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The Directors of the Company, whose names appear on page 3, accept responsibility both individually and collectively for the information contained in this document and compliance with the AIM Rules. 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 omission likely to affect the import of such information.

Application has been made for the whole of the Ordinary Share capital of the Company to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

This document, which has been drawn up in accordance with the rules of AIM and the Public Offers of Securities Regulations 1995 (as amended) ("POS Regulations") has been issued in connection with the application for admission to trading on AIM of the issued Ordinary Shares. This document does not constitute a prospectus for the purposes of the POS Regulations and a copy has not been delivered to the Registrar of Companies in England and Wales pursuant to Regulation 4(2) of such POS Regulations. This document does not constitute an offer or invitation to purchase any securities.

Gold Oil plc

(Incorporated in England and Wales under the Companies Act 1985 No. 5098776)

Admission to trading on AIM

Nominated Adviser

BEAUMONT
CORNISH
Limited

Broker

Daniel Stewart & Company Plc

Share capital immediately following Admission

Authorised		Issued and fully paid		
Number	Amount	Number	Amount	
400,000,000	£100,000	Ordinary Shares of 0.025p each	236,000,000	£59,000
		Warrants to subscribe for Ordinary Shares at 1p per share	78,000,000	£19,500

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States of America, Australia, Canada, Japan or the Republic of Ireland. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States of America, Australia, Canada, Japan or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of Australia, Canada, Japan or the Republic of Ireland or any person located in the United States. This document does not constitute an offer, or the solicitation of an offer to subscribe or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Beaumont Cornish, which is regulated by the Financial Services Authority, is the Company's Nominated Adviser for the purposes of the AIM Rules. Its responsibilities as the Company's Nominated Adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director. Beaumont Cornish will not be responsible to anyone other than the Company for providing the protections afforded to clients of Beaumont Cornish or for advising any other person on the arrangements described in this document.

Daniel Stewart & Company Plc, which is regulated by the Financial Services Authority and is a member of the London Stock Exchange, is acting exclusively for the Company in connection with the Offer. Daniel Stewart & Company Plc will not be responsible to anyone other than the Company for providing the protections afforded to customers of Daniel Stewart & Company Plc or for advising any other person on the arrangements described in this document.

Neither Beaumont Cornish nor Daniel Stewart & Company Plc have authorised the contents of any part of this document for the purposes of Regulation 13(1)(g) of the POS Regulations and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by Beaumont Cornish or Daniel Stewart & Company Plc for the accuracy of any information or opinion in this document or for the omission of any material information from this document, for which the Company and the Directors are solely responsible.

The whole of this document should be read. An investment in the Company involves a significant degree of risk, may result in the loss of the entire investment and may not be suitable for all recipients of this document. Investors should consider carefully the risk factors which are set out in section 1.11 of Part 1 of this document.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	<p>Michael Norman Burchell B.Sc., (<i>Non-executive Chairman</i>) Aventine, Downs Lane, Leatherhead, Surrey KT22 8JW England</p> <p>Billy Gilbert Underwood Jr. BBA., (<i>Managing Director</i>) Chirichigno, 304 Urb. San Eduardo, Piura, Peru</p> <p>John Gary Moore B.Sc. C.Eng., (<i>Operations Director</i>) Sandy Lodge, Sandy Lane, Kingswood, Surrey KT20 6ND, England</p> <p>Patrick Gerald Mahony F.C.A., (<i>Non-executive Finance Director</i>) 103 Rathfarnham Wood, Dublin 14, Ireland</p>
Secretary	<p>Patrick Gerald Mahony F.C.A. 103 Rathfarnham Wood, Dublin 14, Ireland</p>
Registered Office	<p>7 Savoy Court Strand London WC2R 0ER</p>
Nominated Adviser	<p>Beaumont Cornish Limited Georgian House 63 Coleman Street London EC2R 5BB</p>
Broker	<p>Daniel Stewart & Company Plc 48 Bishopsgate London EC2N 4AJ</p>
Registrars	<p>Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU</p>
Reporting Accountants and Auditors	<p>Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE</p>
Solicitors to the Company	<p>Kerman & Co. LLP 7 Savoy Court Strand London WC2R 0ER</p>

DEFINITIONS

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

“Act”	the Companies Act 1985, as amended
“Admission”	admission of the entire issued ordinary share capital of the Company to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange governing admission to and operation of AIM
“Board” or “Directors”	the board of directors of the Company
“Company”	Gold Oil plc
“CREST”	the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument
“Beaumont Cornish”	Beaumont Cornish Limited, which is authorised and regulated by the Financial Services Authority to carry on investment business, the Company’s nominated adviser
“Existing Warrants”	the 42,000,000 Warrants which are not Placing Warrants
“Directors’ Warrants”	the 23,000,000 Warrants held by the Directors in issue at the date hereof
“London Stock Exchange”	London Stock Exchange plc
“Ordinary Shares”	ordinary shares of 0.025p each in the Company
“Placing”	the issue of 35,000,000 Ordinary Shares at the Placing Price to various persons made on 18 June 2004
“Placing Price”	1p per Ordinary Share
“Placing Shares”	the 35,000,000 Ordinary Shares issued pursuant to the Placing
“Placing Warrants”	the 35,000,000 Warrants issued to places pursuant to the Placing
“POS Regulations”	the Public Offers of Securities Regulations 1995 (as amended)
“Warrants”	the 77,000,000 Warrants in issue at the date hereof, being warrants to subscribe for Ordinary Shares at the Placing Price exercisable for a period of 3 years after their date of issue, as more fully described in paragraph 5 of Part 3 of this document

EXPECTED TIMETABLE AND PLACING STATISTICS

EXPECTED TIMETABLE

Dealings in Ordinary Shares on AIM commence	14 July 2004
CREST accounts credited by	14 July 2004
Dispatch of definitive share and warrant certificates by	14 July 2004

ADMISSION STATISTICS

Number of Ordinary Shares in issue following Admission	236,000,000
Number of Warrants in issue following Admission	78,000,000
Market Capitalisation at the Placing Price	£2,360,000

PART 1 – INFORMATION ON THE COMPANY

1.1 STRATEGY

Gold Oil plc is a newly incorporated company that has been established in order to identify and acquire projects in the natural resources sector, with particular emphasis on oil and gas projects predominantly within Central and Southern America. Such projects may be acquired through direct investment, or by acquiring all or part of an existing or newly formed company or business. In each case the Company intends to be an active investor.

The Directors intend to identify and acquire projects which may be in the exploration phase, but it is more likely that they will be at a later stage of development. The Directors believe that significant acquisition opportunities exist and that they have the contacts, experience and expertise to exploit such opportunities. Where considered appropriate by the Directors, competent professional advice will be taken on the merits of a project.

The Directors see exploration and appraisal of existing discoveries as being the key to the future of the Company. While the strategy will always be to build up exploration value by acquiring good acreage on attractive terms and subsequently conducting sound geological and seismic operations to upgrade the acreage to drillable status, the Company will consider bringing in an industry partner at the drilling stage to reduce exposure to the costs and to the risks which exploration drilling always carries.

