

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the contents of this document or the action that you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant, or other independent professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

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, a market operated by the London Stock Exchange plc. 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.

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# VICTORIA OIL & GAS PLC

*(Incorporated in England and Wales under the Companies Act 1985 registered No. 5139892)*

## Admission to trading on AIM

*Nominated Adviser*  
**Beaumont Cornish Limited**

*Broker*  
**Fiske plc**

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### Share capital immediately following Admission

Authorised		Issued and fully paid	
Number	Amount	Number	Amount
200,000,000	£1,000,000	58,902,500	£294,513

Ordinary Shares of 0.5p each

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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 Limited, which is authorised and 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 Limited will not be responsible to anyone other than the Company for providing the protections afforded to clients of Beaumont Cornish Limited or for advising any other person on the arrangements described in this document.

Fiske plc, which is authorised and 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 Placing. Fiske plc will not be responsible to anyone other than the Company for providing the protections afforded to customers of Fiske plc or for advising any other person on the arrangements described in this document.

Neither Beaumont Cornish Limited nor Fiske 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 Limited or Fiske 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.

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**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 Part 2 of this document.**

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### **Forward Looking Statements**

Certain statements in this AIM Admission Document are “Forward Looking statements”. These Forward Looking statements are not based on historical facts but rather on management’s expectations regarding the Company’s future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, planned exploration and development drilling activity and the results of such drilling activity, business prospects and opportunities. Such Forward Looking statements reflect management’s current beliefs and assumptions and are based on information currently available to management. Forward Looking statements involve significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the Forward Looking statements including risks associated with vulnerability to general economic market and business conditions, competition, environmental and other regulatory changes, the results of exploration and development drilling and related activities, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Although the Forward Looking statements contained in this AIM Admission Document are based upon what management believes to be reasonable assumptions the Company cannot assure investors that actual results will be consistent with these forward looking statements. These Forward Looking statements are made as at the date of this AIM Admission Document and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

## **DIRECTORS, SECRETARY AND ADVISERS**

<b>Directors</b>	<b>Kevin Alfred Foo MIMMM, C.Eng., (Chairman)</b> Enterprise House 59-65 Upper Ground Blackfriars London SE1 9PQ  <b>Grant Coffin Manheim, (Deputy Chairman)</b> 45 Cleveland Square London W2 6DA  <b>William Cameron Kelleher, (Executive Director)</b> 18 Mariners Lane Kemah Texas 77570 USA  <b>Robert Stephen Palmer, FCA, (Finance Director)</b> PO Box 698, 2nd Floor Titchfield House 69/85 Tabernacle Street London EC2A 4RR
<b>Company Secretary</b>	Leena Nagrecha FCIS
<b>Registered Office</b>	7 Savoy Court, Strand, London WC2R 0ER
<b>Nominated Adviser</b>	Beaumont Cornish Limited Georgian House 63 Coleman Street London EC2R 5BB
<b>Broker</b>	Fiske plc 3rd Floor, Salisbury House London Wall London EC2M 5QS
<b>Registrars</b>	Computershare Limited PO Box 82, The Pavilions Bridgwater Road Bristol BS99 7NH
<b>Reporting Accountants and Auditors</b>	Deloitte & Touche Deloitte & Touche House Earlsfort Terrace Dublin 2, Ireland
<b>Solicitors to the Company</b>	Kerman & Co. LLP 7 Savoy Court Strand, London WC2R 0ER
<b>Principal Bankers</b>	Allied Irish Bank (GB) City Office 9/10 Angel Court London EC2 R 7AB

## DEFINITIONS

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

<b>“Act”</b>	the Companies Act 1985, as amended
<b>“Admission”</b>	admission of the entire issued ordinary share capital of the Company to trading on AIM becoming effective in accordance with the AIM Rules
<b>“AIM”</b>	AIM, a market operated by the London Stock Exchange plc
<b>“AIM Rules”</b>	the rules of the London Stock Exchange plc governing admission to, and operation of, AIM
<b>“Alpine”</b>	Alpine International Invest Limited, a company incorporated in the British Virgin Islands, and resident in Guernsey
<b>“Beaumont Cornish”</b>	Beaumont Cornish Limited, which is authorised by the Financial Services Authority to carry on investment business, the Company’s nominated adviser
<b>“Board” or “Directors”</b>	the board of directors of the Company
<b>“Company”</b>	Victoria Oil & Gas Plc
<b>“CREST”</b>	the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument
<b>“FSU”</b>	Former Soviet Union
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Ordinary Shares”</b>	ordinary shares of 0.5p each in the Company
<b>“Placing”</b>	the issue of 48,902,500 Ordinary Shares at the Placing Price pursuant to the Placing Agreement;
<b>“Placing Price”</b>	20p per Ordinary Share
<b>“Placing Shares”</b>	48,902,500 Ordinary Shares to be issued pursuant to the Placing
<b>“POS Regulations”</b>	the Public Offers of Securities Regulations 1995 (as amended)
<b>“Project Services Contract”</b>	the contract dated 23 June 2004 between the Company and Alpine details of which are set out in paragraph 5(d) of Part 4 of this document

## **EXPECTED TIMETABLE AND PLACING STATISTICS**

### **EXPECTED TIMETABLE**

Publication Date of the Admission Document	27 July 2004
Admission Effective	27 July 2004
Dealings expected to commence	27 July 2004

