

COMPANIES FORM No. 395

Particulars of a mortgage or charge

395

A fee of £10 is payable to Companies House in respect of each register entry for a mortgage or charge.

Pursuant to section 395 of the Companies Act 1985

To the Registrar of Companies
(Address overleaf - Note 6)

For official use **Company number**

02907493

Name of company

* ~~Caledonia~~ EU Limited (the "Company")

Date of creation of the charge

23 October 2003

Description of the instrument (if any) creating or evidencing the charge (note 2)

Security Agreement dated 23 October 2003 between the Company and The Royal Bank of Scotland PLC (the "Security Trustee") as trustee for itself and the Secured Creditors (the "Agreement").

Amount secured by the mortgage or charge

All present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of the Company to any Secured Creditor under each Finance Document to which the Company is a party, except for any obligation which, if it were so included, would result in the Agreement contravening Section 151 of the Companies Act 1985 (the "Secured Liabilities").

Names and addresses of the mortgagees or persons entitled to the charge

The Royal Bank of Scotland PLC (registered in England under number SC090312) as trustee for itself and the Secured Creditors of 135 Bishopsgate, London

Postcode EC2M 2UR

Presentor's name address and reference (if any):

Allen & Overy
One New Change
London
EC4M 9QQ

CJW/SLT PG: 321206

Time critical reference

For official Use
Mortgage Section

fax received

Post room



PMO
COMPANIES HOUSE
COMPANIES HOUSE

0118
21/10/03
UNIT 1
11/11/03

Short particulars of all the property mortgaged or charged

PLEASE SEE CONTINUATION SHEETS ATTACHED

Please do not
write in
this margin

Please complete
legibly, preferably
in black type, or
bold block
lettering

Particulars as to commission allowance or discount (note 3)

Nil

Signed *Allen & Overy*

Date 11th November 2003

On behalf of [company] [mortgagee/chargee]†

A fee of £10 is
payable to
Companies House
in respect of each
register entry for a
mortgage or
charge.
(See Note 5)

† delete as
appropriate

Notes

- 1 The original instrument (if any) creating or evidencing the charge, together with these prescribed particulars correctly completed must be delivered to the Registrar of Companies within 21 days after the date of creation of the charge (section 395). If the property is situated and the charge was created outside the United Kingdom delivery to the Registrar must be effected within 21 days after the date on which the instrument could in due course of post, and if dispatched with due diligence, have been received in the United Kingdom (section 398). A copy of the instrument creating the charge will be accepted where the property charged is situated and the charge was created outside the United Kingdom (section 398) and in such cases the copy must be verified to be a correct copy either by the company or by the person who has delivered or sent the copy to the Registrar. The verification must be signed by or on behalf of the person giving the verification and where this is given by a body corporate it must be signed by an officer of that body. A verified copy will also be accepted where section 398(4) applies (property situate in Scotland or Northern Ireland) and Form No. 398 is submitted.
- 2 A description of the instrument, eg "Trust Deed", "Debenture", "Mortgage" or "Legal charge", etc, as the case may be, should be given.
- 3 In this section there should be inserted the amount or rate per cent. of the commission, allowance or discount (if any) paid or made either directly or indirectly by the company to any person in consideration of his;
 - (a) subscribing or agreeing to subscribe, whether absolutely or conditionally, or
 - (b) procuring or agreeing to procure subscriptions, whether absolute or conditional,for any of the debentures included in this return. The rate of interest payable under the terms of the debentures should not be entered.
- 4 If any of the spaces in this form provide insufficient space the particulars must be entered on the prescribed continuation sheet.
- 5 Cheques and Postal Orders are to be made payable to **Companies House**.
- 6 The address of the Registrar of Companies is:-

Companies House, Crown Way, Cardiff CF14 3UZ

Short particulars of all the property mortgaged or charged

1. INVESTMENTS

(a) The Company charges:

- (i) by way of an equitable mortgage all shares in any member of the Group (other than itself) owned by it or held by any nominee on its behalf; and
- (ii) (to the extent that they are not the subject of a mortgage under sub-paragraph (i) above) by way of a floating charge its interest in all shares, stocks, debentures, bonds or other securities owned by it or held by any nominee on its behalf.

(b) A reference in this paragraph 1 to a mortgage or charge of any stock, share, debenture, bond or other security includes:

- (i) any dividend or interest paid or payable in relation to it; and
- (ii) any right, money or property accruing or offered at any time in relation to it by way of redemption, substitution, exchange, bonus or preference, under option rights or otherwise.