The initial focus of the Company's activities will be in the region of Northern Peru. This area is well documented as being a rich oil and gas province with huge unexplored and under developed basins, and is an area that has produced over one billion barrels of oil over the past 100 years. Many hydrocarbons discoveries were made in the region many years ago but were considered uneconomic or immaterial at the time.

The Company will at present face limited competition, as there are few, if any, North American or European oil and gas companies operating in Northern Peru. Additionally, the Company will benefit from a low cost workforce. The executive management has spent the last eight years working in the region and believes that they have the contacts and local knowledge to capture and exploit economically attractive opportunities.

At present, the Directors have identified a number of opportunities but no firm commitments have been entered into. The Directors may acquire projects either for cash or by the issue of new Ordinary Shares. The Directors believe it is likely that further funds will have to be raised at the time of the first major acquisition or investment.

The Directors believe that their broad collective experience in the area of mergers and acquisitions, accounting, corporate and financial management in relation to small and medium sized businesses will assist them in the identification and evaluation of acquisition opportunities. As appropriate the Company will engage third party accountants and other professional advisers to assist in the due diligence on potential targets.

If any acquisition or investment of a suitable business or participation constitutes a reverse acquisition under the AIM rules, shareholders' approval will be sought. The Company anticipates that the first acquisition will be made in the 12 months following Admission. If the Company fails to make any acquisitions or establish a material trading activity as outlined above, by 30 June 2006, a resolution will be proposed for the winding up of the Company and the return of funds (after payment of the expenses and liabilities of the Company) to Shareholders pro-rata to the amounts originally subscribed.

Upon Admission, the Company will have no income. To preserve cash, Company expenditure will be kept to a minimum and the Directors will draw minimal remuneration until the Company completes a significant acquisition or investment.

Your attention is drawn to the Risk Factors set out in section 1.11 of this Part 1.

1.2 DIRECTORS

Michael Norman Burchell B.Sc., aged 63 Non-executive Chairman

Mr Burchell has been in the oil and gas business for over 40 years since graduating with honours from Leeds University. During his career he has had extensive international experience at PLC main board level of oil and gas field development, oil and gas sales, PSAs and transportation agreements and acquisitions and finance.

He started his career with Shell as a Petroleum Engineer and served in Nigeria, Oman, Brunei, Holland and the UK. During those 18 years, Mr. Burchell's Petroleum Engineering career covered Operations, Production Technology and Economics and Planning. After leaving Shell in 1980, Mr. Burchell joined Burmah Oil

Exploration rising to be Managing Director before the company was sold. He then joined Amerada Hess in London and was Chief Petroleum Engineer for Amerada Hess's UK activities and after a year as Manager International E&P left Amerada Hess to join Ramco Energy. In Ramco, he was Managing Director of Ramco Oil & Gas with interests in the Former Soviet Union, Central and Eastern Europe and Ireland. Mr. Burchell retired from Ramco early in 2001 and shortly thereafter was appointed as Oil Adviser to His Excellency the Minister of Oil in the Kingdom of Bahrain.

Mr. Burchell is now a director of MBA Oil Ltd, Midmar Energy Ltd. and is the Consultant Adviser to the Ministry of Oil in Bahrain and Bahrain's state oil company, Bapco.

Billy G. Underwood Jr. BBA., aged 56, Managing Director

Mr. Underwood has over 24 years of experience in the oil and gas industry. He is a former chairman of the Independent Producers Association and has sat on the Executive Committee of the New Mexico Oil & Gas Association. He has drilled and developed numerous oil and gas wells and managed large oil and gas production operations in the USA and Peru.

He has been active in exploration in Argentina, Bolivia, Paraguay, Peru and Venezuela. Additional experience includes oil concessions in Turkey, evaluation of oil prospects in China and Turkmenistan, as well as extensive drilling and development of oil and gas deposits in the Permian, Midland and Delaware basins of West Texas and New Mexico. Since 1996, he has spent most of his time working in Peru.

Gary Moore B.Sc., C.Eng, aged 54, Operations Director

Mr. Moore has over 28 years experience in the oil and gas industry since graduating from Leeds University. He started in the gas business in Northern Ireland as an engineer and then worked in Saudi Arabia before joining the Petroleum Engineering Department of the UK Department of Energy in 1983. In 1985, he joined Texaco as a negotiator and then Commercial Manager before leaving in 1990 to establish his own consulting company. Since that time, he has worked in the commercial field for most major oil, gas and power companies such as Shell, ExxonMobil and AES and also banks such as Flemmings and governments such as the Government of Kazakhstan. In 1999, he founded Sunningdale Oils (Ireland) Limited which has gas production in Ireland and Peru. He was a non-executive director of Northern Petroleum plc until he resigned in 2003. He has been working a large part of his time in Peru since he first went there with Shell as a consultant in 1996.

Patrick G. Mahony F.C.A., aged 52, Financial Director

Mr. Mahony qualified as a Chartered Accountant in 1977 with Stokes Kennedy Crowley (now KPMG) in Dublin and then joined Bula Limited as Financial Accountant. In 1981, he joined Bula Resources Plc ("Bula") and became Company Secretary in 1986. In 1987, he was appointed to the Board of Bula as Finance Director and in April 1997 was appointed Managing Director of Bula. From that time, until his resignation in March 1999, he was responsible for raising €4.5 million in new equity, divesting Bula from its investment projects in Russia and ensuring that the company's Libyan and Iraqi projects progressed and expanded.

Mr. Mahony was also a director of Ovoca Resources Plc during the period 1990 to 1997, and is currently a Financial Consultant based in Dublin.

1.3 CORPORATE GOVERNANCE

The Directors support the highest standards of corporate governance and intend to observe the requirements of the Combined Code to the extent they consider appropriate in light of the Company's size, stage of development and resources.

The Company intends to set up Remuneration and Audit committees with formally delegated duties and responsibilities.

1.4 DIVIDEND POLICY

It is the intention of the Directors to achieve capital growth. In the short term, the Directors intend to reinvest any future profits in the Company and, accordingly, are unlikely to declare dividends in the foreseeable future.

1.5 RESTRICTIONS ON DEALING

Other than for the Lock In Arrangements, referred to in paragraph 1.9 below, that apply to the Ordinary Shares and Warrants held by the Directors and certain of the Shareholders, there are no restrictions on the free transferability of the Shares.