### **PLACING AND ADMISSION STATISTICS**

Placing Price per Ordinary Share	20p
Proceeds of the Placing before expenses	£9,780,500
Proceeds of the Placing after expenses	£9,678,000
Number of Ordinary Shares subject to the Placing	48,902,500
Number of Ordinary Shares in issue following the Placing	58,902,500
Percentage of enlarged issued share capital represented by the Placing Shares	83%
Market capitalisation at the Placing Price	£11,780,500

## PART 1 - INFORMATION ON THE COMPANY

### 1.1 INTRODUCTION

Victoria Oil & Gas Plc is a newly incorporated company that has been established by its shareholders to identify and acquire a number of projects in the oil and gas sector with particular emphasis on projects in the FSU and Central Asia. Such projects may be acquired by 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 consider that the Central Asian Republics, which account for some of the largest hydrocarbon deposits in the world, represent an attractive area for investment. Some industry analysts believe that oil production in the key “Caspian” countries, namely Kazakhstan, Azerbaijan and the Caspian Sea Region, has doubled during the last ten years and is expected to double again by 2010. While these countries would still only account for 2.7 per cent of the world’s expected oil production by that date, it is estimated that this additional production will represent some 20 per cent of expected growth in oil production during this period.

Recent oil prices rises, if sustained, will enhance the profitability of established producing properties and may render economic, reserves that were formerly considered uneconomic to exploit. Traditionally, the oil reserves in the Caspian countries have been highly productive despite geographical limitations. One of the main constraints, historically, has been transportation in the form of available pipeline capacity, but the completion of several new pipelines is expected to have a beneficial impact.

The Directors intend to focus on projects with strong operating cash-flows at an early stage, but will also seek to have an exposure to exploration projects. They believe that significant acquisition opportunities exist and that they have the contacts, experience and expertise to exploit such opportunities.

### 1.2 DIRECTORS AND MANAGEMENT

#### Current Board

The directors of the Company are:

#### ***Kevin Alfred Foo MIMMM, C.Eng, Chairman, age 54***

Kevin Foo is a graduate in metallurgy from the Ballarat School of Mines and holds an MSc and DIC from Imperial College. He has a 34 year career in the resources sector encompassing technical, operational, project management and running public companies including Aberfoyle Limited, Minproc Engineers and Bakyrchik Gold Plc. He has worked in five continents including 12 years in the FSU, and is a specialist in development of mines. He is the managing director of Celtic Resources Holdings Plc, an AIM traded natural resources company that owns and operates gold mines in Russia and Kazakhstan and he is also non-executive chairman of Eureka Mining Plc, an AIM traded United Kingdom based mining exploration and development company focusing on projects in the FSU.

#### ***Grant Coffin Manheim, Deputy Chairman, age 60***

Grant Manheim has extensive financial experience in the City of London gained over 37 years at N M Rothschild and Sons Limited with 25 years as a main board director. In addition to his financial experience, he also has knowledge of the oil and gas sector having been the deputy chairman of New Court Natural Resources Plc, a company whose business was the exploration for and development of oil and gas in the United States.

***William Cameron Kelleher, Executive Director, age 46***

William Kelleher has over 25 years of experience in the oil and gas industry most recently with Yukos Oil Corporation as its vice president Central Asia where he was responsible for managing and developing its exploration and production companies in Kazakhstan and Central Asia. William's skills and industry knowledge have been gained in the prospecting, acquisition, development and operation of projects worldwide; most relevant is in the last seven years being Russia, Kazakhstan and Central Asia. He is highly trained in advanced drilling, completion, production exploitation, and exploration and producing technologies. His specific hands-on experience includes: drilling, testing and production operations, supervising and advising on production exploitation operations, building and managing exploration projects, preparing business plans and budgets for large scale oil and gas projects and overseeing the implementation of those plans. Prior to working for Yukos, William worked for the following companies: 2001-2002 Celtic Resources Holdings Plc as executive vice president, 2001 El Paso International as managing director-new ventures, 1999-2001 Partex Oil and Gas as general manager of Partex Kazakhstan Corporation, 1997-1999 First International Oil Corporation as vice president operations - Kazakhstan Operations, 1996-1997 First Texas Hydrocarbons as vice president engineering and operations. Prior to 1996 from the period 1980 through 1996 William worked for Occidental International Oil and Gas, Unocal Thailand, Suez Oil Company Egypt, Washington Energy Resources, Shell Egypt (Bapetco), Alcorn Philippines, Chevron (Drilling Technology Centre), Scientific Drilling International, and NL Petroleum Services (Baroid Division).

***Robert Stephen Palmer, FCA., Finance Director, age 47***

Robert Palmer is a chartered accountant who qualified in 1979 and was admitted as a Fellow in 1989. He is also a member of the Insolvency Practitioners Association and the Association of Business Recovery Professionals. Robert has worked in the accounting profession since his qualification, working for Dearden Farrow, Stoy Hayward and Grant Thornton . He initially specialised in corporate structuring advice and corporate finance and then moved into insolvency and corporate rescue. In 1986, he joined Gallagher & Co as a partner where he has provided general accounting and financial advice to a variety of corporate clients as well as continuing to be involved in corporate restructuring and corporate finance.

**Chief Executive Officer**

The Board is reviewing a shortlist of potential candidates for the appointment of a designated Chief Executive. The timing of such appointment is likely to coincide with the Company making its first acquisition.

**Employees**

The only employees of the Company at the date hereof are the Directors.

### **1.3 STRATEGY**

The Company has entered into a Project Services Contract with Alpine. Alpine was incorporated earlier this year to bring together a team of individuals who have wide ranging skills in the evaluation and exploitation of exploration and production oil and gas assets, asset acquisitions and corporate and financial management. The key members and owners of Alpine are:

**Kevin Foo**

Kevin is a director of Victoria Oil & Gas Plc and brings 34 years of resource sector experience. Additional details are set out in paragraph 1.2 above.



