) “CREST” means the relevant system operated by CRESTCo Limited in terms of the Regulations, which enables title to shares or other securities to be evidenced or transferred without a written instrument;
- (f) nothing in these terms and conditions shall preclude any Warrant from being issued, held, registered, exercised, transferred or otherwise dealt with in uncertificated form in accordance with the Regulations and any other rules and requirements laid down from time to time by CREST or any other relevant system operated pursuant to the Regulations. The Directors may make arrangements for the Warrants to become a participating security in a relevant system;
- (g) in relation to any Warrant which is in uncertificated form, these terms and conditions shall have effect subject to the provisions of the Regulations and (so far as consistent with them) to the following provisions:
 - (i) the Company shall not be obliged to issue a certificate evidencing title to a Warrant and all references to a Warrant certificate in respect of any Warrants held in uncertificated form in these terms and conditions shall be deemed inapplicable to such Warrants which are in uncertificated form and furthermore shall be interpreted as a reference to such form of evidence of title to uncertificated Warrants as the Regulations and the rules of the relevant system concerned prescribe or permit;
 - (ii) the registration of title to and transfer of any Warrants in uncertificated form shall be effected in accordance with the Regulations and the rules of the relevant system concerned and there shall be no requirement for written instrument of transfer;
 - (iii) a properly authenticated dematerialised instruction given in accordance with the Regulations and any rules of the relevant system operated pursuant to the Regulations shall be given effect to in accordance with its terms;
 - (iv) Warrants may be changed from uncertificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the Regulations and the Company shall record on the register of Warrant holders that the Warrants are held in certificated or uncertificated form as appropriate;
 - (v) any communications required or permitted by these terms and conditions given by a person to the Company or by the Company to a person, may be given in accordance with and in any manner (whether or not in writing), prescribed or permitted by the Regulations or any rules operated by the relevant system;
 - (vi) the provisions of these terms and conditions with respect to meetings of the holders of the Warrants shall have effect subject to the provisions of the Regulations;
 - (vii) for the avoidance of doubt, these terms and conditions are applicable to the Warrants held in uncertificated form and shall remain so applicable (and accordingly the Company shall continue to comply with the terms and conditions of the same) notwithstanding that they are not endorsed on any certificate for such Warrants; and

- (viii) the Company shall provide to any holder of Warrants in uncertificated form a copy of these terms and conditions on request by him (but so that joint holders of such Warrants shall be entitled to receive one copy only of these terms and conditions in respect of the Warrants held jointly by them, which copy shall be delivered to that one of the joint holders whose name stands first in the register of Warrant holders in respect of that holding).
- (h) these terms and conditions may be amended by the Directors to reflect changes made to, and continued compliance with, the Regulations.

PART 4 – ACCOUNTANTS’ REPORT ON THE COMPANY

The Directors
RAB Special Situations Company Limited
No. 1 Le Truchot
St. Peter Port
Guernsey
GY1 4AE

The Directors
Collins Stewart Limited
9th Floor
88 Wood Street
London
EC2V 7QR

24 May 2005

Dear Sirs

We report on the financial information set out below. This financial information has been prepared for inclusion in the Admission Document of RAB Special Situations Company Limited (the “Company”) to be dated 24 May 2005.

Basis of Preparation

The financial information set out on page 55 is based on the financial records of RAB Special Situations Company Limited for the period from incorporation on 18 April 2005 to 30 April 2005 and has been prepared on the basis set out in the accounting policies below.

Responsibility

The financial records are the responsibility of the Directors of RAB Special Situations Company Limited.

The Directors of RAB Special Situations Company Limited are responsible for the contents of the Admission Document dated 24 May 2005 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 24 May 2005, a true and fair view of the state of affairs of RAB Special Situations Company Limited as at 30 April 2005 and of its results and cash flows for the period then ended.

Consent

We consent to the inclusion in the Admission Document dated 24 May 2005 of this report and accept responsibility for this report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Statutory information

The Company was incorporated with limited liability under the Companies Laws on 18 April 2005.

Financial information

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 APRIL 2005

The Company did not trade during the period from its incorporation to 30 April 2005 nor were there any other recognised gains or losses in that period.

BALANCE SHEET AS AT 30 APRIL 2005

	<i>Note</i>	<i>30 April 2005 £</i>
Current Assets		
Cash		2.00
Net Current Assets		<u>2.00</u>
Net Assets		<u>2.00</u>
Capital and Reserves		
Called up share capital	2	0.02
Share premium		1.98
		<u>2.00</u>

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 APRIL 2005

The Company's cash flows during the period from its incorporation to 30 April 2005 consisted solely of a cash inflow from financing of £2 arising from the issue of shares.

NOTES TO THE FINANCIAL INFORMATION

1. Accounting Policies

The financial information has been prepared under historical cost convention, and in accordance with applicable accounting standards.

2. Share Capital

	<i>30 April 2005 £</i>
Authorised	
1,000,000 shares of £0.01 each	<u>10,000</u>
Allotted, issued and fully paid	
2 ordinary shares of £0.01 each	<u>0.02</u>

On 18 April 2005, two ordinary shares of £0.01 each were issued and paid at a premium of £0.99.

3. Share Premium

	<i>£</i>
Balance at 18 April 2005	0.00
Premium on issue of ordinary shares	1.98
Balance at 30 April 2005	<u>1.98</u>

4. Post Balance Sheet Events

The authorised share capital was increased to £1,000,000 divided into 100,000,000 ordinary shares of £0.01 each by an ordinary resolution passed on 12 May 2005 and to £3,000,000 divided into 300,000,000 ordinary shares of £0.01 each by an ordinary resolution of the Company passed on 20 May 2005.