1.6 CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

1.7 SHARE CAPITAL

At the date of this document there are 236,000,000 Ordinary Shares, and 77,000,000 Warrants, in issue:

- (a) on the date of incorporation of the Company, 8 April 2004, 80 Ordinary Shares were regarded as issued to the subscribers;
- (b) on 8 June 2004, the Company issued 199,999,920 Ordinary Shares and 42,000,000 Warrants to the Directors and certain other persons, and payment was made for the subscribers' shares. This share issue was carried out at par value, and raised £50,000 (before expenses);
- (c) on 18 June 2004, the Company carried out the Placing, whereby it raised £350,000 (before expenses) by way of the issue of 35,000,000 Ordinary Shares to the placees, at the Placing Price. The Placing also included the issue of the 35,000,000 Placing Warrants on the basis of one Warrant for every Ordinary Share subscribed pursuant to the Placing;
- (d) on 28 June 2004, the Company issued a further 1,000,000 Ordinary Shares at the Placing Place

Each Warrant grants the holder the right to subscribe for one Ordinary Share at the Placing Price, such right to be exercisable at any time prior to the third anniversary of the date of issue. The Company has not applied for the Warrants to be admitted to trading on AIM. The conditions of exercise of Warrants issued to the Directors (the Directors' Warrants) are more restrictive. They may only be exercised with effect from 12 months after Admission. Additionally, they only become exercisable in tranches of 25 per cent every 6 months after Admission on condition that the holder is still an employee of the Group. Further details of the terms of the Warrants are set out in paragraph 5 of Part 3 of this document.

It is intended that the Company will adopt, shortly after Admission, a share option scheme in respect of up to 10 per cent of the issued share capital of the Company from time to time, the participants of which will be the Directors and employees of the Company and its subsidiaries from time to time.

The Company has agreed to grant to Beaumont Cornish, in accordance with the engagement letter referred to in paragraph 6(a) of Part 3 of this document, warrants over 1,000,000 Ordinary Shares exercisable within 5 years after the date of Admission at the Placing Price.

The Ordinary Shares have not been listed, traded or quoted on any regulated or recognised stock market, but application will be made for admission of the whole of the issued share capital of the Company to trading on AIM. *No application will be made for admission of the Warrants to trading on AIM.*

1.8 REASONS FOR ADMISSION

The Directors believe that Admission and the funds raised in the Placing are an important step towards developing a successful natural resources exploration and development business. Admission is expected to raise the public profile of the Company and enhance the Company's ability to pay for the acquisition of businesses by enabling it to issue traded securities.

1.9 LOCK IN ARRANGEMENTS

In accordance with Rule 7 of the AIM Rules, each of the Directors and certain shareholders (those who will hold 10 per cent or more of the issued share capital of the Company at the date of Admission) have undertaken that, save in limited circumstances, they will not (and will procure, in so far as they are able, that any person with whom they are connected for the purposes of Section 346 of the Act will not) during the period of 12 months from Admission, dispose of any interest in the Ordinary Shares held by them or their connected persons (as appropriate) at Admission or any interest in Existing Warrants held by them or Ordinary Shares that are issued to them on exercise of such Warrants.

Additionally all other persons to whom shares were issued as referred to in paragraph 1(f)(ii) of Part 3 and all other holders of the Existing Warrants, have undertaken in the same terms not to dispose of any interest in Ordinary Shares or Warrants held by them, nor any interest in Ordinary Shares that are issued to them on exercise of such Warrants, in each case other than with the prior consent of Beaumont Cornish. Beaumont Cornish have agreed that such persons may accept a general offer to acquire the ordinary share capital of the Company that is open for acceptance by all shareholders, give an irrevocable undertaking to accept such an offer or proposed offer, and dispose of Ordinary Shares to such an offeror or proposed offeror at any time after such offeror or proposed offeror has been named in a formal announcement of the offer made pursuant to Rule 2 of the City Code.

The above lock in arrangements additionally provide for orderly marketing arrangements for a further 12 months following the expiry of the initial 12 month lock in period.

1.10 THE CITY CODE ON TAKEOVERS AND MERGERS

The terms of the Placing give rise to certain considerations under the City Code on Takeovers and Mergers (“the City Code”). Brief details of the Panel on Takeovers and Mergers (“the Panel”), the City Code and the protections they afford are described below.

The City Code does not and does not seek to have the force of law. It has, however, been acknowledged by both government and other regulatory authorities that those who seek to take advantage of the facilities of the securities markets in the United Kingdom should conduct themselves in matters relating to takeovers and mergers in accordance with best business standards and so according to the City Code.

The City Code is issued and administered by the Panel. The City Code applies to all takeover and merger transactions, however effected, where the offering company is, *inter alia*, a listed or unlisted public company resident in the United Kingdom (and to certain categories of private limited companies). Gold Oil plc is such a company and its shareholders are entitled to the protection afforded by the City Code.

Under Rule 9 of the City Code, any person who acquires shares which, when taken together with shares already 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 which is subject to the City Code is normally required to make a general offer to all the remaining shareholders to acquire their shares. Similarly, when any person or persons acting in concert already hold 30 per cent or more but not more than 50 per cent of the voting rights of such a company, a general offer will normally be required if any further shares are acquired.

An offer under Rule 9 must be in cash and at the highest price paid within the preceding 12 months for any shares in the Company by the person required to make the offer or by any person acting in concert with him.

The Directors, including Mr Underwood who holds 32.63 per cent of the existing issued share capital, are considered to be acting in concert for the purposes of the City Code. The concert party holds between them approximately 42.37 per cent of the existing issued share capital of the Company. They also hold Warrants comprising between a further 7.32 per cent (if all the Warrants are exercised) and 8.24 per cent (if only their Warrants are exercised) of the enlarged issued share capital of the Company. The Panel has agreed that these Warrants may be exercised without the concert party incurring any obligation pursuant to Rule 9, subject to all existing shareholders (apart from the Directors) providing their written consent to such waiver in a format approved by the Panel. It is anticipated that these consents will be obtained and that the Panel waiver will be formally granted in due course. However, for so long as the concert party holds between 30 per cent and 50 per cent of the issued share capital of the Company, they cannot, for so long as they are deemed to be acting in concert, acquire further shares (otherwise than on exercise of their Warrants) without becoming obliged to make a general offer. **In the event that, for so long as they are deemed to be acting in concert, they come to hold 50 per cent or more of the issued share capital of the Company as a result of the exercise of their Warrants they will be able to acquire further shares without becoming obliged to make a general offer, subject to the provisions of the City Code.**

Individual members of the concert party are subject to the provisions of the City Code independently of the concert party. This means that a Director (or any other shareholder) who presently holds less than 30 per cent of the issued share capital of Company may not (otherwise than on exercise of his Warrants) acquire further shares which take his holding to 30 per cent or more without becoming obliged to make a general offer, and a Director (or any other shareholder) who presently holds between 30 per cent and 50 per cent of the issued share capital of the Company cannot acquire (otherwise than on exercise of his Warrants) further shares without becoming obliged to make a general offer.

1.11 RISK FACTORS

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully to evaluate whether to make an investment in the Company. The investment offered in this document may not be suitable for all its recipients. Before making an investment decision, prospective investors are advised to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in investments of this kind. A prospective investor should consider carefully whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him.