### **Michael Palmer**

Michael is a chartered accountant and a former partner in a firm that later became part of Andersen. He resigned in 1983 to co-found Gallagher & Co a business consultancy based practice, where he remains a senior partner specialising in providing financial advice. He holds a number of directorships and is the finance director of Celtic Resources Holdings Plc.

### **Peter Hannen**

Peter has had a 14 year career in all aspects of commodity trading, including shipping, finance, trading and options. He worked for M. Golodetz and Merrill Lynch in London before joining Phibro in their New York office. In 1990, he set up a partnership to advise overseas and family interests in asset allocation, with special emphasis on resources. Peter is the chairman of Celtic Resources Holdings Plc.

### **William Kelleher**

William is a director of Victoria Oil & Gas Plc and brings 25 years of direct oil and gas industry experience; the last 7 of which are in Central Asia and the FSU. Additional details are set out in paragraph 1.2 above.

### **Jeremy Edelman**

Jeremy has Bachelor degrees in Commerce and Law and a Masters degree in Applied Finance. In addition, he has worked for some of the world's leading investment banks in the area of debt and acquisition finance. His experience in the resource sector has been in senior finance and managerial roles. Jeremy is the financial controller of Celtic Resources Holdings Plc

### **Nigel Harper**

Nigel is a specialist in oil and gas trading, transaction identification, marketing and negotiation. He has extensive experience in the negotiation of transactions in Central Asia and the FSU and will therefore provide strategic advice for development of the business to be carried on by the Company.

All of the above individuals are shareholders in the Company, and thus have an economic interest in the success of the Company.

Under the Project Service Contract, Alpine will:

- refer to the Company suitable opportunities in the oil and gas sector that they identify, and give the Company the right to acquire or invest in such opportunities;
- provide certain technical and administration services desirable for the performance of the Company's activities;
- oversee the due diligence process for all projects it introduces. This will encompass technical, geological, legal and financial matters, using external lawyers, accountants and consultants as appropriate.
- receive payment of an annual management fee of £200,000. Additionally, in order to incentivise Alpine it will also receive, upon successful legal completion of each acquisition or investment opportunity introduced by it to the Company, a bonus payment of 5 per cent of the transaction value. The bonus payment shall be satisfied by the issue of Ordinary Shares to Alpine calculated by reference to the average mid market price of the Ordinary Shares over the three months immediately prior to the completion of the transaction.

Further details of these arrangements are set out in paragraph 5(d) of Part 4 of this document.



The Directors believe that their broad collective experience, taken together with Alpine's expertise, in the areas of acquisitions, accounting, corporate and financial management and the evaluation and exploitation of oil and gas projects, will assist them in the identification and evaluation of suitable opportunities, and will enable the Company to achieve its objectives.

At present, the Directors, in conjunction with Alpine, have identified several exploration and production opportunities in the Central Asian republics and the FSU, but no firm commitment has been entered into.

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 intends being in a position to commence evaluating acquisition and investment opportunities immediately 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, it is the intention that expenditure by the Company will be kept to a minimum until the Company completes a significant acquisition or investment.

Your attention is drawn to the Risk Factors set out in Part 2 of this Document.

## **1.4 CORPORATE GOVERNANCE**

The Directors recognise the importance of sound corporate governance whilst taking into account the size and the stage of development of the Company. When the Company makes its first investment, the Directors intend that the Company should develop policies and procedures which reflect the principles of good governance and Code of Best Practice, as published by the Committee on Corporate Governance (commonly known as the "Combined Code"), to the extent that they are appropriate to the size of the Company. This will include the appointment of at least one independent non-executive director and setting up Remuneration and Audit committees with formally delegated duties and responsibilities.

The aggregate remuneration to be paid to the Directors of the Company under their letters of appointment for the 12 months following Admission will be kept to £48,000, save that the Directors may amend their remuneration on the earlier of either the Company's first acquisition or the first anniversary of Admission. In addition to their salaries, the Company has agreed to the grant of options over 1,000,000 Ordinary Shares to Grant Manheim and options over 250,000 Ordinary Shares to Robert Palmer. The options are exercisable at any time up to three years from the date of Admission and their exercise price is fixed at the Placing Price.

The Directors will comply with Rule 19 of the AIM Rules relating to Directors' dealings and will also take all reasonable steps to ensure compliance by the Company's applicable employees (if any).

## **1.5 DIVIDEND POLICY**

The Company has not yet commenced trading and the Directors believe that it is inappropriate to give an indication of the likely level of future dividends at this stage.

## **1.6 RESTRICTIONS ON DEALING**

Pursuant to the AIM Rules, the Directors have agreed not to dispose of any Ordinary Shares held by them for a period of one year from the date of Admission, other than in the event of an intervening court order, a takeover offer open to all the shareholders or the death of the relevant Director. Otherwise there are no restrictions on the free transferability of the Shares. The owners of Alpine have agreed, save in respect of 125,000 Ordinary Shares each, other than with the consent of Beaumont Cornish and save in certain other circumstances, not to dispose of the balance of any Ordinary Shares held by them for the period from the date of Admission to the date of the first acquisition or investment made by the Company. Further details of these Lock In Agreements are set out in paragraph 5(e) of Part 4 of this document.