Yours faithfully,

RSM ROBSON RHODES LLP

PART 5 – ADDITIONAL INFORMATION

The information in this section includes a summary of some of the provisions of the Memorandum and Articles of Association of the Company and is provided subject to the general provisions of each of such documents.

The Shares and Warrants are only suitable for investors who understand, or who have been advised of the potential risk of capital loss from an investment in the Shares and Warrants and that there may be limited liquidity in both the Shares and the Warrants and the underlying investments of the Company and the New Master Fund, and for whom an investment in the Shares and Warrants is part of a diversified portfolio and who fully understand and are willing to assume the risks involved with an individual investment in such a portfolio.

1. Incorporation and Administration

The Company was incorporated with limited liability in Guernsey under the Companies Laws on 18 April 2005 with registered number 43060 as a closed-ended investment company. The registered office of the Company is No 1 Le Truchot, St. Peter Port, Guernsey, GY1 4AE. The Company operates under the Companies Laws and ordinances and regulations made thereunder and has no subsidiaries or employees.

The Directors confirm that the Company has not traded and no accounts of the Company have been made up since its incorporation on 18 April 2005. The Company's accounting period will terminate on 31 December of each year, with the first period end on 31 December 2005.

Save for its entry into the material contracts listed in this Part 5 of the Admission document and certain non-material contracts, since its incorporation the Company has not carried on business nor incurred borrowings. The Company has received a certificate from H.M. Greffier in Guernsey entitling it to commence business.

Changes in the authorised and issued share capital of the Company since incorporation appear in section 2 below.

RSM Robson Rhodes has been the only auditor of the Company since its incorporation. The annual report and accounts will be prepared according to UK GAAP.

2. Share Capital

The authorised share capital of the Company on incorporation was £10,000 divided into 1 million shares of £0.01 each. On incorporation, 2 Ordinary Shares were issued, fully paid to the subscribers to the Memorandum of Association and were transferred on 20 May 2005 to Forest Nominees Limited (A/C GC2) and Forest Nominees Limited (A/C Undesignated) respectively. These Ordinary Shares will be made available, fully paid, under the Placing. The Placing Price of £1.00 per Ordinary Share represents a premium of 99p to the nominal value of an Ordinary Share issued under the Placing. The authorised share capital was increased to £1,000,000 divided into 100,000,000 Ordinary Shares of £0.01 each by an ordinary resolution of the Company passed on 12 May 2005 and to £3,000,000 divided into 300,000,000 Ordinary Shares of £0.01 each by an ordinary resolution of the Company passed on 20 May 2005.

To enable the Company to repurchase Ordinary Shares, the Company needs to cancel part of the amount standing to the credit of the share premium account. The reserve created by cancelling that amount is to be used to repurchase Ordinary Shares. For that purpose, at an extraordinary general meeting of the Company held on 12 May 2005 it was resolved, conditional upon the issue of Ordinary Shares pursuant to the Placing and the payment up in full thereof, that the amount standing to the credit of the share premium account of the Company immediately following the Placing be cancelled.

The Royal Court of Guernsey application to confirm the reduction of the share capital by the cancellation of the amount standing to the credit of the share premium account was heard in Court on Friday, 20 May 2005 and was successful. In deciding whether to give its confirmation, the Court

was concerned to protect the interests of any creditors of the Company. The Court required all such creditors to have been paid or to have consented to the reduction. The Company is a recently incorporated company and its creditors were likely to consist predominantly of its advisers.

The Articles authorise the Company to make market purchases (as defined in The Companies (Purchase of Own Shares) Ordinance, 1998) of any Shares with the authority of an ordinary resolution of all holders of Shares.

An ordinary resolution was passed at an extraordinary general meeting of Shareholders held on 12 May 2005 which, conditional upon the issue of Ordinary Shares by the Company pursuant to the Placing and the payment in full thereof, authorises the Company in accordance with The Companies (Purchase of Own Shares) Ordinance, 1998 to make market purchases (as defined in that Ordinance), provided that:

- (i) the maximum number of Shares authorised to be purchased is up to 14.99 per cent. of the Ordinary Shares in issue immediately following the conclusion of the Placing (rounded down to the nearest whole number);
- (ii) the minimum price which may be paid for an Ordinary Share is 1p;
- (iii) the maximum price which may be paid for an Ordinary Share is no more than 5 per cent. above the average of the middle market quotation for an Ordinary Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which that Share is purchased; and
- (iv) such authority expires at the earlier of 18 months from the date of the resolution or the conclusion of the first annual general meeting of the Company,

the Company may make a contract to purchase Shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration and the Company may make a purchase of Shares pursuant to any such contract.

On the assumption that all of the Shares available under the Placing are fully taken up, the anticipated authorised share capital of the Company will consist of 300,000,000 shares of 1p. The issued share capital of the Company will consist of 40,000,000 Shares immediately following completion of the Placing and there will be 20,000,000 A Warrants and 20,000,000 B Warrants in issue.

In accordance with the power granted to the Directors by the Articles, it is expected that the Shares will be allotted pursuant to a resolution of the Board to be passed on or about 26 May 2005 conditional upon Admission. The allotment of such Shares will not be made on a preemptive basis. There are no provisions of Guernsey law equivalent to sections 89 to 96 Companies Act 1985 of England and Wales which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash.

Subject to the exceptions set out in the section "Transfer of Shares" in section 4 below, Shares are freely transferable and Shareholders are entitled to participate (in accordance with their rights specified in the Articles of Association) in the assets of the Company attributable to their Shares in a winding up of the Company or a winding up of the business of the Company.

