

DATED

30 MARCH 2012

ALLERGY THERAPEUTICS PLC
LOAN NOTE INSTRUMENT

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THIS DEED is dated 30 March 2012

PARTY

Allergy Therapeutics plc incorporated and registered in England and Wales with company number 5141592 whose registered office is at Dominion Way, Worthing, West Sussex, BN14 8SA United Kingdom (the '**Company**').

BACKGROUND

By exercising the powers conferred on them by the Articles, the Directors of the Company have, by a resolution passed on 29 March 2012, created 4,042,469 £1.00 unsecured convertible loan notes and have agreed to constitute them in the following manner.

AGREED TERMS

1. INTERPRETATION

1.1 The definitions and rules of interpretation in this clause 1 apply in this instrument.

Adjustment Event: any sub-division or consolidation of Equity Securities by the Company at any time, or by reference to any record date, while the Notes remain in issue.

Articles: the articles of association of the Company, as amended or superseded.

Business Day: a day (other than a Saturday, Sunday or public holiday) on which banks in the City of London are open for normal banking business.

Certificate: a certificate for Notes in the form (or substantially in the form) set out in Schedule 1.

Circular: the circular to be sent to (amongst others) all shareholders of the Company as at the date of this instrument.

Control: in relation to a body corporate, means the power of a person to secure that the affairs of the body corporate are conducted in accordance with the wishes of that person:

- (a) by means of the holding of shares, or the possession of voting power, in relation to that or any other body corporate; or
- (b) by virtue of any powers conferred by the constitutional documents or any other document regulating that or any other body corporate,

and '**Controlling**' shall have the corresponding meaning.

Directors: the board of directors for the time being of the Company.

Equity Securities: has the meaning given in section 560(1) of the Companies Act 2006.

Notes: the £1.00 unsecured loan notes constituted by this instrument or, as the case may be, the principal amount from time to time issued and paid up and outstanding, and **principal amount** shall be construed accordingly.

Noteholder: the person for the time being entered in the register as holder of the Notes.

Noteholder's Group: means CFR International SpA, its ultimate holding company and the ultimate holding company's subsidiaries from time to time.

RBS Facility: the existing banking facilities of the Company with Royal Bank of Scotland plc.

Relevant Transaction: means any issue of securities, other than instruments convertible into Shares in, or Equity Securities of, the Company or any grant of options, warrants or other rights to subscribe for, or call for the allotment or issue of, Shares in, or Equity Securities of, the Company, for the purpose of raising cash, repaying debt or acquiring assets.

Repayment Date: means the date determined in accordance with paragraph 1 of Part 1 of Schedule 3.

Revised Banking Facilities: the revised banking facilities to be entered into between the Royal Bank of Scotland plc and the Company on Completion, further details of which are set out in the Circular.

Shares: the ordinary shares of 0.1 pence each in the capital of the Company.

Subscription Price: £0.097 per Ordinary Share of the Company.

Subscription Shares: has the meaning given to it in paragraph 2(b) in Part 2 of Schedule 3

Tax: any tax, levy, impost, duty or other charge, fee, deduction or withholding of a similar nature (including any penalty or interest payable in connection with the failure to pay, or delay in paying, any of these) applied by any relevant jurisdiction.

Tax Deduction: a charge, payment, deduction or withholding for, or on account of, Tax from the signing, entering into, execution, delivery or enforcement of this instrument or the notes or from a payment under a Note save for any Tax on income or profit.

Term: means the period commencing on the date of the issue of the Notes and ending on the Repayment Date.

- 1.2 Any phrase introduced by the terms **including**, **include** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.
- 1.3 The schedules to this instrument form part of (and are incorporated into) this instrument.
- 1.4 A **person** includes a corporate or unincorporated body.
- 1.5 Words in the singular include the plural and vice versa.
- 1.6 A reference to a clause or a schedule is (unless expressly stated otherwise) a reference to a clause of, or schedule to, this instrument.
- 1.7 Clause and schedule headings do not affect the interpretation of this instrument.
- 1.8 A reference to one gender includes a reference to the other gender.
- 1.9 Except as otherwise provided, expressions defined in the Companies Act 2006 shall be read as if defined in that way in this instrument.

2. NOMINAL AMOUNT

The nominal amount of each Note is £1.00 and the aggregate principal amount of all the Notes is £4,042,469.

3. RANKING

All the Notes shall rank *pari passu*, equally and rateably, without discrimination or preference and as unsecured obligations of the Company under this instrument.