## **1.7 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.

## **1.8 SHARE CAPITAL**

At the date of this document there are 10,000,000 Ordinary Shares, in issue:

- (a) the Company was incorporated with 50,000 subscriber shares which were paid up in full and transferred to a subscriber on 18 June 2004;
- (b) on 18 June 2004, the Company issued 9,950,000 Ordinary Shares to the Directors and certain other persons at par value raising £49,750 (before expenses);

In addition, a further 48,902,500 Ordinary Shares have been issued pursuant to the Placing, raising a further £9,780,500 (before expenses), conditional upon Admission. 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.

## **1.9 DETAILS OF THE PLACING**

Prior to Admission the Company has placed 48,902,500 new Ordinary Shares at the Placing Price to raise £9,678,000 (net of expenses) which will represent 83 per cent of the enlarged issued share capital of the Company following the Placing. The Placing is conditional upon Admission.

## **1.10 REASONS FOR THE PLACING AND THE ADMISSION**

The Directors believe that Admission and the funds raised in the Placing are important steps towards developing a successful oil and gas exploration and development business. The Company will use the net proceeds of the Placing for working capital needs and to help fund acquisitions. 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.

## **PART 2 - RISK FACTORS**

The Directors consider the following risks and other factors to be the most significant for potential investors, but the risks below do not necessarily comprise all those associated with an investment in the Company and are not set out in any order of priority. Potential investors should carefully consider these risks before making a decision to invest in the Company.

If any of the events described below actually occur, the Company's business, financial condition, results or future operations could be adversely affected. In such a case, the price of the Company's Ordinary Shares could decline and investors may lose all or part of their investment. Additional risks and uncertainties not presently known by the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company.

The exploration and development of natural resources is a speculative activity that involves a high degree of financial risk.

Investors in companies holding their assets in emerging markets such as the FSU should be aware that these markets are subject to greater risks than more developed markets, including in some cases, significant legal, economic and political risks. Investors should also note that emerging markets are subject to rapid change and that the information set out in this document may become outdated quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves after proper consultation whether, in light of those risks, their investment is appropriate.

### **The Company**

The Company is newly formed with no operating history upon which prospective investors may base an evaluation of its likely performance. The Company was incorporated on 27 May 2004.

### **Exploration and Operational Risks**

The availability of a ready market for oil, gas and hydrocarbon products which may be sold by the Company depends upon numerous factors beyond its control, the exact effects of which cannot be accurately predicted. These factors (the list of which is not exhaustive) include: general economic activity, the world oil and gas prices, the marketability of the hydrocarbons produced, action taken by other producing nations, the availability of transportation capacity, the availability and pricing of competitive fuels, and the extent of governmental regulation and taxation.

All drilling to establish productive hydrocarbon reserves is inherently speculative. The techniques presently available to geophysicists, geologists, petro-physicists, reservoir and petroleum engineers, and other technical specialists to identify the existence and location of accumulations of oil and gas are indirect and subject to a wide variety of variables which are subjective in nature with respect to the environment in which they exist and are not precise on their application, and therefore, a considerable amount of personal judgement is involved in the selection of any prospect for drilling or identifying potentially profitable producing hydrocarbon accumulation. In addition, even when drilling successfully encounters oil and gas and a well is completed as a producing oil or gas well, unforeseeable operating problems may arise which render it uneconomical to produce such oil and natural gas.

Historical facts, information gained from historic experience, present facts, circumstances and information, and assumptions from all or any of these are not a guide to the future. Aims, targets, plans and intentions referred to herein are no more than that and do not imply forecasts.

## **Oil and Gas Risks**

The business by its nature involves significant risks and hazards, including environmental hazards, industrial incidents, labour disputes, discharge of toxic chemicals, fire, drought, flooding and other “acts of God”. The occurrence of any of these hazards can delay or interrupt production, increase production costs and result in liability to the owner or operator of the oil field. The Company could become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible.

The Company may maintain insurance against risks that are typical in the operation of its business and in amounts which it believes to be reasonable. Such insurance, however, will contain exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available or will be adequate to cover any resulting liability.

## **Volatility of Oil Prices and Currency Risks**

Historically, oil prices have fluctuated widely and are affected by numerous factors over which the Company does not have any control, including world production levels, international economic trends, currency exchange fluctuations, expectations for inflation, speculative activity, consumption patterns and global or regional political events. The aggregate effect of these factors is impossible to predict.

There is also uncertainty as to the possibility of increases in world production both from existing wells and as a result of oil fields currently closed being reopened in the future if price increases make such projects economic.

As a result of the above factors, price forecasting can be difficult and imprecise.

Income from oil sales may be subject to exchange rate fluctuations and become subject to exchange control or similar restrictions.

Oil and gas revenues most likely will arise in US dollars. Currency conversion and exchange introduces the risk of exchange rate fluctuations, which may have an adverse effect on income or asset values.

## **Exploration risks**

Hydrocarbon exploration is speculative in nature, involves many risks and is frequently unsuccessful. There can be no assurance that any prospect drilled will result in an increase in the proven and probable reserves. If reserves are developed, it can take a number of years from the initial phases of drilling and appraisal operations until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish reserves through drilling. As a result of these uncertainties, no assurance can be given that any exploration programmes undertaken by the Company will result in any new commercial development operations being brought into operation.

## **Extraction Sub-surface Licences**

The Company’s activities will be dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. There can be no assurance that any such authorisations will be renewed or as to the terms of any such renewal. Properties in the jurisdictions in which the Company proposes carrying business are subject to licence requirements, which generally include, inter alia, certain financial commitments which, if not fulfilled, could result in the suspension or ultimate forfeiture of the relevant licences. Government action, which could include non-renewal of licences, may result in any income receivable by the Company or licences held by the Company being adversely affected. In particular, changes in the application or interpretation of laws and/or taxation provisions in the region in which it proposes carrying on business, could adversely affect the value of the Company’s interests.

