

METALS EXPLORATION PLC (1)

and

(2)

•

DEED OF OPTION GRANT

KERMAN & C^o LLP
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THIS DEED OF OPTION GRANT is made the _____ day of _____ 2011

BETWEEN:-

- (1) **METALS EXPLORATION PLC** (company number 05098945) a company incorporated in England and Wales whose registered office is 200 Strand, London, WC2R 1DJ (the “**Grantor**”); and
- (2) • of [] (the “**Option Holder**”).

RECITAL:-

The Grantor has agreed to grant an Option to the Option Holder to subscribe for Option Shares (as defined below) upon the terms and subject to the conditions appearing in this deed.

IT IS AGREED as follows:-

- 1.1 In this deed unless otherwise specified the following expressions have the following respective meanings:-

“ AIM ”	means the AIM market of the London Stock Exchange;
“ AIM Rules ”	means the AIM rules for companies published by the London Stock Exchange from time to time;
“ Agreement ”	the agreement dated [●] 2011 between (1) the Option Holder, (2) Shelfco 724 Limited, (3) Runruno Holdings Limited, (4) Williams De Broë Limited, (5) the Minority Shareholders, (6) the Grantor, (7) the Warranholders and (8) Robert William James Catto;
“ Board ”	means the directors for the time being of the Grantor present at a duly convened and quorate meeting of the directors or of a committee of the directors duly appointed for the purpose in question;
“ Business Day ”	means a day, other than a Saturday or Sunday, on which banks are open for ordinary business in the City of London;
“ Closing Date ”	means four months from the date of the closing of the Offer;
“ Exercise Period ”	means the period referred to in Clause 2.3;
“ London Stock Exchange ”	means London Stock Exchange plc;
“ Offer ”	the offer by the Option Holder for the entire issued and to be issued share capital of the Grantor not already owned by the Option Holder, as set out in the offer document dated 20 August 2010;

“Option”	means the Option to subscribe for Shares of the Grantor granted pursuant to Clause 2.1;
“Option Shares”	means such number of Shares as shall be equal to the difference between the Option Holder’s holding of Shares in the Company at the time of exercise of the Option and the number of Shares that would have to be issued to the Option Holder that would result in the Solomon Entities owning 65 per cent. of the issued share capital of the Grantor as enlarged by such issue;
“Right to Rescind”	means the right of Accepting Shareholders (as defined in a circular issued by Solomon Capital Limited on [●] 2011) to rescind their previous acceptances of the Offer;
“Shares”	means ordinary shares of 1 pence in the capital of the Grantor having the rights set out or referred to in the articles of association of the Grantor as amended from time to time;
“Solomon Entities”	has the meaning given in the Agreement;
“Takeover Date”	means the date on which any condition subject to which an offer for the Grantor as described in clause 5.1.1 is made has been satisfied.

1.2 In this deed:

- 1.2.1 the masculine gender includes the feminine and the singular number includes the plural and vice versa;
 - 1.2.2 references to Clauses and Schedules are references to clauses of and schedules to this deed;
 - 1.2.3 references to United Kingdom statutes shall be deemed to refer to such statutes as amended or re-enacted after the date of this deed and any reference to any such statute or statutory provision or specific tax in the United Kingdom shall include, without limitation, any equivalent or nearest equivalent thereof in Canada and in any other relevant jurisdiction.
- 1.3 The schedules form part of and are incorporated in this deed.
- 1.4 Headings are included for ease of reference only and shall not affect the interpretation of this deed.
- 1.5 No modification, variation or amendment to this deed shall be effective unless such modification, variation or amendment is in writing and has been signed by or on behalf of the parties.

2 **GRANT OF OPTION**

- 2.1 The Grantor hereby grants to the Option Holder an option (the “**Option**”) to subscribe for the Option Shares on the terms and conditions set out in this deed.
- 2.2 The price at which the Option shall be exercisable shall be 13 pence per Share, payable in full upon exercise, subject to adjustment pursuant to clause 4.
- 2.3 Subject to the AIM Rules, the Option granted pursuant to clause 2.1 shall be exercisable in whole or part or in parts at any time and from time to time up to the Closing Date. To the extent that the Option has not been exercised by the Closing Date, it shall lapse and be of no further force and effect.