The risk factors associated with the investment in the Company are as follows:

1. there can be no guarantee that the Company will identify and acquire suitable projects to achieve its investment objective;
2. there can be no guarantee that the Placing Price of the Placing Shares will reflect their actual or potential market value;
3. it may be necessary for the Company to raise additional capital in the future for the purpose of business development. Such capital may not be available to the Company or may not be available to the Company on satisfactory terms;
4. the Directors believe the businesses or projects in which the Company proposes to invest may face competition from various organisations operating in the same sector. Some of these competitors may have greater resources than the Company. These competitors may limit the potential revenue of the Company;
5. the price at which investors may realise their holding of Ordinary Shares and the timing of any disposal of them may be influenced by various factors, some of which are specific to the Company and others of which are extraneous. Investors may not get back the whole of their investment. This investment is likely to be volatile and investors could lose all their investment;
6. the business of the Company is dependent on certain key directors and employees. The loss of such individuals could adversely affect the Company's business and prospects.
7. the business sector in which the Company will operate may be effected by legislative and other regulatory changes which could adversely affect the Company's business and its ability to fulfill its statutory obligations.

Specific Risks Relating to Peru

(a) *Political and Social Risks*

The current stage of evolution of the Peruvian social-political system renders it vulnerable to economic hardship, public dissatisfaction with reform, social and ethnic instability and changes in government and government policies, any of which could adversely affect the Company's operations.

While the political environment has remained relatively stable in Peru since the early 1990's there can be no assurance that this stability will continue.

(b) *Legal System*

Peru has a developing legal system based on Spanish law. Peruvian law is evolving rapidly and in ways that may not always coincide with market developments, resulting in ambiguities, inconsistencies and anomalies, and ultimately in investment risks that do not exist in more developed legal systems. Furthermore, effective redress in Peruvian courts in respect of a breach of law or regulation, or in an ownership dispute, may be difficult to obtain. Risks associated with the Peruvian legal system include:

- (i) the lack in the judicial system of sufficient experience in dealing with complex business matters and clear guidelines on implementation of recent business legislation;
- (ii) inconsistencies between and among laws, presidential decrees and governmental and ministerial orders and resolutions;
- (iii) conflicting local, regional and national rules and regulations;
- (iv) the independence of the judiciary and its immunity from economic, political or nationalistic influences;

- (v) the lack of judicial or administrative guidance on interpreting the applicable rules and regulations; and
- (vi) a high degree of discretion on the part of government authorities and arbitrary decision making.

No assurance can be given that, in some instances, the evolution of Peruvian laws and the issuance of government or presidential decrees will not have a material adverse effect on foreign investors or private investors generally.

The Directors are conscious of the potential complexities and risks of operating in a changing legal environment and will continue to consult with lawyers and other advisers to ensure that the Company takes account of, and complies with, prevailing laws and practice. However, given the above circumstances, any opinions obtained from the Company's Peruvian legal advisers will be subject to more qualifications and exceptions than would normally be the case for opinions given by legal advisers practising in more developed legal systems.

(c) *Exchange Rates, Exchange Controls and Repatriation*

In recent years, the sole (the unit of currency in Peru) has remained constant against the U.S. dollar at 3.45 soles to the dollar and the long term forecast sees much of the same. At present, there are no exchange controls and the sole and dollar are freely exchangeable with no restrictions on repatriating dollars. However, no assurance can be given as to the stability of the sole, nor that exchange control restrictions will not be introduced.

(d) *Taxation*

A variety of local taxes and customs and other duties apply to enterprises in Peru, including Corporation tax, value added tax (called IGV), payroll taxes, excise tax, fuels tax, withholding tax, property tax, transportation tax, water usage tax, land tax, as well as numerous social and other taxes.

The taxation system and tax legislation in Peru are at an advanced stage of development but the tax legislation is still subject to varying interpretations, frequent changes and inconsistent enforcement at the national, regional and local levels.

The Peruvian taxation system is both complex and inconsistent. Taxes payable by Peruvian companies may be substantial and diverse. No assurance can be given that the existing rules and regulations will remain unchanged.

Risks Relating to Oil and Gas Businesses

Any projections of future production from oil and gas reserves are derived from production records of analogous fields and volumetric estimates. The levels of production actually achieved may vary significantly from such projections. The valuation of such production will be based on projections of future oil and gas prices, exchange rates and costs, which may fluctuate over time. Adverse movements in any of these variables may result in a reduction of the valuation of reserves and in the volume of reserves, which can be economically produced. In addition, changes in government policy or taxation laws may adversely affect estimated cash flows.

Any revenues generated by Gold Oil are highly dependent upon the future price of crude oil. Fluctuations in the energy market make it difficult to estimate future prices of oil. Fluctuations in energy prices are caused by a number of factors, including regional, domestic and international demand, energy legislation, federal or state taxes on sales of crude oil, production guidelines established by the Organisation of Petroleum Exporting Countries, and the relative abundance of supplies of alternative fuel such as coal. Additionally, changing international economic and political conditions may have a dramatic impact upon crude oil prices. Many of these factors are beyond the control of Gold Oil.

No guarantee can be given as to the success of any exploration or appraisal programmes in which the Company has interests. In addition, drilling, development and production may be delayed or adversely affected by factors outside the control of the company's operating those programmes.

Significant risks are involved in the drilling for, development of, and production from oil and gas fields, including blow-outs, pollution, fire and other hazards, which may delay, or ultimately prevent, the exploitation of such fields by the ventures in which the Company is a participant.

Environmental risk

The Company's operations are subject to the environmental risks inherent in the oil and gas industry. The legal framework for environmental liability and clean-up is still not yet fully developed in Peru. Local, regional and national authorities may adopt stricter environmental standards than those now in effect and may move towards more stringent enforcement of existing laws and regulations. The level of pollution and potential clean-up is impossible to assess against the current legal framework and without a consistent interpretation and enforcement of environmental laws by the government.

These risk factors do not necessarily comprise all those associated with an investment in the Company.

PART 2 – ACCOUNTANTS’ REPORT

The following is the full text of a report on Gold Oil plc from Jeffreys Henry LLP, the Reporting Accountants, to the Directors of Gold Oil plc, Beaumont Cornish Limited and Daniel Stewart & Company Plc.

The Directors
Gold Oil plc
7 Savoy Court
London WC2R 0ER

and

The Directors
Beaumont Cornish Limited
63 Coleman Street
London EC2R 5BB

and

The Directors
Daniel Stewart & Company Plc
48 Bishopsgate
London EC2N 4AJ

9 July 2004

Dear Sirs

Gold Oil plc (“the Company”)

Introduction

We report in connection with the admission of the ordinary share capital of the Company to trading on the Alternative Investment Market. This report has been prepared for inclusion in the Admission Document dated 9 July 2004 (“the Document”).

The Company was incorporated on 8 April 2004 as Gold Oil plc. The Company has not traded or prepared any financial statements for presentation to members, has incurred neither profit nor loss, and has neither declared nor paid dividends or made any other distributions since the date of incorporation. There have been no transactions other than the allotment of shares and the granting of warrants described below and the execution of the material contracts referred to in section 6 of Part 3 of the Document. Accordingly, no profit and loss account information is presented in this report.

Basis of preparation

The financial information set out below has been extracted from financial records of the Company for the period ended 22 June 2004, no adjustments being considered necessary. No audited financial statements have been prepared for submission to members in respect of any period since incorporation.