## **Environmental factors**

The Company's operations will be subject to environmental regulation (including regular environmental impact assessments and permitting) in all the jurisdictions in which it operates. Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. Environmental legislation and permitting are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees.

## **Political**

Although political conditions in the countries in which the Company proposes operating are generally stable, changes may occur in their political, fiscal and legal systems which might affect the ownership or operation of the Company's interests, including inter alia, changes in exchange control regulations, expropriation of licences and rights, changes in government and in legislative and regulatory regimes.

The regions in which the Company intends carrying on business generally have less developed legal systems than more established economies which may result in risks such as (i) effective legal redress in the courts of such jurisdiction, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. In consequence the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurances that licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of an enforcement of such arrangements in the region in which the Company proposes to carry on business cannot be assured.

## **Uninsured Risks**

The Company, as a participant in exploration and extraction programmes, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. The Company may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

## **Other Areas of Risk**

- The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets.
- The price at which investors may dispose of their shares in the company may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. Investors may realise less than the original amount invested.



- Prior to Admission there was no public market for the Company's shares and nor have they ever been traded, quoted or dealt on any securities market. Consequently, each prospective investor should view his purchase of the Ordinary Shares as a long-term investment and should not consider such purchase unless he is certain he will not have to liquidate his investment for an indefinite period of time.
- Notwithstanding the fact that an application will be made for the Ordinary Shares to be traded on AIM, this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares. An investment in the Ordinary Shares may thus be difficult to realise. The Ordinary Shares will not be quoted on the official list of the UK Listing Authority. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the official list of the UK Listing Authority.
- Upon completion of the Placing, the Directors and their associates will control 10.6 per cent of the issued share capital of the Company. As a result, the Directors will be able to exercise significant influence over matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions.
- The Company may require additional financial resources to continue funding its future expansion. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Company or its shareholders.
- Notwithstanding statutory subscription rights, if additional funds are raised through the issue of equity securities, the percentage ownership of then current shareholders of the Company may be reduced and such securities may have rights, preferences or privileges senior to those of the holders of the Company's Ordinary Shares.
- If adequate funds are not available to satisfy either short or long-term capital requirements, the Company may be required to limit its operations significantly or farm-out some level of interest in its projects.
- There can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations. Any failure of management to manage effectively the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations.
- There is no certainty therefore that all or, indeed, any of the elements of the Company's current strategy will develop as anticipated and that the Company will be profitable.
- Estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly when new information becomes available. In addition, resource estimates are necessarily imprecise and depend to some extent on interpretation, which may prove to be inaccurate. Should the Company encounter formations different from those predicted by past drilling, sampling and similar examinations, estimates may have to be adjusted and plans may have to be altered in a way which could affect the Company's operations.
- The market price of the Ordinary Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

- Although the Directors believe that the interests they intend to acquire will have a reasonable prospect of being capable of commercial exploitation, there is no guarantee they will be so. Exploration and development involves significant risks, including the commercial viability of deposits. This depends upon many factors including but not limited to; unusual or unexpected formations or other geological conditions; regulatory developments; market conditions; pollution or other hazards; available permits and other factors beyond the control of the Company.
- The Company is dependent on the Directors and Alpine personnel. Whilst the Board has sought to and will continue to ensure that Directors personnel and management and any key employees are appropriately incentivised, their services cannot be guaranteed.



## PART 3 - ACCOUNTANTS' REPORT



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The Directors  
Victoria Oil & Gas plc  
7 Savoy Court  
Strand  
London WC2R 0ER

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

22 July 2004

Dear Sirs,

**RE: VICTORIA OIL & GAS PLC**

We report on the financial information set out in paragraphs 1 to 3.8 below. This financial information has been prepared for inclusion in the AIM Admission Document dated 22 July 2004 ("the AIM Admission Document"). The financial information set out in this report is based on the non-statutory accounts of Victoria Oil & Gas PLC (the "Company") for the period from incorporation on 27 May 2004 to 18 June 2004 to which no adjustments were considered necessary

### **Responsibility**

Such financial statements are the responsibility of the Directors of the Company. The Directors of the Company are responsible for the contents of the AIM Admission Document in which this report is included. It is our responsibility to compile the financial information set out in our report from the unaudited non-statutory financial statements, to form an opinion on the financial information and to report our opinion to you.

### **Basis of Opinion**

We conducted our work in accordance with the Statements of Investments Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed. We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Audit . Tax . Consulting Financial Advisory.

Members of  
Deloitte Touche Tohmatsu

P.J. Barton	M. Larkin	D.J. Butler	J. O'Connor	D. Carson
T.M. Cassin	G. Lyons	P.J. Carr	D. O'Donovan	D.F. Hearn
D.B. Deasy	G.V. Magee	P. Cronin	J. O'Flynn	P. Hegarty
C.A. Dennehy	R.J. Nolan	P. Cullen	P. Reck	C.P. Hughes
G. Fitzpatrick	G.B. O'Mahoney	A. Fagan	P. Whelan	S. Mohan
M.E. Fulton	T.G. O'Rourke	R. MacDarby		D. Moriarty
J.P. Gilmartin	M.M. Smith	B.P. McDonald		M.A. Murphy
J.M. Hayden	B.D. Uniacke	D. Murray		T.R. O'Ferrall
B.P. Jennings	N.A. Walsh			D. O'Flanagan

P. Kenny

## *Opinion*

In our opinion the financial information gives, for the purposes of the AIM Admission Document, a true and fair view of the state of affairs of the Company as at 18 June 2004.