4. USE OF PROCEEDS AND BANKING COVENANTS

4.1 The Company undertakes to utilise the proceeds of all subscriptions for the Notes in accordance with the provisions set out in Part I of the Circular and, in particular to repay in full the existing RBS Facility and deleverage the Company's balance sheet.

4.2 The Company warrants that the Revised Banking Facilities are being granted on the terms set out in Appendix 1 of the Subscription Agreement.

5. LOAN NOTE CERTIFICATES

5.1 The Noteholder shall be entitled to receive (without charge) a Certificate executed as a deed by the Company for the amount of Notes held by him.

5.2 The Certificate shall have copies of Schedule 2 and Schedule 3 endorsed on or attached to it.

5.3 If any Certificate is worn out or defaced then, on production of it to the Directors, they may cancel it and may issue a fresh Certificate in lieu. If any Certificate is lost or destroyed it may be replaced on such terms (if any) as to evidence and indemnity as the Company may reasonably require. An entry recording the issue of the new Certificate and indemnity (if any) shall be made in the register. No fee shall be charged for the registration of any transfer or for the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other documents relating to or effecting title to any Notes.

6. CONDITIONS OF ISSUE

The Notes shall be issued subject to, and with the benefit of, the terms of this instrument and the conditions set out in Schedule 2 to Schedule 4 inclusive. Those conditions shall be binding on the Company, the Noteholder and all persons claiming through or under them.

7. NOTES REGISTER

7.1 The Company shall keep, or cause to be kept, a register of the Notes at its registered office showing:

- (a) the name and address of the Noteholder for the time being of the Notes;
- (b) the amount of the Notes held by the Noteholder and the principal monies paid up on them;
- (c) the date of issue of the Notes and the date on which the name of the Noteholder is entered in respect of the Notes standing in his name;
- (d) the serial number of each Certificate issued and the date of its issue; and
- (e) the date on which a person ceased to hold the Notes.

7.2 Any change of name or address of any Noteholder shall immediately be notified to the Company and, on receipt, the register shall be altered accordingly. The Noteholder and any person authorised in writing by him may, at all reasonable times during office hours, inspect the register and take copies of it or extracts from it. The Company may, however, close the register for such periods and at such times as the Company thinks fit, provided that the register is not closed for more than 30 Business Days in any one year.

8. NOTES NOT TO BE QUOTED

No application has been, or is intended to be, made to any listing authority, stock exchange or other market for the Notes to be listed or otherwise traded.

9. ENFORCEMENT

The Company covenants with the Noteholder to perform and observe the obligations in this instrument to the intent that this instrument shall enure for the benefit of all persons for the time being registered as holders of any Notes, each of whom may sue for the performance and observance of the provisions of this instrument so far as his holding is concerned.

10. STAMP TAXES

The Company covenants with the Noteholder to pay all stamp duty, registration and other similar Taxes payable in respect of the issue of the Notes.

11. SET-OFF

The Noteholder shall be recognised by the Company as entitled to the Notes registered in his name free from any equity, defence, set-off or cross-claim on the part of the Company against the original, or any intermediate, Noteholder except for set-off of the Noteholder's obligation to pay in cash for the Subscription Shares with the obligation of the Company to repay the Notes in cash.

12. THIRD PARTY RIGHTS

This instrument is enforceable under the Contracts (Rights of Third Parties) Act 1999 by the Company and any Noteholder, but not by any other person.

13. NOTICE

13.1 Any notice or other document required to be given under this instrument shall be in writing and may be given to or served on any Noteholder by sending it by first-class post in a prepaid envelope addressed to such Noteholder at his registered address. Any such notice sent or document served by first-class post shall be deemed to have been given or served 48 hours or 96 hours in the case of a notice or document sent to an address for a Noteholder not in the United Kingdom after the time when it is posted and in proving such notice or service, it shall be sufficient to prove that the envelope containing the notice or document was properly addressed, stamped and posted.

13.2 Any notice or other document delivered or sent by post to, or left at, the registered address of any Noteholder in pursuance of these provisions shall, notwithstanding that such Noteholder is then dead or bankrupt or in liquidation, and whether or not the Company has notice of his death or bankruptcy or liquidation, be deemed to have been duly served or delivered in respect of any Notes registered in the name of such Noteholder as sole holder unless his name shall at the time of the service of the notice or document have been removed from the register as the holder of the Notes, and such service shall for all purposes be deemed sufficient service of such notice or document on all persons interested in the Notes.

14. INSPECTION RIGHTS

- 14.1 A copy of this instrument shall be kept at the Company's registered office. A Noteholder (and any person authorised by a Noteholder) may inspect that copy of the instrument at all reasonable times during office hours.