Responsibility

The financial records are the responsibility of the directors of the Company (“Directors”). The Directors are also responsible for the contents of the Admission Document dated 9 July 2004 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the Company’s financial records, to form an opinion on the financial information and to report our opinion to you. Our work has been undertaken so that we might state those matters that we are required to state in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for any other purpose for our work, for this report or for the opinions we have formed.

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Registered Auditors

Business Advisors

Tax Specialists

Financial Services

Corporate Recovery

Accounting Outsourcing

Corporate Finance

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 the significant estimates and judgements made by those responsible for the preparation of the financial records and whether the accounting policies are appropriate to the Company'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 set out below gives, for the purpose of the Admission Document, a true and fair view of the state of affairs of the Company as at 22 June 2004.

BALANCE SHEET

	Notes	As at 22 June 2004 £
Current assets		
Cash at bank and in hand		407,612
Creditors due within one year		
Other creditors		<u>(7,612)</u>
		<u>£400,000</u>
Capital and reserves		
Called up share capital	2	58,750
Share premium account		<u>341,250</u>
		<u>£400,000</u>

1. Accounting policies

The principal accounting policies which have been consistently applied in the Company's financial information throughout the period under review, are as follows:

Basis of accounting

The financial information has been prepared under the historical cost convention and in accordance with accounting standards in the United Kingdom.

2. Share capital

	As at 22 June 2004 £
Authorised:	
400,000,000 ordinary shares of 0.025p each	<u>100,000</u>
Issued and fully paid:	
235,000,000 ordinary shares of 0.025p each	<u>58,750</u>

The Company was incorporated with an authorised share capital of £1,000,000 divided into 100,000,000 ordinary shares of 1p each, of which 2 shares were issued at par on incorporation, nil paid.

On 12 May 2004, the Company passed resolutions cancelling 90,000,000 ordinary shares of 1p each, and sub-dividing the remaining 10,000,000 ordinary shares of 1p each into 400,000,000 Ordinary Shares. Following the passing of these resolutions the issued share capital of the Company consisted of 80 Ordinary Shares (resulting from the sub-division of the original 2 shares issued on incorporation).

On 8 June 2004, the Company issued 199,999,920 new Ordinary Shares fully paid at par value, and warrants to subscribe for 42,000,000 Ordinary Shares at 1p per share, and payment was subsequently made for the subscriber shares.

On 18 June 2004, the Company issued 35,000,000 new Ordinary Shares fully paid at 1p per share, and warrants to subscribe for 35,000,000 Ordinary Shares at 1p per share.

On 28 June 2004, the Company issued a further 1,000,000 new Ordinary Shares fully paid at 1p per share.

3. **Nature of financial information**

The financial information presented above in respect of the period ended 22 June 2004 does not constitute statutory accounts for that period.

4. **Consent**

We consent to the inclusion of this report in the Admission Document dated 9 July 2004 and accept responsibility for this report for the purposes of paragraphs 45 of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully

JEFFREYS HENRY LLP
CHARTERED ACCOUNTANTS

PART 3 – ADDITIONAL INFORMATION

1. Company and Share Capital

- (a) The Company was incorporated and registered in England and Wales under the Act on 8 April 2004 as a public limited company with the name Gold Oil PLC. Its registered number is 5098776.
- (b) The registered office of the Company is at 7 Savoy Court, Strand, London, WC2R 0ER.
- (c) The liability of the members of the Company is limited.
- (d) The authorised and issued share capital of the Company at the date of this document and following Admission are and will be as follows:

Authorised	Issued			
Number	Amount (£)	Number	Amount (£)	
400,000,000	100,000	236,000,000	59,000	

- (e) At the date of incorporation, the Company had an authorised share capital of £1,000,000 divided into 100,000,000 Ordinary Shares of 1p each
- (f) The following changes in the issued share capital of the Company have taken place since incorporation:
 - (i) On 12 May 2004, the authorised share capital of the Company was reduced to £100,000 by the cancellation of 90,000,000 unissued ordinary shares of 1p each, and the remaining 10,000,000 ordinary shares of 1p each were sub-divided into 400,000, 000 Ordinary Shares of 0.025p each
 - (ii) On 8 June 2004, 199,999,920 Ordinary Shares were issued at par value to the Directors and certain other persons
 - (iii) On 8 June 2004, Warrants to subscribe for up to 42,000,000 Ordinary Shares were issued to certain of the Directors and other persons
 - (iv) On 18 June 2004, 35,000,000 Ordinary Shares were issued at 1p, and the Placing Warrants (to subscribe for up to 35,000,000 Ordinary Shares) were issued, to certain persons pursuant to the Placing
 - (v) On 28 June 2004, 1,000,000 Ordinary Shares were issued at 1p to certain persons.
- (g) By Ordinary and Special Resolutions passed on 8 June 2004 (“the Resolutions”) the members resolved that:
 - (i) the Directors were authorised generally and unconditionally pursuant to and in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning if that section) up to an aggregate nominal amount of £99,999.98, such authority to expire at the commencement of the Annual General Meeting of the Company next held after the passing of the resolution save that the Company may pursuant to the authority make offers or agreements before the expiry of the authority which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offers or agreements as if the power conferred thereby had not expired;
 - (ii) the Directors were empowered pursuant to and in accordance with section 95 of the Act to allot equity securities (as defined by section 94(2) of the Act) for cash, conditionally upon the passing of the resolution referred to in (i) above, as if section 89(1) of the Act did not apply to such allotment. This authority was limited to the allotment of equity securities for cash up to a nominal amount of £78,749.98 and will expire on the earlier to occur of 31 December 2004 and Admission. The Company may pursuant to the authority make offers or agreements before the expiry of the authority which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred thereby had not expired;
 - (iii) the Directors were empowered pursuant to and in accordance with section 95 of the Act to allot equity securities (as defined by section 94(2) of the Act) for cash, conditionally upon the passing of

the resolution referred to in (i) above, as if section 89(1) of the Act did not apply to such allotment. This authority was limited to:

1. the allotment of equity securities in connection with an offer of such securities by way of rights (including without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities in proportion (as nearly as may be practicable) to their respective holdings of such securities, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, record dates or any other legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange,
2. the allotment (otherwise than pursuant to the resolutions referred to in (ii) and (iii)1 above) of equity securities up to an aggregate nominal value equal to ten per cent of the issued ordinary share capital of the Company immediately following completion of the Placing,

and shall expire, unless renewed, at the commencement of the Annual General Meeting of the Company next held after the passing of the resolution, but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred thereby had not expired.

- (h) The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the Act) apply to the authorised but un-issued share capital of the Company to the extent not disapplied pursuant to section 95 of the Act as described in paragraph (g) above. No such issue is presently in contemplation.
- (i) Save as disclosed in this document, no share or loan capital of the Company has since its incorporation been issued or agreed to be issued or is now proposed to be issued fully or partly paid either for cash or a consideration other than cash and no discounts or other special terms have been granted by the Company during such period in connection with the sale or issue of any share or loan capital of the Company.
- (j) Save for the Warrants and the warrants to be issued to Beaumont Cornish on Admission as referred to in paragraph 6(a) below, no share capital of the Company is under option and there is no conditional or unconditional agreement to put any such capital under option.