## *Consent*

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

## *Financial Information*

### 1. Balance Sheet at 18 June 2004

	Notes	£'000
<b>Current Assets</b>		
Cash		<u>50</u>
<b>Capital and reserves</b>		
Share capital	3.3	50
Profit and loss reserve		<u>-</u>
Shareholders' funds – equity		<u>50</u>

### 2. Cash Flow Statement

		£'000
<b>Cash flow from financing</b>		
Proceeds from issue of shares		<u>50</u>
Increase in cash and cash equivalents	3.6	<u>50</u>

### 3. Notes

#### 3.1 Background to Company

The Company was incorporated on 27 May 2004. The Company has not yet commenced trading or operations. No audited statutory financial statements have been prepared and no dividends have been declared or paid since the date of incorporation.

#### 3.2 Accounting Policies

##### **Basis of Preparation**

The unaudited non-statutory accounts are prepared under the historical cost convention and in accordance with generally accepted accounting principles in the United Kingdom, by the directors for inclusion in the AIM Admission Document.

### 3.3 Share Capital

	£'000
<b>Authorised:</b>	
200,000,000 ordinary shares of 0.5p each	<u>1,000</u>
<b>Issued, Allotted and fully paid :</b>	
10,000,000 ordinary shares of 0.5p each	<u>50</u>

On 27 May 2004, 50,000 ordinary shares were issued to the founders on incorporation for no consideration.

On 18 June 2004, 9,950,000 ordinary shares of 0.5p each were issued and fully paid, and payment was subsequently made for the 50,000 subscriber shares, to raise seed capital for the future development of the Company.

On admission to AIM, up to a further 50,000,000 new ordinary shares of 0.5p each will be issued pursuant to the Placing at 20p per share.

### 3.5 Reconciliation of Movement in Shareholders' Funds

	£'000
Opening balance	-
Proceeds from issue of shares	<u>50</u>
Closing balance	<u><u>50</u></u>

### 3.6 Analysis of Net Funds

	At 27 May 2004 £'000	Cash Flow £'000	At 18 June 2004 £'000
Cash in Bank	<u>-</u>	<u>50</u>	<u>50</u>

### 3.7 Related Party Transactions

The Company has entered into a Project Services Contract with Alpine International Invest Limited ("Alpine"), a company incorporated in the British Virgin Islands and resident in Guernsey. William Kelleher and Kevin Foo, both directors of Victoria Oil & Gas plc, are senior members of the Alpine management team.

### 3.8 Risk Management


The company's financial instruments, at 18 June 2004, consists solely of cash balances. The cash will be utilised to identify and acquire exploration projects. It is envisaged that in the coming year borrowings and items such as trade debtors and trade creditors, will arise directly from operations. The main purpose of these financial instruments is to raise finance to fund future acquisitions.

The main financial risk arising from the Company's financial instruments is currency risk.

#### *Liquidity risk*

The Company has ensured continuity of funding mainly through the issue of share capital. Short term funding is achieved by utilising existing cash balances.

Yours faithfully,

  
**DELOITTE & TOUCHE**

## PART 4 - ADDITIONAL INFORMATION

### 1. COMPANY AND SHARE CAPITAL

- (a) The Company was incorporated and registered in England and Wales under the Act on 27 May 2004 as a public limited company with the name Victoria Oil & Gas Plc. Its registered number is 5139892.
- (b) The registered office of the Company is at 7 Savoy Court, 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:

- (i) number of Ordinary Shares authorised and issued at the date of this document

<b>Authorised</b>		<b>Issued</b>	
Number	Amount (£)	Number	Amount (£)
200,000,000	1,000,000	10,000,000	50,000

- (ii) number of Ordinary Shares authorised and issued following Admission

<b>Authorised</b>		<b>Issued</b>	
Number	Amount (£)	Number	Amount (£)
200,000,000	1,000,000	58,902,500	294,513

- (e) At the date of incorporation, the Company had an authorised share capital of £1,000,000 divided into 200,000,000 Ordinary Shares of 0.5p each of which 50,000 had been issued as subscriber shares.
- (f) The following changes in the issued share capital of the Company have taken place since incorporation:
- (i) On 18 June 2004, 9,950,000 Ordinary Shares were issued at par value, and payment was made for the 50,000 subscriber shares.
- (g) By Ordinary Resolution passed on 18 June 2004 and Special Resolutions passed on 21 July 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 of that section) up to an aggregate nominal amount of £999,750, 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 the Act to allot equity securities (as defined by section 94(2) of the Act) pursuant to the authority conferred by the Ordinary Resolution in (i) above approved by the shareholders on 18 June 2004 as if section 89(1) of the Act did not apply to any such allotment. This authority was limited to the allotment of equity securities up to a nominal amount of £400,000 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 the Act to allot equity securities pursuant to the authority conferred by Ordinary Resolution in (i) above approved by the shareholders on 18 June 2004 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
  - a) 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;
  - b) otherwise than pursuant to resolution paragraph (a) above up to an aggregate nominal amount equal to 20 per cent of the aggregate of (i) the issued ordinary share capital of the Company at the date of the passing of this resolution and (ii) any equity securities issued pursuant to resolution number (ii),

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, as disclosed in this document, 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) 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, will be, as follows:

- (i) as at the date of this document:

<b>Director</b>	<b>Number of Ordinary Shares</b>	<b>% of the issued share capital</b>	<b>Options over Ordinary Shares</b>
Robert Stephen Palmer	NIL	NIL	250,000
William Cameron Kelleher†	2,250,000	22.5%	NIL
Kevin Alfred Foo††	2,000,000	20%	NIL
Grant Manheim	NIL	NIL	1,000,000

- (ii) immediately following Admission and pursuant to the Placing:

<b>Director</b>	<b>Number of Ordinary Shares</b>	<b>% of the issued share capital</b>	<b>Options over Ordinary Shares</b>
Robert Stephen Palmer	NIL	NIL	250,000
William Cameron Kelleher†	3,750,000	6.4%	NIL
Kevin Alfred Foo††	2,500,000	4.2%	NIL
Grant Manheim	NIL	NIL	1,000,000

† All of the shares in which William Kelleher is beneficially interested are registered in the name of Hydrocarbons Technologies Limited.

†† All of the shares in which Kevin Foo is beneficially interested are registered in the name of H.J. Resources Limited.

Note: the options granted to Robert Palmer and Grant Manheim are exercisable by them at any time for a period of three years from the date of Admission with an exercise price of twenty pence.

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

### Kevin Alfred Foo

#### **Current Directorships**

Celtic Resources Holdings Plc  
Eureka Mining Plc  
Celtic Petroleum Ltd  
Celtic Resources (Central Asia) Ltd  
Celtic Oil Ltd  
Celtic Rep Office Ltd  
Mack Logistics Ltd

#### **Previous Directorships**

Fynegold Petroleum Limited

### William Cameron Kelleher

#### **Current Directorships**

none

#### **Previous Directorships**

none



Grant Coffin Manheim

**Current Directorships**

British American Product Co.  
Vertienties Camaguy Sugar Co of Cuba

**Previous Directorships**

Continuation Investments NV

Robert Stephen Palmer

**Current Directorships**

Gallagher Accounting Services Limited  
BSM (Acceptances) Limited  
British American Product Company Limited  
Gallaghers.co.uk Limited  
Gnomees Limited  
Firstcallus Limited  
TRG (UK) Limited  
Hodsol McKenzie Limited  
Gallagher & Co (Partner)  
The Gallagher Partnership LLP  
Gallagher Corporate Finance LLP  
Bespoke Financial Consulting LLP

**Previous Directorships**

Top-Secret Drinks Plc  
Impactbrand Limited  
Titchfield Services

- (c) 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.
- (d) No Director has or has had any direct or indirect interest in any asset which has 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.
- (e) During the initial period prior to the Company's first investment each of Messrs Foo, Manheim, Palmer and Kelleher will receive remuneration at the rate of £12,000 per annum. On this basis the aggregate remuneration paid and benefits in kind granted to the Directors is expected to be £48,000 pro rata from the date of their appointment for the year ending 31 December 2004. In



addition to their salaries the Company has agreed to the grant of options over 1,000,000 Ordinary Shares to Grant Manheim and options over 250,000 Ordinary Shares to Robert Palmer. The options are exercisable at any time up to three years from the date of Admission and their exercise price is fixed at the Placing Price.

- (f) There are no service agreements in existence between any of the Directors and the Company which cannot be terminated by the Company without payment of compensation (other than statutory compensation) within one year.
- (g) Save as disclosed, 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.
- (h) (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:

<b>Name of shareholder</b>	<b>Number of shares held</b>	<b>Percentage of issued share capital held</b>
Nigel Harper	2,250,000	22.5%
William Kelleher †	2,250,000	22.5%
Kevin Foo ††	2,000,000	20%
Jeremy Edelman	1,800,000	18%
Michael Palmer	900,000	9%
Peter Hannen	800,000	8%
<b>TOTAL</b>	<b>10,000,000</b>	<b>100%</b>

† All of the shares in which William Kelleher is beneficially interested are registered in the name of Hydrocarbons Technologies Limited.

†† All of the shares in which Kevin Foo is beneficially interested are registered in the name of H.J. Resources Limited.

- (ii) The following persons will have a holding of 3 per cent or more in the share capital of the Company immediately following Admission:

<b>Name of shareholder</b>	<b>Number of shares held</b>	<b>Percentage of issued share capital held</b>
William Cameron Kelleher†	3,750,000	6.4%
Family Investments Limited	3,000,000	5.1%
Kevin Alfred Foo††	2,500,000	4.2%
Nigel Harper	2,250,000	3.8%
Jeremy Edelman	1,800,000	3.1%

† All of the shares in which William Kelleher is beneficially interested are registered in the name of Hydrocarbons Technologies Limited.

†† All of the shares in which Kevin Foo is beneficially interested are registered in the name of H.J. Resources Limited.

### **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, so however that no individual shall have more than one vote, 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.

**(k) 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 and it is expected that the Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred.

**5. 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 18 June 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 written notice by either party. The letter provides for the payment to Beaumont Cornish of fee of £10,000 plus VAT on publication of any pathfinder or placing document otherwise approved by Beaumont Cornish Limited for the purposes of Section 21 of the Financial Services and Markets Act 2000 and a further fee of £15,000 on Admission of the Company to AIM. For any subsequent advice in relation to any substantial transaction or reverse takeover and readmission an advisory fee of £80,000 is payable on publication of any further document in relation to such transaction, on account of which the Company has agreed to pay £10,000 per month from the date of the agreement for a maximum of three months. The engagement letter also contains indemnities from the Company to Beaumont Cornish Limited.
- (ii) On 28 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 £15,000 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 25 June 2004 the Company entered into an agreement with Fiske plc under which Fiske plc agreed to act as brokers to the Company thereafter for an annual fee of £10,000. The agreement is for a period of a year and thereafter terminable on three months notice.