15. GOVERNING LAW AND JURISDICTION

- 15.1 This instrument and the Notes (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the laws of England.
- 15.2 The courts of England shall have exclusive jurisdiction to settle any dispute or claim that arises out of, or in connection with, this instrument (including non-contractual disputes or claims). Accordingly, any proceedings relating to, or in connection with, this instrument or the Notes (including non-contractual disputes or claims) may be brought in such courts.

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Schedule 1 : Form of certificate

Allergy Therapeutics Plc incorporated in England and Wales with registered number 5141592
(Company).

CERTIFICATE NO. 1

AMOUNT OF NOTES £[•]

unsecured loan notes (Notes).

Issued pursuant to the articles of association of the Company and created by a resolution of the directors passed on 29 March 2012.

This is to certify that [Details of Noteholder] is the registered holder of the nominal amount stated above of the Notes constituted by a loan note instrument dated 29 March 2012 (the 'Instrument') and made by the Company. The Notes are issued subject to, and with the benefit of, the provisions contained in the Instrument and the conditions and other provisions endorsed on this certificate and/or attached to it (the 'Conditions'). Interest is payable only in certain circumstances in accordance with Schedule 2 of the Instrument.

EXECUTED and DELIVERED as a DEED by the Company this [•] 2012.

Notes:

1. No transfer of any part of the Notes represented by this Certificate can be registered without production of this Certificate.
2. The Notes are not transferable in integral multiples, but can only be transferred in whole in accordance with Schedule 4 of the Instrument.
3. In accordance with Schedule 4 of the Instrument, the Noteholder shall be entitled to assign its rights and benefits under this Deed or any document entered into pursuant to this Deed to a member of the Noteholder's Group to which it has transferred the Notes, provided that the Noteholder must procure that the entity immediately transfer such rights and benefits back to the relevant Noteholder or another Member of the Noteholder's Group in the event the entity ceases to be a member of the Noteholder Group.

The Notes are governed by, and construed in accordance with, the laws of England.

Signed as a deed by Allergy Therapeutics Plc

acting by [NAME OF DIRECTOR]

in the presence of [NAME OF WITNESS]

Schedule 2: Interest and Redemption

1. INTEREST

- 1.1 Interest shall only be payable on the Notes at a rate of 3% per annum (**Interest Rate**) during the Term of the Notes.
- 1.2 Any interest due under paragraph 1.1 of this Schedule 2 shall be payable annually in arrears.
- 1.3 Interest shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the Notes to the Repayment Date.
- 1.4 If the Company fails to pay redemption monies when due, interest shall continue to accrue on the unpaid amount at the Interest Rate plus 4%.

2. REPAYMENT OF PRINCIPAL

As and when the Notes are to be redeemed, the Company shall pay the Noteholder the principal amount of the Notes which are to be redeemed.

3. PAYMENT

- 3.1 Whenever any payment of principal or interest (or otherwise) becomes due on a day which is not a Business Day, payment shall be made on the next following Business Day.
- 3.2 Payment of the principal amount and all accrued interest on the Notes may be made by cheque made payable to the registered holder or to such person or persons as the registered holder may in writing direct and sent to the registered holder or to such address as the registered holder may in writing direct. Cheques may be sent through the post at the risk of the registered holder and payment of any such cheque by the bankers on whom it is drawn shall be good discharge to the Company.
- 3.3 The Company shall make all payments without any Tax Deduction, unless a Tax Deduction is required by law.
- 3.4 Promptly on becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction), the Company shall notify the Noteholder. Similarly, the Noteholder shall notify the Company if it becomes aware that a Tax Deduction must be made on a payment payable by the Company or upon execution or delivery of this instrument or any of the Notes. If such Tax Deduction is due in any relevant jurisdiction other than the United Kingdom, the Company shall pay or reimburse the Noteholder, as applicable, any such Tax Deduction, upon Noteholder's demand.
- 3.5 If a Tax Deduction is required to be made by law of any relevant jurisdiction, the payment due from the Company shall be increased to an amount which (after making any Tax Deduction or making an allowance for any Tax Deduction to be made by the Noteholder in any relevant jurisdiction other than the United Kingdom) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

Schedule 3: Repayment, subscription and additional subscription entitlements

Part 1. Repayment and Subscription

1. All Notes shall automatically become repayable on the earlier of:
 - (a) 20 April 2014; and
 - (b) a date nominated by the Noteholder in writing being a Business Day not less than 15 Business Days after receipt of the written notice,(the '**Repayment Date**').