2. Interests

- (a) At the date of this document the interests (all of which are beneficial) of the Directors and persons connected with the Directors within the meaning of section 346 of the Companies Act 1985, in the issued share capital of the Company as required to be notified to the Company pursuant to sections 324 to 328 of the Act, are, and following Admission will be, as follows:

Director	Number of Ordinary Shares	Percentage of the issued share capital
Michael Norman Burchell	3,000,000	1.27
Billy G. Underwood Jr.	77,000,000	32.63
John Gary Moore	20,000,000	8.47
Patrick G. Mahony	0	0

- (b) The interests of the Directors in the Warrants immediately at the date of this document are, and following Admission will be, as follows:

Director	Number of Warrants
Michael Norman Burchell	2,300,000
Billy G. Underwood Jr.	9,200,000
John Gary Moore	9,200,000
Patrick G. Mahony	2,300,000

- (c) Other directorships held by the Directors currently or in the five years preceding the date of this document are as follows:

Michael Norman Burchell

Current Directorships

Midmar Energy Ltd
MBA Oil Ltd

Previous Directorships

Ramco Energy plc
Ramco Oil and Gas Ltd
Ramco Oil Ltd
Ramco Hazar Energy Ltd.,
Ramco Seven Heads Ltd.,
Ramco Energy (Muradkhanli) Ltd.,
Ramco Bulgaria Ltd.,
Ramco Energy (Tyumen) Ltd.,
Ramco Caspian Ltd.,
Medusa Oil & Gas Ltd.,
Medusa Oil & Gas (Poland) SPzoo,
Medusa Oil & Gas (Europe) BV,
Medusa Czech Operations Ltd,
Medusa Hydrocarbons Ltd.

Billy G.Underwood Jr.

Current Directorships

Olympic Peru Inc.
Northern Pacific Pipeline SAC
Caribbean Pacific Energy Corporation

Previous Directorships

None

John Gary Moore

Current Directorships

Sunningdale Oils (Ireland) Limited
Gary Moore & Associates Limited

Previous Directorships

Northern Petroleum plc

Patrick G. Mahony

Current Directorships

Sunningdale Oils (Ireland) Limited
Grovespan Limited
Gaelic Resources Plc
Gaelic Oil Plc
North African Resources Limited
ICM Technology Limited
Belmore Resources Limited

Previous Directorships

Northern Exploration Limited

(d) None of the Directors has:

- (i) any unspent convictions relating to indictable offences;
- (ii) had a bankruptcy order made against him or entered into any individual voluntary arrangements;
- (iii) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company at the time of, or within the twelve months preceding, such events;
- (iv) been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;
- (v) had any asset belonging to him placed in receivership or been a partner of a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; or
- (vi) been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or 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.

- (e) No Director has or has had any direct or indirect interest in any asset which as been acquired or disposed of by, or leased to, the Company since the date of its incorporation or which is proposed to be so acquired, disposed of or leased.
- (f) During the initial period prior to the Company's first investment each of Messrs Underwood and Moore will receive remuneration at the rate of £12,000 per annum. Following the Company's first investment these remuneration levels will be re-considered, depending on the circumstances at that time. On this basis the aggregate remuneration paid and benefits in kind granted to the Directors is expected to be £17,600 for the year ending 31 December 2004.
- (g) There are no service agreements in existence between any of the Directors and the Company which cannot be determined by the Company without payment of compensation (other than statutory compensation) within one year.
- (h) There is no contract or arrangement to which the Company is a party and in which any Director is materially interested and which is significant in relation to the business of the Company and no amount or benefit has been or is intended to be paid or given to any promoter of the Company.
- (i) The following persons have a holding of 3 per cent or more in the share capital of the Company at the date of this document and are expected to have the following holdings immediately following Admission:

Name of shareholder	Number of shares held	Percentage of issued share capital held
Billy G. Underwood Jr.	77,000,000	32.63
Paolo Mascheroni*	60,000,000	25.42
John Gary Moore	20,000,000	8.47
Mark Pritchard	20,000,000	8.47
Bastion International Assets Corporation*	10,000,000	4.24

* Registered in the name of Pershing Keen Nominees Ltd A/c PSL981 as nominee

3. Memorandum of Association

The Memorandum of Association contains *inter alia* provisions to the following effect:

- (i) Liability – the liability of the members is limited.
- (ii) Objects – the Company's principal objects are set out in Clause 4 of the Memorandum of Association and are to carry on business as a general commercial company.

4. Articles of Association

(a) *Voting rights*

Subject to any special terms as to voting subject to which any shares may be held, every holder of an Ordinary Share present in person or by proxy shall on a show of hands have one vote (provided that no individual shall have more than one vote on a show of hands), and every holder of an Ordinary Share present in person or by proxy shall on a poll have one vote for every share carrying voting rights of which he is the holder.

(b) *Dividends*

Subject to the rights of persons (if any) entitled to shares with special rights as to dividend, all dividends are declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share for this purpose.

(c) *Variation of rights*

If at any time the share capital is divided into different classes of shares the rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the issued shares of that class, but not otherwise. The special rights attaching to any class of shares will not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith or subordinate thereto.

(d) *Return of capital*

On a winding up of the Company the surplus assets available for distribution will be divided among the members in proportion to the amounts paid up on the Ordinary Shares held by them in accordance with the Articles and the Insolvency Act 1986. The liquidator may, with the sanction of an extraordinary resolution of the Company and subject to the rights of dissenting members, divide among the members in specie the whole or part of the assets in trustees upon trust for the benefit of such members as the liquidator shall think fit, but so that no member shall be compelled to accept any such assets on which there is a liability.

(e) *Transfer of shares*

Shares in the Company may be transferred by instrument of transfer in any usual or common form, or in such other form as shall be approved by the Board. The instrument of transfer will be signed by or on behalf of the transferor who is deemed to remain holder of the share until the name of the transferee is entered in the Register provided that if the share is not fully paid the instrument of transfer shall also be executed by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason, refuse to register a transfer of any share that: is not fully paid (provided that where any such shares are admitted to the Official List of the UK Listing Authority such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis), relates to more than one class of share, is in favour of more than four joint holders as transferees or is subject to restriction, is in favour of a minor, bankrupt or person of mental ill health, in the case of shares held in certificated form if it is not lodged duly stamped (if necessary) at the Registered Office or at such other place as the Board may appoint and accompanied by the certificate for the shares to which it relates (where a certificate has been issued in respect of the shares) and such other evidence as the board may require to show the right of the transferor to make the transfer, in the case of shares held in uncertificated form, in any other circumstances permitted by the Regulations or where the Board is obliged or entitled to refuse to do so as a result of any failure to comply with a notice under section 212 of the Companies Act 1985 (as amended). There is no fee for registration of a transfer. If the Board refuses to register a transfer it shall, in the case of shares held in certificated form, within two months after the date on which the transfer was lodged and in the case of shares held in uncertificated form, within two months after the date on which the relevant operator instruction was received by or on behalf of the Company. Notwithstanding the provisions of the Articles, title to any shares in the Company may also be evidenced and transferred without a written instrument in accordance with statutory regulations made from time to time under section 207 of the Companies Act, 1989 or under any regulations having similar effect.