Save as disclosed in this paragraph 2, since the date of its incorporation, no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, either for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

All of the Shares will be in registered form and eligible for settlement in CREST. Temporary documents of title will not be issued.

3. Directors' and Other Interests

In so far as is known to the Company, the interests of each Director including any connected person, the existence of which is known to, or could with reasonable diligence be ascertained by, such Director whether or not held through another party, in the share capital of the Company, together with any options in respect of such capital immediately following the Placing, are set out below. All such Shares allotted and issued will be beneficially held by such Directors unless otherwise stated.

The Directors expect to invest in Shares pursuant to the Placing as follows:

<i>Directors</i>	<i>Shares</i>
Quentin Spicer	25,000
Christopher Wetherhill	50,000

As at the date hereof, in so far as is known to the Company, the following persons are or will, immediately following the Placing, be directly or indirectly interested in 3 per cent. or more of the Company's capital (calculated exclusive of treasury shares as the Company is a Guernsey company and cannot hold shares in treasury):

	<i>No. of Ordinary Shares held immediately following Admission</i>	<i>Percentage of Ordinary Shares held after Admission</i>
Leumas Limited ¹	6,000,000	15
RAB Partners Limited ¹	4,800,000	12

¹ These Companies are subsidiaries of the Investment Manager which also controls I2S Limited and the two sub trusts.

The aggregate remuneration and benefits in kind of the Directors in respect of the Company's accounting period ending on 31 December 2005 which will be payable out of the assets of the Company are not expected to exceed £50,000. Each of the Directors will receive £15,000 per annum. The Chairman will be entitled to receive £20,000 per annum.

No Director has a service contract with the Company, nor is any such contract proposed. The Directors' appointments can be terminated in accordance with the Articles of Association and without compensation. There is no notice period specified in the Articles of Association for the removal of Directors. The Articles of Association provide that the office of Director shall be terminated by, among other things: (i) written resignation; (ii) unauthorised absences from board meetings for 12 months or more; (iii) written request of the other Directors; and (iv) a resolution of a majority of the shareholders eligible to vote.

No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.

None of the Directors has, or has had, an interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or which has been effected by the Company since its incorporation.

In addition to their directorships of the Company, the Directors hold or have held the following directorships, and are or were members of the following partnerships, over or within the past five years:

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Christopher Wetherhill	IFP Property (UK) Limited Kingate Management Ltd Kingate Global Fund Kingate Euro Fund Five Balanced Fund Ltd Five Capital Ltd RAB Europe Fund Ltd RAB Partners Ltd RAB European High Yield Fund Ltd Levco Alternative Fund Ltd Laf Capital Ltd	Fleurs de Soleil Limited MRM Financial Services Limited Hemisphere Management Limited Hemisphere Trust Company Limited Hemisphere Fund Managers Limited Hemisphere Management (Ireland) Limited Hemisphere Holdings Limited

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Christopher Wetherhill continued	Levco Debt Opportunity Fund Ltd Levco Debt Opportunity Master Fund Ltd Brunswick Russian Growth Fund Ltd Brunswick Asset Management (Cayman) Ltd Brunswick Directional Fund Ltd Brunswick Capital Appreciation Fund Ltd Brunswick Russia Equity Fund Ltd Xipbias International Fund Ltd FIA Fund Ltd Eurovest Ltd Finwest Asset Management Ltd Strategic Fund Management Ltd Pioneer Alternative Investment Management (Bda) Limited Momentum Performance Strategies Series I Ltd Allweather Performance Strategies Limited Allweather Special Strategies Limited Balanced Alternative Strategies Limited Meteor Limited Momentum Mag Limited Momentum Performance Strategies Limited Orbit Performance Strategies Limited Euratlantis Int'l Ltd Continental & Overseas Trading Ltd Victoria Global Food Ltd Victoria Management Ltd International Financial Planning Ltd FDVG Equity Investments Limited FDVG Low Volatility Investments Limited FDVG Capital Limited Durham Overseas Limited Momentum Inst. Performance Strategies Ltd Brunswick Asset Management Hldgs Ltd. Leman Management Ltd Dancrest Capital Ltd Dancrest Global Equity Fund Overseas Asset Management S.A. Canguard Investments LLC	Axonyx Inc. Titanium Fund Altham Corp. Momentum Holdings Limited Momentum Asset Management Limited Momentum Advisory Ltd Momentum Marketing Ltd Momentum Asia Ltd Muir Beddall Mise et Cie Limited

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Christopher Wetherhill continued	Westwind International Ltd BCPF Investments Ltd WJBC Absolute Return Fund Silver Shield Fund Ltd Silver Shield Management Ltd Momentum Performance Strategies Series II Ltd Momentum Performance Strategies Series III Ltd Amerivest Ltd Asiavest Ltd Santoma Arbitrage Fund Santoma Arbitrage Master Fund R J Burdon & Co. Ltd Pioneer Performance Strategies Limited RAB Special Situations Fund Ltd Stockbridge Fund Limited Momentum AllWeather Strategies Limited RAB Special Situations (Master) Fund Limited	
Quentin Spicer	Guernsey Housing Association LBG European Value and Income Fund Limited Mercator Group Holdings Limited AUB General Partner (Guernsey) Limited AUB Prime Limited Square Bay General Partner Limited ISIS Property Trust 2 Limited Quintain (Guernsey) Limited Wedlake Bell Wedlake Bell Guernsey Atlantic Healthcare Management Limited (in voluntary liquidation) Bathgate Property Company Limited Bathgate Holdings Limited Bellegrove Investments Limited Cambria House Limited Clifton Holdings Limited Dova Limited Farley Investments Enterprises Limited Farley Property Company Limited Lambert Smith Hampton Trustees Limited Quarters Limited (in voluntary liquidation)	Granges International Limited Santon International Limited Breams Registrars and Nominees Limited W B Trustees Coolstream Limited CNC Properties Limited Property Acquisition and Management Limited Collins Stewart No. III Fund PCC Limited Breams Trustees Limited Property Acquisition and Management Securities Limited Property Acquisition and Management High Income Limited