2. INSURANCES

The Company assigns absolutely, subject to a proviso for re-assignment on redemption, all of its rights in respect of any contract or policy of insurance relating to a Security Account or a Borrowing Base Asset taken out by it or on its behalf or in which it has an interest.

3. OTHER CONTRACTS

The Company assigns absolutely, subject to a proviso for re-assignment on redemption, all of its rights in respect of each Project Document to which it is party.

4. SECURITY ACCOUNTS

The Company assigns absolutely, subject to a proviso for re-assignment on redemption, all of its rights in respect of the Security Accounts.

5. FLOATING CHARGE

(a) The Company charges by way of a first floating charge (whether or not at any time otherwise effectively mortgaged, charged or assigned by way of fixed mortgage, charge or assignment):

- (i) all of its rights in respect of any amount standing to the credit of a Security Account; and
- (ii) all its Borrowing Base Assets including, to the extent such asset constitutes a Borrowing Base Asset, without limitation:
 - (A) all estates or interests in any feuhold, freehold or leasehold property now owed by it;

- (B) all plant and machinery owned by it and its interest in any plant or machinery in its possession;
- (C) all of its book and other debts and any other moneys due and owing to it (including the benefit of any rights, securities or guarantees of any nature enjoyed or held by it in relation to any of the foregoing);
- (D) its Intellectual Property Rights;
- (E) (to the extent not effectively assigned under paragraph 2 above) all benefits in respect of any contract or policy of Insurance and all claims and returns of premiums in respect of them;
- (F) any beneficial interest, claim or entitlement it has in any pension fund;
- (G) its goodwill;
- (H) the benefit of any authorisation (statutory or otherwise) held in connection with its use of any Security Asset;
- (I) the right to recover and receive compensation which may be payable to it in respect of any authorisation referred to in paragraph (H) above; and
- (J) its uncalled capital.

(b) Except as provided below, the Security Trustee may by notice to the Company convert the floating charge created by the Company under this paragraph 5 into a fixed charge as regards any of the Company's Security Accounts or Borrowing Base Assets specified in that notice and the Security Trustee undertakes to the Company that it will only convert the floating charge created by the Agreement, if:

- (i) an Event of Default is outstanding; or
- (ii) the Security Trustee reasonably considers those Security Accounts or Borrowing Base Assets to be in danger of being seized or sold under any form of distress, attachment, execution or other legal process or to be otherwise in jeopardy.

(c) The floating charge created by this paragraph 5 may not be converted into a fixed charge solely by reason of:

- (i) the obtaining of a moratorium; or
- (ii) anything done with a view to obtaining a moratorium,

under the Insolvency Act 2000.

(d) The floating charge created by this paragraph 5 will automatically convert into a fixed charge over all of the Company's assets if an administrator is appointed or the Security Trustee receives notice of an intention to appoint an administrator.

(e) The floating charge created by this paragraph 5 is a qualifying floating charge for the purpose of paragraph 14 of Schedule B1 to the Insolvency Act 1986.

6. RESTRICTIONS ON DEALINGS

The Company may not:

- (a) create or permit to subsist any Security Interest on any Security Asset; or
 - (b) sell, transfer, licence, lease or otherwise dispose of any Security Asset,
- except as expressly allowed under the Senior Credit Agreement.

7. RESTRICTIONS ON ALTERING INVESTMENTS

- (a) Subject to paragraph (b) below, the Company may not take or allow the taking of any action on its behalf which may result in the rights attaching to any of its Investments being altered or further shares in the Group being issued.
- (b) Paragraph (a) above will not prevent the issue of further shares in the Parent.

8. RESTRICTIONS ON WITHDRAWALS FROM SECURITY ACCOUNT

Except with the prior consent of the Security Trustee, or in respect of the Control Accounts, except as provided under the terms of the Senior Credit Agreement, the Company may not withdraw any moneys standing to the credit of a Security Account.

9. PRESERVATION OF PROJECT DOCUMENTS

The Company may not, without the prior written consent of the Security Trustee:

- (a) amend or waive any term of, or terminate any Project Document to which it is a party; or
- (b) take any action which might jeopardise the existence or enforceability of any such Project Document.

10. DEFINITIONS

The following terms used in this Companies Form No. 395 have the meanings set out below:

Account Bank means The Royal Bank of Scotland plc or such other bank as the Facility Agent may nominate from time to time.

Additional Borrower means a member of the Group which becomes a Borrower in accordance with Clause 29.5 of the Senior Credit Agreement (Additional Borrowers).