(f) *Failure to disclose interests in shares*

If any person interested in shares of the Company fails to comply with any notice given by the Company (“Information Notice”) requiring him to indicate his interest in shares that person may be served with a “Disenfranchisement Notice” meaning that he will have no right to attend or vote at general meetings or separate meetings of a class of shares of the Company. The Disenfranchisement Notice may be withdrawn on compliance with the Information Notice.

(g) *Borrowing powers*

The Directors may exercise all the powers of the Company including the power as set out in the memorandum of association of the Company to borrow or raise money and to mortgage or charge its undertaking, property, assets, and uncalled capital or any part thereof subject to the provisions of the Statutes (as defined therein) and to create or issue debentures, and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party, without any limitation as to the amount.

(h) *Alteration of share capital*

The Company may, by ordinary resolution, increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal amount than its existing shares, sub-divide (subject to the Act) its shares (or any of them) into shares of smaller amounts, determine that, as between the shares resulting from such a sub-division, any of them may have any preference or advantage as compared with the others, cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so

cancelled. Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve, share premium account or other distribution reserve in any manner. Subject to the Act and the requirements of the UK Listing Authority or the London Stock Exchange, the Company may purchase its own shares (including redeemable shares).

(i) *Issue of shares*

The Directors may, subject to the provisions of the Articles of Association, pre-emption rights and otherwise and of any relevant resolution of the Company, allot, grant options over or otherwise dispose of the un-issued shares in the capital of the Company to such persons, on such terms and conditions and at such times as they may determine.

(j) *Directors*

(i) A Director shall not vote at a meeting of the Directors or a committee of Directors in respect of any transaction in which he has an interest which is material. A Director shall not be counted in the quorum present at a meeting in relation to any such transaction. A Director shall be entitled (in the absence of some other material interest than is indicated below) to vote (and be counted in the quorum) in respect of any resolutions concerning any of the following matters, namely:

- (a) the giving of any security or indemnity to him in respect of money lent by him to the Company or any of its subsidiaries or obligations undertaken by him for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (c) any contract by him to underwrite shares or debentures or other obligations of the Company or any other company in which the Company may be interested or may promote;
- (d) any transaction concerning any other corporation in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he (together with persons connected with him within the meaning of Section 26 of the Companies Act, 1990) is not the holder of or beneficially interested in one per cent or more of the issued shares of any class of such corporation or of the voting rights available to members of such corporation (or of a third corporation through which his interest is derived any such interest being deemed for the purposes of this Article to be a material interest in all circumstances);
- (e) any act or thing done or to be done in respect of any scheme or arrangement to provide retirement or death benefits which has been approved by or is subject to and conditional upon approval for taxation purposes by the appropriate Revenue Authorities;
- (f) any matter connected with an employee's share scheme or any share incentive or share option scheme, other than the allocation to him of any share or the grant to him of any option over any share or any other matter concerning his individual participation in any such scheme; or
- (g) any matter connected with the purchase or maintenance for him of insurance against any liability.

The Company by ordinary resolution may at any time suspend or relax the above provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of the relevant Articles.

- (ii) The Directors shall be paid out of the funds of the Company for their services as Directors such aggregate fees per annum as shall be determined from time to time by an ordinary resolution of the Company for their services as Directors such aggregate fees per annum shall be divisible (unless such resolution shall provide otherwise) among the Directors as they agree or, failing agreement, equally.
- (iii) Any Director (being willing and having been called upon to do so) who renders or performs extra or special services of any kind, including services on any committee, or who travels or resides abroad for any business or purposes of the Company, shall be entitled to receive such sum as the Directors

may think fit for expenses and for remuneration, either as a fixed sum or as a percentage of profits or otherwise, and such remuneration may, as the Directors shall determine, be either in addition to or in substitution for any other remuneration he may be entitled to receive.

- (iv) The Directors may be paid all expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.
- (v) Save as provided below at each annual general meeting of the Company one-third of the Directors or, if their number is not three or a multiple of three then the number nearest one third, but not exceeding one third shall retire from office. Subject to the Statutes (as defined in the Articles) and the other provisions of the Articles the Directors to retire by rotation on each occasion (both as to identity and number) are determined by the composition of the Board at the start of business on the date of the notice convening the annual general meeting and shall comprise: first, any Director who wishes to retire and not offer himself for re-election; and secondly, those who have been longest in office since their last appointment or reappointment provided that any Director not otherwise required to retire at an annual general meeting shall do so unless he was appointed or re-appointed as a Director at either of the last two annual general meetings before that meeting.
- (vi) The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall be two.
- (vii) A Director shall not require a share qualification.
- (viii) The Directors are not required to retire under any age limit.
- (ix) The number of Directors shall not be less than two but shall not be subject to any maximum.

5. Warrants

All Warrants (other than warrants to be issued to Beaumont Cornish)

Each Warrant entitles the holder to subscribe for one Ordinary Share at 1p per share. The Warrants are exercisable for a period of three years from issue.

Warrants are freely transferable in whole (and not in part) on one occasion only. Where it is intended to transfer a Warrant to a person competing with and/or involved in a business and/or activities similar to that of the Company, prior Board approval (which shall not be unreasonably withheld) must be obtained. The Warrant will be transmissible on death as if it comprised of ordinary shares in accordance with Articles of Association of the Company.

The Warrant Instruments contain provisions dealing with the consequences of an offer being made for the Company (in which case the Company may specify a number of days during which the holder must exercise the warrant after which it will automatically lapse) and also with alterations to the share capital which may result in the number of ordinary shares which are the subject of the Warrant being amended.

Ordinary shares issued pursuant to the exercise of the Warrants will rank *pari passu* in all respects from their date of issue with the existing ordinary shares then in issue, but will not rank for any dividends or other distributions for which the record date is a date prior to their allotment.

The Company will apply to any Stock Exchange upon which the ordinary shares are listed or admitted to dealing for the ordinary shares issued pursuant to the Warrants to be admitted to dealing on the relevant Stock Exchange. The Company is obliged to keep available for issue sufficient unissued and unencumbered ordinary shares free of pre-emptive rights in order to satisfy in full all Warrants as and when they may be exercised.

Directors' Warrants

The Directors' Warrants incorporate the following additional restrictions on their exercise:

- (i) they are not exercisable until the first anniversary of Admission
- (ii) subject to paragraph (i) above, they become exercisable in tranches of 25 per cent every six months after the date of Admission, provided that, on such date, the holder is an employee of the Group.

In other words, if, for example, a holder leaves the employment of the Group after 9 months, he will be entitled to exercise 25 per cent of his Directors' Warrants, but only on or after the first anniversary of Admission.