<i>Name</i>	<i>Current directorship/partnerships</i>	<i>Past directorships/partnerships</i>
Quentin Spicer continued	Sesame Properties Limited UBK Opportunity Limited Prime Riviera Properties Limited (in voluntary liquidation)	
Peter Hodson	Acrosstown Management Limited Addvalue UK Limited Dynamic Trading Limited Strategic Global Opportunities Limited Brompton Holdings Limited Newgate Stud Company Acrosstown Management Limited Corvallis Navigation Panama SA Fragonard Limited Fragonard Investments Limited Altondale Limited Somerset Domestic Holdings LLC Whitworth Holdings Limited Danescroft Properties Limited	Valid Media Finance Limited
Nicholas Wilson	Alternative Investment Strategies Limited Blue Chip Value and Income Fund Limited EPIC Reconstruction Plc EPIC Structured Finance Limited Beresford Gabler Securities Limited World Web Writers.com Limited	Beresford Property and Consultancy Limited

At the date of this Admission Document, none of the Directors:

- (A) has any unspent convictions in relation to indictable offences;
- (B) has been bankrupt or entered into an individual voluntary arrangement;
- (C) was a director with an executive function of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors (apart from Nicholas Vernon Wilson, who was a non-executive director of Unit Furniture Limited, a UK based furniture manufacturer which was liquidated in 1981 and Island Holdings Limited, a plant hire and demolition company based on the Isle of Man and which was liquidated in 1980. In relation to both these companies the final shortfall was less than £50,000);
- (D) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership or voluntary arrangement of such partnership;
- (E) has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership;
or

(F) has been subject to any public criticism by any statutory or regulatory authority (including any designated professional bodies) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

The Company will maintain directors' and officers' liability insurance on behalf of the Directors at the expense of the Company.

The Company is not aware of any person who directly or indirectly, jointly or severally, exercises or, immediately following the Placing, could exercise control over the Company.

4. City Code on Takeovers and Mergers

Under rule 9 of the City Code, when (i) any person acquires shares which, when taken together with shares held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company subject to the City Code or (ii) any person who, together with persons acting in concert with him, holds shares carrying more than 30 per cent. but not more than 50 per cent. of the voting rights of a company subject to the City Code and such person, or persons acting in concert with him acquires any further shares carrying voting rights, that person is normally obliged to make a general offer in cash to all remaining shareholders to purchase their shares at the highest price paid by him or any person acting in concert with him, within the preceding 12 months.

Under the City Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal) actively co-operate, through the acquisition by them of shares in a company, to obtain or consolidate control of that company. Control means holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control.

Leumas Limited, I2S Limited, RAB Partners Limited, the Investment Manager as trustee of WPSR sub trust and the Investment Manager as trustee of MUAAB sub trust (the "Concert Party") are acting in concert (as defined in the City Code). I2S Limited and RAB Partners Limited are 100 per cent. subsidiaries of the Investment Manager, and Leumas Limited is a 100 per cent. subsidiary of I2S Limited.

The following table sets out the shareholdings of the Concert Party in the Company on Admission:

	<i>On Admission</i> <i>No. of Ordinary</i> <i>Shares</i>	<i>Percentage</i>
Leumas Limited	6,000,000	15.0
I2S Limited	1,000,000	2.5
RAB Partners Limited	4,800,000	12.0
Investment Manager as trustee of WPSR sub trust	1,000,000	2.5
Investment Manager as trustee of MUAAB sub trust	1,000,000	2.5
	<u>13,800,000</u>	<u>34.5</u>

In addition to these Ordinary Shares, the Concert Party shall also hold 6,900,000 A Warrants and 6,900,000 B Warrants which, if exercised, could give rise to an aggregate shareholding of 51.3 per cent. (This figure assumes that no other Warrants are exercised and no Ordinary Shares have been redeemed following Admission pursuant to the paragraph headed "Mandatory Sales and Repurchases" on page 65.) All Warrants are exercisable immediately following Admission.

On Admission the Concert Party will hold more than 30 per cent. (but not more than 50 per cent.) of the Company's voting share capital and so long as they continue to be treated as acting in concert any further increase in the shareholding of the Concert Party (save for the exercise of any Warrants) will be subject to the provisions of Rule 9 of the City Code.

If the Concert Party exercises its Warrants in full, the Concert Party will hold more than 50.0 per cent. of the Company's voting share capital and for so long as they continue to be treated as acting in concert, may accordingly increase their shareholding without incurring any further obligation under Rule 9 to make an offer. However, individual members of the Concert Party will not be able to increase their shareholding through a Rule 9 threshold without the consent of the Panel.

5. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the objects of the Company include carrying on business as an investment company. The objects of the Company are set out in full in Clause 3 of the Memorandum of Association, copies of which are available for inspection at the registered office of the Company specified in the “Directory” section of this Admission Document.

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

(i) *Shares*

Income

The holders of Shares have the right to receive in proportion to their holdings all the revenue profits of the Company (including accumulated revenue reserves) attributable to the Shares as a class available for distribution and determined to be distributed by way of interim and/or final dividend at such times as the Directors may, in their absolute discretion, determine.