Additional Guarantor means a member of the Group which becomes a Guarantor in accordance with Clause 29.4 of the Senior Credit Agreement (Additional Guarantors).

Agent means the Facility Agent, Subordinated Agent or the Technical Agent.

Arranger means The Royal Bank of Scotland plc.

Assets means all present and future assets, properties, revenues and rights of every description (including any losses eligible to be surrendered for tax purposes).

Banks means the financial institutions listed in Part III of Schedule 1 of the Senior Credit Agreement as banks.

Borrower means an Original Borrower or an Additional Borrower.

Borrower Accession Agreement means a letter in the form of Part III of Schedule 5 of the Senior Credit Agreement (Changes to the Parties).

Borrower's Agent means Caledonia Oil & Gas Limited (Registered No. SC240197).

Borrowing Base Asset means, subject to clause 17.8 of the Senior Credit Agreement (Additional Borrowing Base Assets), the petroleum production licences, petroleum fields and pipelines listed in Schedule 8 of the Senior Credit Agreement, Transportation Agreements listed in Schedule 9 of the Senior Credit Agreement and includes (where the context so permits) each Borrowing Base Interest in respect of the relevant asset(s) (or any part of any such interest).

Borrowing Base Interest means, in respect of a Field Company and Borrowing Base Asset, all of that Field Company's present and future interest in that Borrowing Base Asset and all Borrowing Base Petroleum, Project Documents, facilities, Insurances and receivables relative to it.

Borrowing Base Petroleum means, in respect of a Borrowing Base Asset that is a petroleum field, all petroleum won and saved from that Borrowing Base Asset that accrues to the Borrowing Base Interest in that Borrowing Base Asset (including, without limitation, any such petroleum that is royalty petroleum).

CSFB means (collectively):

- (a) DLJMB OVERSEAS PARTNERS III, C.V. a limited liability partnership formed under the laws of the Netherlands Antilles with its principal place of business at 11 Madison Ave. 16th Floor, New York, NY 10010;
- (b) DLJ OFFSHORE PARTNERS III, C.V. a limited liability partnership formed under the laws of the Netherlands Antilles with its principal place of business at 11 Madison Ave. 16th Floor, New York, NY 10010;
- (c) DLJ OFFSHORE PARTNERS III-1, C.V. a limited liability partnership formed under the laws of the Netherlands with its principal place of business at 11 Madison Ave. 16th Floor, New York, NY 10010;
- (d) DLJ OFFSHORE PARTNERS III-2, C.V. a limited liability partnership formed under the laws of the Netherlands with its principal place of business at 11 Madison Ave. 16th Floor, New York, NY 10010;
- (e) DLJ MB PARTNERS III GMBH & CO. KG. a limited liability partnership formed under the laws of Germany with its principal place of business at 11 Madison Ave. 16th Floor, New York, NY 10010;
- (f) MBP III PLAN INVESTORS, L.P. a limited liability partnership formed under the laws of Delaware with its principal place of business at 11 Madison Ave. 16th Floor, New York, NY 10010; and

- (g) **MILLENNIUM PARTNERS II, L.P.** a limited liability partnership formed under the laws of Delaware with its principal place of business at 11 Madison Ave. 16th Floor, New York, NY 10010.

Compensation Account means an account to be maintained by a Field Company under Clause 18.3 of the Senior Credit Agreement (Compensation Account).

Control Account means a Revenue Account or Compensation Account.

DWS Escrow Loan means the loan made to the Parent by The Royal Bank of Scotland plc dated on or about the day before the date of the Senior Credit Agreement for the purposes of funding the Denton Wilde Sapte escrow account.

Event of Default means an event specified as such in Clause 21.1 of the Senior Credit Agreement (Events of Default).

Facility Agent means The Royal Bank of Scotland plc.

Field Company means any other member of the Group that is an Obligor (other than Trading) which for the time being has an interest in a Borrowing Base Asset or any Project Document related to a Borrowing Base Asset.

Finance Document means the Senior Credit Agreement, any Hedging Agreement, the Overdraft Facility Letter, a Letter of Credit, a Project Guarantee, a Security Document, the DWS Escrow Loan, a Subordination Agreement, a Novation Certificate, a Borrower Accession Agreement, a Guarantor Accession Agreement or any other document designated as such by the Facility Agent and the Borrowers' Agent.

Finance Party means the Arranger, a Hedging Bank, a Bank, the Overdraft Bank, the Security Trustee, the Account Bank, the Fronting Bank or an Agent.

Fronting Bank means The Royal Bank Of Scotland Plc as letter of credit and guarantee fronting bank.