Beaumont Cornish

The warrants which are to be issued to Beaumont Cornish pursuant to the engagement letter referred to in paragraph 6(a) below are exercisable for a period of five years from the date of Admission, and provide for an appropriate adjustment, as determined by the auditors of the Company, to either the subscription price or the number of warrants, in the event of certain specified changes in the share capital of the Company such as a sub-division or consolidation.

6. Material Contracts

The Company has entered into the following contracts which are not in the ordinary course of business and which may be material:

(a) *Nominated Adviser Agreements*

- (i) On 5 May 2004 the Company entered into an engagement letter with Beaumont Cornish under which Beaumont Cornish agreed to act as the Company's nominated adviser and to advise and assist the Company in respect of the AIM Rules unless terminated by seven days written notice by either party. The agreement provides for the payment to Beaumont Cornish of an initial non-refundable fee of £5,000 plus VAT and a further fee of £5,000 plus VAT payable on Admission, together with warrants to subscribe for 1,000,000 Ordinary Shares at the Placing Price, exercisable within a period of 5 years from the date of Admission. Beaumont Cornish will be entitled to act for the Company in respect of the first transaction after Admission that is a substantial transaction or is an acquisition regarded by the AIM Rules as a reverse takeover for a fee equating to 1 per cent of the value of the transaction or acquisition subject to a minimum fee of £40,000 plus VAT. The engagement letter also contains indemnities from the Company to Beaumont Cornish.
- (ii) On 24 June 2004 the Company entered into an agreement, pursuant to the engagement letter referred to above, conditional on Admission, pursuant to which the Company appointed Beaumont Cornish to act as the Company's Nominated Adviser for the purposes of the AIM Rules. Under the terms of this Agreement Beaumont Cornish is to be paid a fee of £10,000 plus VAT per annum from Admission, increasing to £20,000 per annum immediately after completion of the substantial transaction or reverse takeover referred to in paragraph (i) above. The Agreement is for an initial period of 12 months terminable thereafter by either party on 90 days' prior notice. The Agreement contains warranties given to Beaumont Cornish by the Company and its directors.

(b) *Broker Agreement*

On 18 June 2004 the Company entered into an agreement with Daniel Stewart & Company Plc under which Daniel Stewart & Company Plc agreed to act on behalf of the Company in relation to the application for Admission for a fee of £10,000 plus VAT and to act as brokers to the Company thereafter for an annual fee of £15,000 plus VAT. The agreement is for a period of a year and thereafter terminable on three months notice.

7. Litigation

The Company is not engaged in any litigation or arbitration and, so far as the Directors are aware, has no litigation or claim pending or threatened against it which has, has had or may have a significant effect on the Company's financial position.

8. Commission Arrangements

No person is entitled to receive any commission in respect of the Placing.

9. Group Structure

The Company has no subsidiaries.

10 Taxation

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not in the course of a trade, and are based on current legislation and UK Inland Revenue practice. The position for employees subscribing for Ordinary Shares and Warrants under the Placing has not been addressed. Any prospective

purchaser of Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK should consult his own professional adviser immediately.

Taxation of Chargeable Gains

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company.

The Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will usually constitute the base cost of a shareholder's holding.

If a shareholder disposes of all or some of his Ordinary Shares a liability to tax on chargeable gains may, depending on their circumstances, arise subject to, in the case of individuals and trustees, a deduction for so called taper relief the amount of which depends on various factors, in particular the length of the period of ownership of the Ordinary Shares and whether the company is undertaking substantial investment activity.

Companies are not entitled to taper relief but are due indexation allowance which may also reduce the chargeable gain.

Inheritance Tax – Business Property Relief (“BPR”)

Unquoted ordinary shares in trading companies potentially qualify for 100 per cent BPR which gives up to 100 per cent exemption from Inheritance Tax, provided the shares have been owned for two years. Where an investor makes a lifetime gift of shares or dies while still owner of the shares, no inheritance tax should be payable in respect of the value of the shares, provided the relevant conditions are met. In the case of the Company, any such relief may be unavailable to shareholders if the Company carries on certain excluded activities including the making or holding of investments. BPR is restricted to the extent that the value of any of a company's business includes excepted assets.

Stamp Duty and Stamp Duty Reserve Tax

No stamp duty or stamp duty reserve tax (“SDRT”) will generally be payable on the issue of the Ordinary Shares.

Dividends and other Distributions

Dividends paid by the Company will carry an associated tax credit currently of one-ninth of the cash dividend or 10 per cent of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the Schedule F ordinary rate (10 per cent) or the Schedule F upper rate (32.5 per cent).

The effect will be that taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have an additional tax liability (after taking into account the tax credit) of 25 per cent of the cash dividend. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of discretionary trusts are liable to account for income tax at the rate applicable to trusts on such a dividend at the Schedule F trust rate, currently 32.5 per cent (as specified in the Finance Bill 2004), subject to the tax credit on the dividend referred to above. This credit is not available for the purposes of computing any additional tax which the trustees may have to pay on making distributions to beneficiaries out of income which includes such a dividend.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

11. Working Capital

In the option of the Directors, having made due and careful enquiry, the working capital available to the Company is sufficient for the Company's present requirements, that is, for at least twelve months from the date of Admission.

12. Miscellaneous

- (a) The estimated expenses of Admission including the expenses of the Placing are £50,000 (inclusive of any applicable irrecoverable VAT) and will be payable by the Company.
- (b) No person (other than the Company's professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the twelve months preceding the date of this document, or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more, securities in the Company with a value of £10,000 or more at the Placing Price or any other benefit with a value of £10,000 or more at the date of this document.
- (c) Save for the transactions set out in paragraph 1 of this Part 3 of this document, and save for the Placing, there has been no significant change in the trading or financial position of the Company since 8 April 2004, being the date of incorporation of the Company.
- (d) Save as disclosed, no exceptional factors have influenced the Company's activities.
- (e) The Company is not dependent on patents or other intellectual property rights, licences or particular contracts and which are of fundamental importance to the Company's business.
- (f) The Company's accounting reference date is 30 April.
- (g) Save as disclosed, the Company has no significant investments in progress.
- (h) No financial information contained in this document is intended by the Company to represent or constitute a forecast of profits by the Company nor to constitute publication of accounts by it.
- (i) Jeffreys Henry LLP has given and not withdrawn its written consent to the inclusion in this document of its reports and references thereto in the form and context in which they are included.
- (j) Beaumont Cornish and Daniel Stewart & Company Plc have each given and not withdrawn their written consents to the inclusion in this document of references to their names in the form and context in which they appear.

13. Documents for inspection

Copies of the following documents will be available for inspection at the offices of Kerman & Co LLP during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until, not less than 14 days following Admission:

- (a) the memorandum and articles of association of the Company;
- (b) the Accountants Report set out in Part 2 of this AIM Admission Document;
- (c) the material contracts referred to in paragraph 6 above;
- (d) the letters of consent referred to in paragraph 12 (i) and (j) above;
- (e) this document.

14. Availability of this Document

Copies of this document will be available free of charge to the public during normal business hours on any weekday (excluding public holidays) at the Company's registered office from the date of this document until the thirtieth day after Admission of the Ordinary Shares to trading on AIM.

Dated 9 July 2004