Capital

On a winding up of the Company, after paying all the debts attributable to and satisfying all the liabilities of the Company, holders of the Shares shall be entitled to receive by way of capital any surplus assets of the Company attributable to the Shares as a class in proportion to their holdings.

The Company shall not without the previous consent in writing of the holders of not less than three-quarters of the Shares in issue or the sanction of a resolution passed at a separate general meeting of the Shareholders by a majority of not less than three-quarters of the votes cast at such meeting:

- (1) make any material change in the investment policy of the Company; or
- (2) pass any resolution amending, altering or abrogating any of the rights attaching to the Shares as a class.

(ii) *Pre-emption*

There are no provisions of Guernsey law equivalent to sections 89 to 96 Companies Act 1985 of England and Wales which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash.

(iii) *Voting at General Meetings*

- (a) Subject to any special rights or restrictions for the time being attached to any class of shares, on a show of hands every member present in person or by proxy has one vote. Upon a poll every member present in person or by proxy has one vote for each share held by him.
- (b) A shareholder shall not be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company unless all amounts payable by him in respect of that share have been paid.

(iv) *Creation of additional issues of shares*

Subject to the provisions of the Articles, the Directors may from time to time determine to issue one or more classes of shares or warrants and the Company’s unissued shares shall be at the disposal of the Board which may offer, allot, grant options over, or otherwise dispose of them to such persons, for such consideration, on such terms and at such times as the Board determines but so that no share or warrant shall be issued at a discount to its prevailing net asset value and so that the amount payable on the purchase of each share shall be fixed by the Board.

(v) *Restrictions on Transfer of Shares*

Subject to such of the restrictions noted below as may be applicable, any shareholder may transfer all or any of his/her shares in any form which the Board may accept. Any written instrument of transfer of a share must be signed by or on behalf of the transferor and, in the case of a partly-paid share, the transferee and the transferor will be deemed to remain the holder of the share until the name of the transferee is entered in the register. The Board may, in its absolute discretion and without assigning any reasons therefor, refuse to register a transfer of any share in certificated form

which is not fully paid or on which the Company has a lien provided that this restriction on transfers of partly-paid shares will only be exercised if this would not prevent dealings in the shares from taking place on an open and proper basis.

The Board may also refuse to register any transfer of a share unless:

- (a) the instrument of transfer is lodged with the Company;
- (b) the instrument of transfer is in respect of only one class of share; and
- (c) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

If the Board refuses to register a transfer it must, within two months of the date on which the instrument of transfer was lodged with the Company, send notice of the refusal to the transferee.

In the case of the death of any one of joint holders the survivor or survivors, and in the case of the death of a sole holder the executor, shall be the only person or persons recognised by the Company as having any title or interest in the Shares of the deceased holder.

Subject to the Companies Laws, registration of transfers may be suspended and the register of members closed by the Directors at their discretion, provided that the register of members shall not be closed for more than 30 days in any year.

The Articles provide that the Directors may implement such arrangements as they may think fit in order for any class of shares to be admitted to settlement by means of the CREST system. If the Directors implement any such arrangement, no provision of the Articles applies or has effect to the extent that it is in any respect inconsistent with:

- (a) the holding of shares of that class in uncertificated form;
- (b) the transfer of title to shares of that class by means of the CREST system; or
- (c) the CREST Guernsey Requirements.

Where any class of shares is for the time being admitted to settlement by means of the CREST system such shares may be issued in uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Unless the Directors otherwise determine, such shares held by the same shareholder or joint shareholders in certificated form and uncertificated form at the same time shall be treated as separate holdings. Such shares may be changed from uncertificated to certificated form and from certificated to uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements.

Title to such of the shares as are recorded on the register of the Company as being held in uncertificated form may be transferred only by means of the CREST system. Every transfer of Company shares from a CRESTCo account of a CRESTCo member to a CRESTCo account of another CRESTCo member shall vest in the transferee a beneficial interest in the shares transferred, notwithstanding any agreement or arrangements to the contrary however and whenever arising and however expressed.

In addition to the foregoing, the Memorandum and Articles of Association contain appropriate provisions to give effect to the restriction on transfer contained in this document. Without limiting the foregoing, the Directors may, in their absolute discretion, decline to register any transfer of Shares or Warrants and in particular may decline to register:

- (1) any transfer to a person which could result in legal, pecuniary, regulatory, tax or material administrative disadvantage to the Company, the Investment Manager or to the Shareholders,
- (2) any transfer to a US Person or any transfer which may result in Securities being beneficially owned by a US Person,
- (3) any transfer which the Directors determine, in their absolute discretion, has been or would be in violation of applicable securities laws,
- (4) any transfer to a person to whom a transfer of Securities or whose ownership or holding of any Securities might in the opinion of the Directors require registration of the Company as an Investment Company under the US Investment Company Act of 1940, as amended,

- (5) any transfer that would result in the Investment Manager being required to register as an Investment Adviser under the US Investment Advisers Act, or
- (6) any transfer to any person or entity if such transfer would make the Investment Manager ineligible to operate the Company pursuant to an exemption from certain disclosure, reporting and record keeping requirements of the CFTC pursuant to Advisory 18-96 promulgated by the CFTC under the CEA or any other then-applicable exemption claimed by the Investment Manager.