Group means, at any time, the Parent and all of its Subsidiaries for the time being (other than any Project Financing Vehicle).

Group Shares means any stocks, shares, debentures, bonds or other securities and investments legally and/or beneficially owned by the Company in any other member of the Group.

Guarantor means an Original Guarantor or an Additional Guarantor.

Guarantor Accession Agreement means a deed in the form of Part II of Schedule 5 of the Senior Credit Agreement with such amendments as the Facility Agent may approve or reasonably require.

Hedging Agreement means any Hedging Transaction entered into by an Obligor which such Obligor, the Facility Agent and the relevant Hedging Bank have, at any time by notice to each other party to the Senior Credit Agreement, designated as a Hedging Agreement.

Hedging Bank means as defined in the Intercreditor Agreement.

Hedging Transaction means any hedging instrument entered into by an Obligor, including any interest, currency or commodity swap, cap, collar or any other derivative instrument.

Insurances means any insurances maintained by a Field Company (or, to the extent of the relevant interest, in which a Field Company has an interest) that extend cover in respect of any Borrowing Base Asset or Borrowing Base Petroleum.

Intellectual Property Rights means all know-how, patents, trade marks, service marks, designs, business names, topographical or similar rights, copy right and other intellectual property, monopoly rights and any interests (including by way of licence) in any of the foregoing (in each case whether registered or not and including all application for the same) of the Company.

Intercreditor Agreement means the Intercreditor Agreement of the same date as the Senior Credit Agreement between the Obligors, the Facility Agent, the Subordinated Lenders and others.

Investments means:

- (a) the Group Shares and Related Rights;
- (b) all other shares, stocks, debentures, bonds or other securities included in the definition of Security Assets; and
- (c) any other right, money or property accruing or offered at any time in relation to any of the above by way of redemption, substitution, exchange, bonus or preference under option rights or otherwise.

Letter of Credit means a letter of credit, substantially in the form of Schedule 11 of the Senior Credit Agreement (Form of Letter of Credit) or in any other form agreed by the Fronting Bank and the Facility Agent.

Novation Certificate means a novation certificate in the form of Part 1 of Schedule 5 of the Senior Credit Agreement (Procedure for novations).

Obligor means a Borrower or Guarantor (in whatever capacity they may be party to the Finance Documents, including without limitation in their capacity as a Field Company, the Parent or the Borrowers' Agent).

Original Borrower means the companies listed in Part 1 of Schedule 1 of the Senior Credit Agreement as the original borrowers.

Original Guarantor means the companies listed in Part 2 of Schedule 1 of the Senior Credit Agreement as the original guarantors.

Overdraft Bank means The Royal Bank of Scotland plc.

Overdraft Facility means the overdraft facility described in Clause 2.1(c) of the Senior Credit Agreement (The Facility).

Overdraft Facility Letter means the letter or agreement dated on or about the date of the Senior Credit Agreement between the Overdraft Bank and the Parent setting out the terms of

the Overdraft Facility and any supplement, amendment or replacement letter relating to similar facilities of up to the Overdraft Facility Limit.

Overdraft Facility Limit means a net limit of £1,500,000 in aggregate for all Obligor(s).

Parent Investor means:

- (a) First Reserve Fund IX, L.P. formed under the laws of Delaware United States of America with its principal place of business at Lafayette Place, Greenwich Connecticut 06830 USA; or
- (b) CSFB.

Parent means Caledonia Oil & Gas Limited (Registered No. SC240197).

Project Document means:

- (a) any material agreement to which a Field Company is party and which relates to a Borrowing Base Asset or Borrowing Base Petroleum, including (without limitation) any joint operating agreement, any unitisation or unit operating agreement, any transportation, tariffing or pipeline agreement and any agreement for the processing, storage or sale of Borrowing Base Petroleum;
- (b) any authorisation required for the lawful exploitation, development or operation of any Borrowing Base Asset or the production, transportation or sale of Borrowing Base Petroleum (and including, without limitation, any petroleum production licence);
- (c) any development plan approved by any relevant operating committee and/or any appropriate governmental or other regulatory authority; and
- (d) any other long-term gas sales agreement to which any Obligor is a party.