3 **EXERCISE OF OPTION(S)**

- 3.1 Subject to the AIM Rules and the other terms and conditions of this deed, the Option may be exercised by the Option Holder giving to the secretary of the Grantor a written notice exercising the Option (in the form of the notice of exercise set out in Schedule 1) signed on behalf of the Option Holder specifying the number of Option Shares in respect of which the Option is to be exercised and accompanied by a bankers draft for or telegraphic transfer of the aggregate subscription price of the Option Shares in respect of which the Option is being exercised. Upon such exercise the Grantor shall issue to the Option Holder the Option Shares in respect of which the Option has been exercised within 3 Business Days of receipt by the Grantor of the notice of exercise, together with a certificate for the Option Shares in respect of which the Option has been exercised. Such Option Shares shall on issue rank pari passu in all respects with the Grantor’s existing Shares save as regards any rights attaching by reference to a record date prior to the receipt of the relevant notice of exercise. The Grantor shall make application for the Option Shares so issued on exercise of the Option to be admitted to trading on AIM with effect from the earliest practicable date after the date of issue and to all other stock exchanges (if any) on which the Shares are then listed with effect from the earliest possible date after the date of issue.
- 3.2 Notwithstanding clause 3.1, the Option shall be deemed to have been exercised automatically by the Option Holder where, as a result of the exercise of the Right to Rescind or the exercise of any other warrant, option or other right to convert into or subscribe for Shares, the aggregate shareholding of the Option Holder and Shelfco 724 Limited (company number 49005) would fall below 50.1 per cent of the issued share capital of the Grantor, in which case the number of Option Shares in respect of which the Option is deemed to be exercised shall be such number as shall result in the Option Holder (and persons acting in concert with the Option Holder) holding 50.1 per cent. of the issued share capital of the Company as enlarged by such issue.
- 3.3 The Grantor covenants and agrees that all such Option Shares will, upon issuance, be duly authorised and fully paid. The Grantor will take such actions as may be reasonably necessary to ensure that all such Option Shares may be so issued without violation of any applicable laws or the applicable requirements of any exchange upon which the Shares of the Grantor may be listed.

3.4 The grant of the Option under this deed shall not constitute any representation or warranty that any benefit will accrue to the Option Holder.

4 **ALTERATIONS IN THE SHARE CAPITAL OF THE GRANTOR**

4.1 In the event of any issue of shares of whatever class or other security of the Grantor to shareholders by way of rights or other pre-emptive issue or by way of capitalisation of profits or reserves (other than a capitalisation issue in lieu of a cash dividend where the value of the Shares issued in lieu of the cash dividend is equal to the amount of the dividend foregone) or a capital distribution in respect of the Shares or any sub-division or consolidation of the share capital of the Grantor, the nominal amount and the number of Shares then still subject to the Option (including any part of the Option exercised but in respect of which Shares have not yet been allotted) and/or the exercise price under the Option shall be adjusted to such extent (if any) as the auditors for the time being of the Grantor certify in writing to the Grantor and the Option Holder to be in their opinion fair and reasonable in consequence of such event provided that no adjustment to the exercise price shall be made where it would reduce it to a price per Share below the nominal value of each Share. In the event of an issue by the Grantor by way of rights or other pre-emptive issue of shares (a **"Share Issue"**) the Grantor shall give sufficient notice to the Option Holder of such Share Issue so as to enable the Option Holder to exercise such number of Options as it so wishes in order that the Option Holder may participate in the Share Issue as a shareholder of the Grantor.

4.2 If at any time there is a capital reorganisation of the Grantor or a reclassification, redesignation or other change of the Shares into other shares or into other securities (other than an event referred to in Clause 4.1), or an amalgamation, merger, arrangement or other similar transaction involving the Grantor and another corporation or entity (other than an amalgamation, merger, arrangement or other similar transaction which does not result in any reclassification of the Shares or a change or exchange of the Shares into or for other securities), or a transfer of all or substantially all of the assets of the Grantor to any other entity (any of such events, a **"Capital Reorganisation"**), the Option Holder shall be entitled to be granted by the amalgamated, merged, resulting or continuing corporation, as the case may be, a substituted Option of the value of the Option immediately prior to such Capital Reorganisation and otherwise on the same terms as this Option.

4.3 If an order is made or a resolution is passed for winding up the Grantor (except in connection with a Capital Reorganisation), the Option Holder shall (if, in such winding up and on the basis that the Option to the extent then unexercised had been exercised in full and the subscription moneys for the relevant Shares had been received in full by the Grantor, there would be a surplus available for distribution amongst the holders of the Shares which, on such basis, would exceed in respect of each Share a sum equal to the exercise price) be treated as if immediately before the date of such order or resolution its subscription rights had been exercisable and had been exercised in full and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Shares such a sum as it would have received had it exercised its subscription rights in full and become the holder of the Shares to which it would have become entitled by virtue of such subscription after deducting a sum per

share equal to the exercise price. Subject to the foregoing all subscription rights shall lapse on liquidation of the Grantor.

- 4.4 Any adjustments to the Option made pursuant to this clause shall be notified forthwith in writing to the Option Holder by the Grantor.