The Directors may also, in their absolute discretion and without giving any reason therefor, decline to register any transfer to any person unless the instrument of transfer, and any application form and any other requested documentation are deposited at the Company's registered office or such other place as the Directors may require together with such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, including such certifications, notifications, agreements and warranties and legal opinions of duly qualified counsel as the Directors may reasonably require to ensure the proposed transferee would be entitled to hold the same in accordance with these Articles and that all applicable laws will be or would have been complied with.

Provision of Information

The Directors shall have discretion to demand such reasonable information as they may require to be provided to the Company by a shareholder or warrant holder or prospective warrant holder or shareholder within such reasonable time as the Directors shall determine.

Mandatory Sales and Repurchases

The Company may at any time require a shareholder to sell some or all of the Securities held by it within a specified period at the prevailing market price for the Securities. If a shareholder does not comply with such a demand within the period specified and, in any event, the Company may repurchase the Securities at the prevailing market price. The Company may exercise this right at any time but may, in particular, do so if it shall come to the attention of the Directors that:

- (1) any Security is or may be held directly or beneficially by any person or persons whose ownership or holding or continued ownership or holding of such Security (whether on its own or in conjunction with any other circumstances appearing to the Directors to be relevant) might in the opinion of the Directors cause a legal, pecuniary, regulatory, tax or material administrative disadvantage to the Company, the Shareholders or the Investment Manager,
- (2) any Security is or may be held directly or beneficially by a US Person,
- (3) any Security has been or may have been acquired, as the Directors may determine in their absolute discretion, in violation of applicable securities laws,
- (4) any Security is held by a person whose ownership or holding of any Securities might in the opinion of the Directors require registration of the Company as an Investment Company under the US Investment Company Act of 1940, as amended,
- (5) any Security is held by a person that would result in the Investment Manager being required to register as an Investment Adviser under the US Investment Advisers Act, or
- (6) any Security is held by a person that would make the Investment Manager ineligible to operate the Company pursuant to an exemption from certain disclosure, reporting and record keeping requirements of the CFTC pursuant to Advisory 18-96 promulgated by the CFTC under the CEA or any other then-applicable exemption claimed by the Investment Manager, or
- (7) the value of a Shareholder's Shares falls below the minimum holding requirement of £25,000

Directors

- (i) Unless otherwise determined by ordinary resolution, the number of the Directors shall not be less than two.
- (ii) A majority of the Directors shall not be resident in the United Kingdom.

- (iii) The remuneration of each Director shall be determined from time to time by the Directors provided always that the aggregate remuneration of all Directors shall not exceed £100,000 per annum or such higher amount as may be approved by the Company in general meeting.
- (iv) The Directors shall also be entitled to be paid their reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Directors or committees of the Board or general meetings and all expenses properly and reasonably incurred by them in the conduct of the Company's business or in the discharge of their duties as Directors.
- (v) The Directors, secretary and other officers or servants or agents for the time being of the Company shall be indemnified out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses in respect of which they may lawfully be indemnified which they or any of them shall or may incur or sustain by reason of any contract entered into or any act done, concurred in, or omitted, in or about the execution of their duty or supposed duty or in relation thereto, except such (if any) as they shall incur or sustain by or through their own wilful act, neglect or default respectively, and of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them, or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for any bankers, brokers, or other persons into whose hands any money or assets of the Company may come, or for any defect of title of the Company to any property purchased, or for the insufficiency or deficiency or defect of title of the Company, to any security upon which any moneys of the Company shall be invested, or for any loss or damage occasioned by an error of judgement or oversight on their part, or for any other loss, damage or misfortune whatsoever which shall happen in the execution of their respective offices or in relation thereto, except the same shall happen by or through their own wilful neglect or default respectively.

The Company may purchase and maintain insurance for the benefit of the Directors and other officers of the Company or any subsidiary including insurance against costs, charges, expenses, losses or liabilities suffered or incurred by such persons in respect of any act or omission in the actual or purported discharge of their respective duties, powers and discretions in relation to the Company.

- (vi) A Director who to his knowledge is in any way, directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company, otherwise than by virtue of his interests in shares or debentures or otherwise in or through the Company, shall disclose the nature of his interest to the Board. A Director shall not vote or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning any contract or arrangement or any other proposals in which he is to his knowledge alone or together with any person connected with him materially interested, save that this prohibition shall not apply in respect of a resolution relating to:
 - (a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (b) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
 - (c) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures, or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
 - (d) a contract, arrangement, transaction or proposal to which the Company is or is to be a party concerning another company in which he (and any persons connected with him) is interested and whether as an officer, shareholder, creditor or otherwise, if he does not

to his knowledge hold an interest in shares representing one per cent. or more of either a class of the equity share capital or of the voting rights in the relevant company;

- (e) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiary undertakings which only awards him a privilege or benefit generally awarded to the employees to whom it relates; and
 - (f) a contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including Directors.
- (vii) The Articles do not contain a provision which disqualifies any person from being appointed as a Director and which requires him to vacate the office of Director by reason only of the fact that he has attained 70 years of age.
- (viii) The Board shall have the power at any time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.
- (ix) No share qualification is required for Directors.

Borrowing powers

- (i) The Board may exercise all the powers of the Company to borrow money of an amount up to such limit and subject to restrictions either in respect of the Company as a whole as may be set out in an admission document published from time to time and to guarantee, mortgage, hypothecate, pledge or charge all or part of its undertaking property or assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any liability or obligation of the Company or of any third party.
- (ii) Any person lending money to the Company shall be entitled to assume that the Company is acting in accordance with the Articles and shall not be concerned to enquire whether such provisions have in fact been complied with.