Project Financing Vehicle means a single-purpose company in respect of which:

- (a) its principal Assets and business are a project comprising the ownership, development and/or operation of a petroleum field (or petroleum facilities) (other than a Borrowing Base Asset);
- (b) it has no Assets other than those necessary or desirable for, or derived from, that project and carries on no business or activities other than that project;
- (c) none of its liabilities in respect of the project or its financing are directly or indirectly the subject of a guarantee or Security Interest granted by any Obligor (other than any Security Interest solely over the single-purpose company's shares, without any personal liability on the part of the chargor);
- (d) no Obligor has any other actual or contingent obligation in favour of it or any other person in respect of it or that project; and

without limiting any of the above, it has no interest in, or rights or obligations in, any Borrowing Base Asset.

Project Guarantee means a guarantee issued in accordance with Clause 5 of the Senior Credit Agreement, agreed by the Facility Agent and Fronting Bank.

Related Rights means:

- (a) any dividend or interest paid or payable in relation to any of the Group Shares;
- (b) any stock, shares, securities, rights, moneys or property accruing or offered at any time (whether by way of redemption, substitution, exchange, bonus or preference, under option rights or otherwise) to or in respect of any of the Group Shares or in substitution or exchange for or otherwise derived from any of the Group Shares; or
- (c) any dividend, interest or other income in respect of any asset referred to in paragraph (b) above.

Revenue Account means an account or accounts (if nominated by the Field Company and agreed in writing by the Security Trustee) to be maintained by a Field Company under Clause 18.2 of the Senior Credit Agreement (Revenue Account).

Scots Law Floating Charge means the floating charge dated on or about the date of the Senior Credit Agreement between the Security Trustee and the Parent.

Secured Creditor means a secured creditor as defined in the Intercreditor Agreement.

Security Account means a Revenue Account or Compensation Account of any Field Company and any other account established under the Agreement.

Security Assets means all assets of the Company the subject of any security created by the Agreement.

Security Document means:

- (a) the Agreement;
- (b) the Scots Law Floating Charge; and

any other document evidencing or creating a Security Interest over any asset of an Obligor to secure any obligation(s) of any Obligor to a Finance Party under or in respect of the Finance Documents.

Security Interest means any mortgage, pledge, lien, charge, assignment by way of security (whether or not expressed to be absolute), hypothecation or security interest or any other agreement or arrangement that has a commercial effect analogous to the conferring security (including, without limitation, any blocked account or "flawed asset" arrangement).

Security Trustee means The Royal Bank of Scotland plc.

Senior Credit Agreement means the £75,000,000 credit agreement dated on or about the 23 October 2003 between (among others) the Company and the Security Trustee.

Subordinated Agent means The Royal Bank of Scotland plc.

Subordinated Credit Agreement means the £15,000,000 subordinated credit agreement dated on or about the date of the Senior Credit Agreement between the Borrowers, the Guarantors, the Subordinated Agent and others.

Subordination Agreements means:

- (a) the Intercreditor Agreement;
- (b) the Subordination Deed; and
- (c) any other document specifically designated as such by the Facility Agent.

Subordination Deed means the deed dated on or about the date of the Senior Credit Agreement between the Parent Investors, the Security Trustee, the Facility Agent and the Parent.

Subordinated Lender means the financial institutions as listed in the Subordinated Credit Agreement.

Subsidiary means:

- (a) a subsidiary within the meaning of Section 736 of the Companies Act 1985; and
- (b) unless the context otherwise requires, a subsidiary undertaking within the meaning of Section 258 of the Companies Act 1985.

Technical Agent means The Royal Bank of Scotland plc.

Trading means Consort Energy Trading Limited (Registered No. 04103928).

Transportation Agreements means the transportation agreements listed in Schedule 9 of the Senior Credit Agreement.

FILE COPY



CERTIFICATE OF THE REGISTRATION OF A MORTGAGE OR CHARGE

Pursuant to section 401(2) of the Companies Act 1985

COMPANY No. 02907493

THE REGISTRAR OF COMPANIES FOR ENGLAND AND WALES HEREBY CERTIFIES THAT A SECURITY AGREEMENT DATED THE 23rd OCTOBER 2003 AND CREATED BY CALEDONIA EU LIMITED FOR SECURING ALL MONIES DUE OR TO BECOME DUE FROM THE COMPANY FORMERLY KNOWN AS CONSORT E U LIMITED TO ANY SECURED CREDITOR UNDER THE TERMS OF THE AFOREMENTIONED INSTRUMENT CREATING OR EVIDENCING THE CHARGE WAS REGISTERED PURSUANT TO CHAPTER 1 PART XII OF THE COMPANIES ACT 1985 ON THE 12th NOVEMBER 2003.

GIVEN AT COMPANIES HOUSE, CARDIFF THE 14th NOVEMBER 2003.



THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES



Companies House

— for the record —