Part 2. Procedures on repayment

2. On the Repayment Date:
 - (a) the principal of the loan will be repaid to the Noteholders; and
 - (b) thereafter the obligation shall arise for the Noteholder to subscribe in cash for such number of new fully paid Shares that shall equal the principal amount of the Notes then outstanding immediately prior to the Repayment Date divided by the Subscription Price, subject to any adjustment as set out in paragraph 7 of Part 2 of this Schedule 3 and in accordance with the following provisions of paragraph 3 to paragraph 7 of Part 2 of this Schedule 3 ('**Subscription Shares**').
3. The Subscription Shares shall be issued and allotted by the Company on the Repayment Date, conditional only upon receipt of payment, and the Company shall make an application for admission for such Shares to trading on AIM and the certificates for such Shares shall be despatched to the Noteholder at their own risk. Each Subscription Share shall be issued and allotted at such premium to reflect the difference between the nominal amount of the Share and the subscription price paid for one Share on the Repayment Date.
4. The Subscription Shares shall be credited as fully paid and rank pari passu with Shares of the same class in issue on the Repayment Date and shall carry the right to receive all dividends and other distributions declared after the Repayment Date.
5. The entitlement of the Noteholder to a fraction of a Share shall be rounded to the nearest whole number of Shares.
6. The Company undertakes that, while the Notes remain in issue, it shall (pending either the payment of any redemption moneys in respect of the Notes or the issue of the Subscription Shares, each in accordance with the provisions of this instrument):
 - (a) notify the Noteholder in writing as soon as reasonably practicable after the relevant board or general meeting of shareholders (whichever is the earliest) has resolved to implement an Adjustment Event or enter into a Relevant Transaction specifying the prospective date of the Adjustment Event or Relevant Transaction and the proposed terms of it;
 - (b) maintain sufficient shareholder authority to satisfy in full, without the need for the passing of any further resolutions of its shareholders, the most onerous of the outstanding rights of subscription for the time being attaching to the Notes pursuant to paragraphs 1 and 3 of this Part 2 and Part 3 of this Schedule 3, without first having to offer the same to any existing shareholders of the Company or any other person; and

- (c) not proceed with a Relevant Transaction without first obtaining sufficient shareholder authority to satisfy in full, without the need for the passing of any further resolutions of its shareholders, the outstanding rights to subscribe for Shares for the time being attaching to the Notes pursuant to paragraphs 1 and 3 of Part 2 or Part 3 of this Schedule 3, without first having to offer the same to any existing shareholders of the Company or any other person.
- 7. Following an Adjustment Event, the professional advisors or auditors of the Company for the time being shall certify to the Company in writing the adjustments to the number and nominal value of the Shares to be subscribed for which they consider to be necessary so that, after such adjustment and on repayment, the Noteholder shall be entitled to receive the same percentage of the issued share capital of the Company carrying the same proportion of votes exercisable at a general meeting of shareholders and the same entitlement to participate in distributions of the Company, in each case as nearly as practicable, as would have been the case had no Adjustment Event occurred (and making such reduction or increase as is necessary to the premium arising on the issue and allotment of the Subscription Shares). The Company shall then notify the Noteholder in writing of the necessary adjustment as determined by the professional advisors or auditors.

Part 3. Additional Subscription Entitlement

8. ENTITLEMENT TO ADDITIONAL SUBSCRIPTION SHARES

- 8.1 If, whilst the Notes remain in issue, the Company undertakes a Relevant Transaction or a series of Relevant Transactions, the Noteholder shall be entitled to, but not obliged to, simultaneously with subscription for the Subscription Shares pursuant to Part 2 of this Schedule 3, subscribe for such number of additional Shares in accordance with the terms of this Part 3 so as to result in the Noteholder receiving the same percentage of the issued share capital of the Company carrying the same proportion of votes exercisable at a general meeting of the Company's shareholders and the same entitlement to participate in distributions of the Company, in each case as nearly as practicable, as would have been the case had no Relevant Transaction(s) occurred (provided that where in such circumstances the Noteholder entitlement would comprise a fractional amount that entitlement shall be rounded down to the nearest whole number) (the '**Additional Subscription Shares**').
- 8.2 The subscription price with respect to each Additional Subscription Share shall equal the price for which each Share was issued under the Relevant Transaction and, where Shares were issued for consideration other than cash, shall equal the per share valuation determined pursuant to Part 17, Chapter 6 of the Companies Act 2006 ('**Additional Entitlement Subscription Price**').
- 8.3 Whenever the Noteholder becomes entitled to Additional Subscription Shares, the Company shall promptly provide a certificate to the Noteholder setting out a description of the event giving rise to the entitlement, the method of calculation of the entitlement together with the number of Additional Subscription Shares to which the Noteholder is entitled and the Additional Entitlement Subscription Price.
- 8.4 For the avoidance of doubt, the occurrence of a Relevant Transaction will not automatically trigger the repayment of the Notes.