5 **PROTECTION OF THE OPTION**

- 5.1 The Grantor agrees, represents and undertakes with the Option Holder that during the Exercise Period or until whichever is the earlier of the date on which the Option has been fully exercised or the date on which it has lapsed pursuant to clause 2.3 in respect of the Shares for the time being capable of being exercised under this deed it will procure that:

- 5.1.1 if an offer is made for the whole of the issued share capital of the Grantor or such part of the issued share capital as is not at that time owned by the offeror or any company controlled by the offeror or any person acting in concert with the offeror or any company controlled by the offeror as such expression is defined in The City Code on Takeovers and Mergers the Grantor shall immediately notify the Option Holder. Publication of a scheme of arrangement under Part 26 of the Companies Act 2006 providing for the acquisition by any person of the whole or any part of the issued share capital of the Grantor shall be deemed to be the making of an offer for the purposes of this clause 5.1.1 and the Grantor will use its reasonable endeavours to procure that a like offer is extended to the Option Holder in respect of any Option Shares issued in exercise of the Option while such offer remains open for acceptance;
- 5.1.2 if the Grantor sells transfers assigns or otherwise disposes of the whole or any material part of the undertaking business or assets of the Grantor (and whether by a single transaction or a series of transactions related or not), the Grantor shall immediately notify the Option Holder of such transaction or transactions;
- 5.1.3 if at any time an offer or invitation is made by the Grantor to the holders of the Shares for the purchase by the Grantor of any of its Shares, the Grantor shall simultaneously give notice thereof to the Option Holder;
- 5.1.4 the Option Holder is provided with copies of all letters and documents sent to members of the Grantor, including for information purposes only a copy of each published annual report and accounts or summary financial statement of the Grantor together with all documents required by law to be annexed thereto;
- 5.1.5 it will at all times maintain sufficient authority under sections 551 and 570 of the Companies Act 2006 to issue the Shares in respect of which an Option is capable of being exercised (but not having been so exercised from time to time) under this deed pursuant to the exercise of the Option without the need to obtain the consent of shareholders of the Grantor (or any class of them) or any other third party.

6 **ASSIGNMENT**

Subject to applicable securities laws and the rules and policies of AIM, the Option may be assigned by the Option Holder in whole or in part.

7 **NOTICE**

7.1 Any notice to be given by any party hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand or given by facsimile transmission (at such facsimile number as may from time to time be notified by the relevant party) or given by letter sent by first-class registered mail or in the case of an address outside the United Kingdom pre-paid priority airmail to the party to receive such notice provided that any party may change its address or facsimile number for notice by giving to the other party written notice of such change.

7.2 Any notice given under this Clause shall be effective:

7.2.1 if delivered personally, when delivered;

7.2.2 if sent by facsimile transmission (to the Grantor on fax number ● and to the Option Holder on fax number ●), when despatched subject to confirmation of transmission by a transmission report and provided that any notice despatched by facsimile after 5.00pm on a Business Day or on any day which is not a Business Day shall be deemed to have been given at 8.00am on the next Business Day;

7.2.3 if sent by first-class registered post within the United Kingdom, two Business Days after posting or if sent from or to any place outside the United Kingdom by prepaid priority airmail 7 Business Days after posting.

7.3 Any notice given by facsimile transmission should thereafter be confirmed by written letter sent by first class registered mail or airmail to the party to whom such facsimile transmission was given.

8 **AUDITORS**

In any matter in which they are required to act under this deed, the auditors for the time being of Grantor shall be deemed to be acting as experts and not as arbitrators and their decision, in the absence of manifest error, shall be final and binding on the Grantor and the Option Holder.

9 **GOVERNING LAW**

This deed shall be governed by and construed in accordance with the laws of England.

10 **JURISDICTION**

In relation to any legal action or proceedings arising out of or in connection with this deed, each of the Option Holder and the Grantor irrevocably submits to the exclusive jurisdiction of the English courts and waives any objection to

proceedings in such courts on the grounds of venue or on the grounds that proceedings have been brought in an inappropriate forum.

IN WITNESS whereof the parties have executed this instrument as a deed this day
of 2011

SCHEDULE 1

Form of Notice of Exercise

TO: The Secretary
Metals Exploration plc

- 1 •, being the holder of the Option granted to it on [•], at an exercise price of [•] per share, hereby exercises the Option in respect of [•] Shares of Metals Exploration plc.
- 2 A bankers draft for [•] in favour of Metals Exploration plc is enclosed or telegraphic transfer of [•] to Metals Exploration plc at [•] has been made, in payment for the number of Shares in respect of which the Option is being exercised.
- 3 I wish for the Shares referred to in paragraph 1 above to be registered in my name (or any nominee which may be stated below) and agree to accept such Shares subject to the memorandum and articles of association of Metals Exploration plc.
- 4 Metals Exploration plc is hereby requested to issue and send to me at [•], certificates representing the Shares by registered mail and at my risk.

SIGNED by:

•

EXECUTED and DELIVERED)
as a **DEED** by)
METALS EXPLORATION PLC)
acting by:

Director

Director/Secretary

SIGNED and DELIVERED)
as a **DEED** by)
•)