Disclosures of interests in shares

- (i) The Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in the shares held by the member and the nature of such interest. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine. The Directors may be required to exercise their powers under the relevant Articles on the requisition of members holding at the date of the deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings.
- (ii) If any member is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days after service of the notice or 14 days if the shares concerned represent 0.25 per cent. or more of the issued shares of the relevant class), the Directors in their absolute discretion may serve a direction notice on the member. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the “default shares”) and any other shares held by the member, the member shall not be entitled to vote in general meetings or class meetings. Where the default shares represent at least 0.25 per cent, of the issued shares of the relevant class of shares concerned the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest), and that no transfer of shares (other than a transfer approved under the Articles) shall be registered until the default is rectified.

Untraced Shareholders

The Company shall be entitled to sell (at a price which the Company shall use its reasonable endeavours to ensure is the best obtainable) the shares of a member or the shares to which a person is entitled by virtue of transmission death or bankruptcy or otherwise by operation of law if and provided that:

- (i) during the period of not less than 12 years prior to the date of the publication of the advertisements referred to below (or, if published on different dates, the first thereof) at least three dividends in respect of the shares in question have become payable and no dividend in respect of those shares has been claimed; and
- (ii) the Company shall following the expiry of such period of 12 years have inserted advertisements, both in a national newspaper and in a newspaper circulating in the area in which the last known address of the member at which service of notices may be effected under the Articles is located giving notice of its intention to sell the said shares; and
- (iii) during the period of three months following the publication of such advertisements (or, if published on different dates, the last thereof) the Company shall have received indication neither of the whereabouts nor of the existence of such member or person; and

In the case of shares in uncertificated form, the foregoing provisions of this paragraph are subject to any restrictions applicable under any regulations relating to the holdings and/or transferring of securities in any paperless system as may be introduced from time to time.

Dividends

- (i) The Company in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the Directors.
- (ii) No dividend shall be paid other than out of profits available for that purpose under the Companies Laws provided always that all moneys realised on the sale or other realisation of any capital assets in excess of book value and all other moneys in the nature of accretion to capital, as determined conclusively by the Directors, will not be treated as profits available for dividend.
- (iii) All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. No unclaimed dividend shall bear interest against the Company. Any dividend unclaimed after a period of twelve years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.
- (iv) The Directors are also empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to distribute.

Under the Placing Agreement, the Company, the Directors and the Investment Manager have given warranties and indemnities to Collins Stewart Limited concerning, *inter alia*, the accuracy of the information contained in this Admission Document. The warranties and indemnities given by the Company are standard for an agreement of this nature. There is no cap on the Company's liability.

The Company and the Administrator have entered into an Administration Agreement dated 23 May 2005 under which the Administrator will provide administration and secretarial services to the Company.

6. Litigation and arbitration

Since its incorporation the Company is not, nor has been, involved in any legal or arbitration proceedings nor, so far as the Directors are aware, are there any legal or arbitration proceedings pending or threatened by or against the Company which may have, or have since incorporation had, a significant effect on the Company's financial position.

7. Working capital

In the opinion of the Directors, taking into account the Company's bank facilities and the net proceeds of the Placing receivable by the Company, the working capital available to it is sufficient for its present requirements; that is for at least 12 months following the date of Admission.

8. Representations in relation to Transfer

Each prospective purchaser of the Shares or the Warrants will be deemed to have represented, acknowledged and agreed that:

- (i) It is not purchasing the Securities with the intent or purpose of evading, either alone or in conjunction with any other person, the provisions of the Investment Company Act.
- (ii) It understands that the Securities have not been and will not be registered under the Securities Act and the Company and the New Master Fund have not registered and will not register under the Investment Company Act. It agrees, for the benefit of the Company, any distributors or dealers and any such persons' affiliates, that, if in the future it decides to offer, resell, pledge or otherwise transfer such Securities purchased by it, any such offer, resale, pledge or transfer will be made in compliance with the Securities Act, the Investment Company Act and any applicable state securities laws and only (a) to the Fund (upon redemption of such Securities or otherwise) or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. It understands that the purpose of the foregoing limitations is, in part, to ensure that the Company is not required to register under the Investment Company Act.
- (iii) It understands that the Shares, unless the Company determines otherwise in compliance with applicable law, will bear a legend to the following effect (in addition to the legend contained at clause (v) below):

THESE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THESE SHARES IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS.

- (iv) It understands that the Warrants, unless the Company determines otherwise in compliance with applicable law, will bear a legend to the following effect (in addition to the legend contained at clause (v) below):

THESE WARRANTS AND THE SECURITIES TO BE ISSUED UPON THEIR EXERCISE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THESE SHARES IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. THESE WARRANTS MAY NOT BE EXERCISED BY OR ON BEHALF OF ANY US PERSON (AS DEFINED UNDER REGULATION S OF THE US SECURITIES ACT), AND THE SECURITIES TO BE ISSUED UPON EXERCISE OF THESE WARRANTS MAY NOT BE ISSUED TO A US PERSON.