9. SUBSCRIPTION FOR ADDITIONAL SUBSCRIPTION SHARES

- 9.1 To subscribe for the Additional Subscription Shares, the Noteholder must, not later than 5 Business Days prior to the Repayment Date, deliver the following items to the Company:

- (a) notice of the number of Additional Subscription Shares the Noteholder wishes to subscribe for; and
- (b) payment of the Additional Entitlement Subscription Price in respect of each Additional Subscription Share being subscribed for.

9.2 A notice delivered pursuant to clause 11.1(a) shall be unconditional.

9.3 Where the Noteholder subscribes for less than its full entitlement to Additional Subscription Shares, those Additional Subscription Shares that the Noteholder first became entitled to shall be deemed to be subscribed for first.

9.4 If the Noteholder has not delivered the items specified in paragraph 11.1(a) within the time period specified therein, or fails in any way to comply with the procedure for subscribing for the Additional Subscription Shares as set out in this Schedule 3, the right to subscribe for Additional Subscription Shares comprised shall lapse.

10. COMPLETION

10.1 Shares arising on subscription of the Additional Subscription Shares shall be issued and allotted by the Company on the Repayment Date and the Company shall make an application for admission for such Shares to trading on AIM and the certificates for such Shares shall be despatched to the Noteholder at their own risk. Each Share being subscribed for shall be issued and allotted at such premium to reflect the difference between the nominal amount of the Share and the Additional Entitlement Subscription Price on the Repayment Date.

10.2 The Shares arising on subscription for the Additional Subscription Shares shall be credited as fully paid and rank *pari passu* with Shares of the same class in issue on the Repayment Date and shall carry the right to receive all dividends and other distributions declared after the Repayment Date.

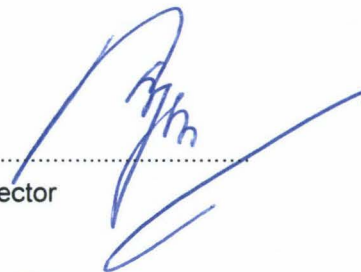
Schedule 4: Transfer provisions

- 1.** The Notes are transferable in accordance with this Schedule 4. The Company shall recognise the registered Noteholder of any Notes as the absolute owner of them and shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to take notice or see to the execution of any trust (whether express, implied or constructive) to which any Note may be subject. The Company shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to enter any notice of any trust (whether express, implied or constructive) on the register in respect of any of the Notes.
- 2.** Any transfer of the Notes, to be valid, must be:
 - (a)** of the whole but not part of the total amount of Notes held by the Noteholder; and
 - (b)** be made by means of written instrument in the usual common form (or in such other form as the Directors may approve) and such instrument need not be under seal.
- 3.** The Noteholder shall be entitled to transfer the Notes to a member of the Noteholder's Group in accordance with the provisions of this Schedule 4 and the remainder of this instrument, provided that the Noteholder must procure that the entity immediately transfer such Notes back to the relevant Noteholder or another member of the Noteholder's Group in the event the entity ceases to be a member of the Noteholder's Group.
- 4.** Each instrument of transfer shall be signed by the transferor, and the transferor shall be deemed to remain the owner of the Notes to be transferred until the name of the transferee is entered in the register in respect of such Notes.
- 5.** Each instrument of transfer shall be sent to, or left for registration at, the registered office of the Company for the time being, and shall be accompanied by the Certificate for the Notes to be transferred and any other evidence that the Company may require to prove the title of the transferor or his right to transfer the Notes (and, if such instrument is executed by some other person on his behalf, the authority of that person to do so). All instruments of transfer that are registered may be retained by the Company.
- 6.** No transfer of Notes shall be registered in respect of which a notice has been given pursuant to paragraph 1(b) of Part 1 of Schedule 3.

Executed and delivered as a DEED
acting by PETER JENSEN
for and on behalf of Allergy
Therapeutics plc

acting by STEPHEN SMITH
for and on behalf of Allergy
Therapeutics plc

.....
Director



.....
Director / ~~Secretary~~