- (v) It understands that, in addition to the legends described in clauses (iii) and (iv) above, the Shares and the Warrants, unless the Company determines otherwise in compliance with applicable law, will bear the additional legend to the following effect:

EACH HOLDER OF THESE SECURITIES, WHETHER BY PURCHASE OR OTHERWISE, ACKNOWLEDGES THAT THESE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT AND THAT THE ISSUER HAS NOT REGISTERED AND WILL NOT REGISTER UNDER THE US INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). EACH HOLDER AGREES FOR THE BENEFIT OF THE ISSUER, ANY DISTRIBUTORS OR DEALERS AND ANY SUCH PERSONS' AFFILIATES THAT THESE SECURITIES MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE ISSUER (UPON REDEMPTION OF SUCH SECURITIES OR OTHERWISE) OR (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S. THE HOLDER FURTHER AGREES THAT IF THE HOLDER OFFERS OR SELLS THE SECURITIES PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE CLOSING DATE OF THE OFFERING OF THESE SECURITIES, THE HOLDER WILL NOT MAKE SUCH AN OFFER OR SALE TO A US PERSON (AS DEFINED IN REGULATIONS UNDER THE

SECURITIES ACT) OR FOR THE ACCOUNT OR BENEFIT OF ANY SUCH US PERSON. THE HOLDER ACKNOWLEDGES THAT THE ISSUER RESERVES THE RIGHT TO MAKE INQUIRIES OF ANY HOLDER OF THESE SECURITIES OR INTERESTS THEREIN AT ANY TIME AS TO SUCH PERSONS' STATUS UNDER THE US SECURITIES LAWS AND TO REQUIRE ANY PERSON THAT HAS NOT SATISFIED THE ISSUER THAT SUCH PERSON IS HOLDING THE SECURITIES OR INTERESTS THEREIN APPROPRIATELY UNDER THE US SECURITIES LAWS TO TRANSFER SUCH SECURITIES OR INTERESTS THEREIN IMMEDIATELY TO THE ISSUER. THE HOLDER AGREES TO, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THESE SECURITIES OF THE TRANSFER RESTRICTIONS REFERRED TO ABOVE.

- (vi) It agrees that the Company may require a certification from the transferee in support of any transfer, in form and substance satisfactory to the Company and agrees that the Company, the Registrar or any transfer agent may reasonably require additional evidence or documentation supporting compliance with applicable securities laws, and prior to the registration of any transfer the Directors may require of a proposed transferee or transferor such certifications, notifications, agreements and warranties and legal opinions of duly qualified counsel as they may reasonably require (including but not limited to that the transferees are not US Persons as defined in Regulation S) to ensure the proposed transferee would be entitled to hold the same in accordance with these provisions and that all applicable laws will be or would have been complied with.
- (vii) It acknowledges that the Issuer reserves the right to make inquiries of any holder of the Securities or interests therein at any time as to such person's status under the US securities or commodity futures laws, and to require any such person that has not satisfied the Company that such person is holding appropriately under the US securities or commodity futures laws to transfer such Securities or interests therein immediately to the Company.
- (viii) It agrees that it will inform each subsequent purchaser of Securities from it of these transfer restrictions.
- (ix) It acknowledges that the Company, the Registrar, any transfer agent, any distributors or dealers or their affiliates and others will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

9. General

The Placing of the Shares is being carried out on behalf of the Company by Collins Stewart Limited which is authorised and regulated by the FSA.

Monies received from applicants pursuant to the Placing will be held by Collins Stewart until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 7 June 2005, application monies will be returned to applicants at their risk without interest prior to delivery of the securities.

The principal place of business and registered office of the Company is at No.1 Le Truchot, St. Peter Port, Guernsey GY1 4AE.

The Investment Manager is or may be a promoter of the Company. Save as disclosed in this Part 5, no amount or benefit has been paid, or given, to the promoter or any of its subsidiaries since the incorporation of the Company and is intended to be paid, or given.

The costs and expenses (including value added tax where relevant) of, and incidental to, the Placing payable by the Company will be approximately 5 per cent., of the Initial Gross Proceeds. On the basis that 40,000,000 Shares are issued under the Placing, the estimated net proceeds are expected to be approximately £38 million and will be applied as described in Part 1, Section 2 of this Admission Document. The maximum number of Shares available under the Placing should not be taken as an indication of the number of Shares finally to be issued.

As the Shares have a par value of 1p per Share, the Placing Price of 100p per Share consists of 99p share premium.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument. The Articles of Association of the Company permit the holding of the Shares under the CREST system. The Directors intend to apply for the Shares to be admitted to CREST with effect from Admission. Accordingly it is intended that settlement of transactions in the Shares following Admission may take place within the CREST system if the relevant Shareholders so wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so upon request from the Registrar.

The Company does not own any premises and does not lease any premises.

- (A) the Company will not take legal or management control of investments in its portfolio;
- (B) dividends will not be paid unless they are covered by income received from underlying investments, and for this purpose a share of profit of an associated company is unavailable unless and until distributed to the Company;
- (C) the distribution as dividend of surpluses arising from the realisation of investments will be prohibited; and
- (D) any material change to the investment policy of the Company set out in Part 1, Section 2 of this Admission Document may only be made with the prior approval of Shareholders.

It is intended that the Company will invest in shares in the New Master Fund on 1 June but the investment may be made at any time on or before 1 July at the absolute discretion of the Directors, after which time funds will be returned to shareholders.

10. Availability of Admission Document

Copies of this Admission Document can be obtained during normal business hours until the Placing closes from either of the following:

RAB Special Situations Company Limited at No. 1 Le Truchot, St. Peter Port, Guernsey, GY1 4AE
Collins Stewart Limited at 9th Floor, 88 Wood Street, London EC2V 7QR

11. Minimum Allotment Requirements

For the purposes of Section 29 of the Companies Laws, the minimum subscription upon which the Directors may proceed to allotment is 2 Shares.

12. Documents Available For Inspection

Copies of the following documents will be available for inspection at the registered office of the Company and the offices of Norton Rose, Kempson House, Camomile Street, London EC3A 7AN during normal business hours on any week day (Saturdays and Public Holidays excepted) from the date of this document until a date one month following Admission:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the report produced by RSM Robson Rhodes LLP set out at Part 4 of this document; and
- (c) this Admission Document.