**(c) Placing Agreement**

On 25 June 2004 the Company entered into an agreement with Fiske plc under which Fiske plc agreed to act on behalf of the Company in relation to the Placing for a fee of £10,000 and a commission of 4 per cent on the aggregate subscription monies received from placees that it procures.

**(d) Project Services Contract**

On 23 June 2004 the Company entered into an agreement with Alpine ("the Project Services Contract") the principal terms of which are as follows:

- (i) The agreement is for an initial fixed term of twenty four months from 23 June 2004 and unless terminated on six months notice prior to the expiry of the initial twenty four month period is automatically renewed for further one year periods provided that during any such extended term any party may terminate the agreement on six months notice.
- (ii) The agreement provides that Alpine will be responsible for identifying potential projects in the natural resources sector and principally oil and gas projects which the Company will be given the right to acquire or invest in.



(iii) The specific services which Alpine will provide are:

- to identify suitable opportunities in the oil and gas sector in the FSU or other territories that they may identify;
- in general to do all such reasonable acts or things as may be necessary to secure for the benefit of the Company such rights as are necessary to enable the Company to consider and assess potential Projects in the FSU or such other territories as may be agreed from time by the parties;
- oversee the legal, financial and technical due diligence investigation required to enable the Company to assess the suitability of a Project for acquisition. Alpine will identify for the Company suitably qualified and experienced professional and technical advisors for them to work with in conducting the due diligence;
- provide general transaction structuring;
- oversee the appointment by the Company of suitably qualified professionals to advise on the acquisition process and then assist the Company and the appointed professionals in the negotiation of the contractual documentation with the owners of each Project;
- assist the Company in the process of applying for, obtaining and maintaining all governmental approvals or permits necessary in connection with the development construction or operation of the Project;
- assist the Company in relation to all national and local governmental entities;
- do all such further things as may be agreed between the Parties in connection with the Projects; and
- to assist the Company in identifying and recruiting senior staff for employment by the Company in connection with each Project so as to ensure the Projects have appropriate technical, administrative, financial and legal support.

(iv) In consideration for the provision of the services Alpine will receive from the Company payment of an annual management charge of £200,000. Upon confirmation of the Board of Directors of the Company that successful legal completion of the acquisition by the Company of a project introduced to the Company by Alpine has taken place Alpine shall be issued such number of Ordinary Shares based on the average mid market price (as shown by the Daily Official List of the London Stock Exchange plc) of the Ordinary Shares over the three months immediately prior to the completion of the acquisition or investment, as are equal to 5 per cent of the transaction value attributable to each investment or project so acquired.

The Company is obliged to pay all third party expenses incurred in developing any projects which it may acquire.

#### **(e) Lock In Agreements**

Each of the Directors with a shareholding in the Company entered into a lock-in agreement with the Company and Beaumont Cornish Limited in terms of which he agreed (subject to the exceptions summarised below) not to dispose of the Ordinary Shares beneficially owned by him for a period of one year from the date of Admission. The Directors (or persons connected to them) may, however, dispose of Ordinary Shares (i) in the event of death (ii) pursuant to acceptance of a takeover offer for the Company which is open for acceptance to all its shareholders, and (iii) an intervening court order.

Each of the owners of Alpine entered into a lock-in agreement with the Company and Beaumont Cornish in terms of which he agreed (subject to the exceptions summarised below) that save in respect of 125,000 Ordinary Shares beneficially owned by each of them not to dispose of the balance of any



other Ordinary Shares beneficially owned by him for a period commencing on the date of Admission and ending on the date of the first investment or acquisition by the Company. The owners of Alpine may, however, dispose of Ordinary Shares (i) in the event of death (ii) to an offeror or proposed offeror following a formal announcement of a takeover offer (iii) pursuant to acceptance of a takeover offer for the Company which is open for acceptance to all its share holders and (iv) an intervening court order.

## **6. 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.

## **7. COMMISSION ARRANGEMENTS**

No person is entitled to receive any commission in respect of the Placing save for the commission payable under the Placing Agreement.

## **8. GROUP STRUCTURE**

The Company has no subsidiaries.

## **9. 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 ten 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, 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.

## **10. WORKING CAPITAL**

In the opinion of the Directors, having made due and careful enquiry, and taking into account the Minimum Amount receivable by the Company under the Placing, 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.

## **11. MINIMUM AMOUNT REQUIRED TO BE RAISED**

The minimum amount which, in the option of the Directors, must be raised under the Placing to provide sums required in respect of the matters specified in Schedule I of the POS Regulations is as set out below:

	<b>£</b>
(i) Expenses of the Placing	102,500
(ii) Working capital	1,397,500

## **12. MISCELLANEOUS**

- (a) The estimated expenses of the Placing and Admission, assuming full subscription, including corporate finance, accountancy and legal fees and the cost of printing and dispatching this document are £102,500 (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 4 of this document, and save for the Placing, there has been no significant change in the trading or financial position of the Company since 27 May 2004, being the date of incorporation of the Company.
- (d) No exceptional factors have influenced the Company's activities.
- (e) Save in respect of the Project Services Contract referred to in paragraph 5(d) of this Part 4 of this document, 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 31 May.
- (g) 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) Deloitte & Touche 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 Limited and Fiske 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) up to and including 14 days after Admission:

- (a) the memorandum and articles of association of the Company;
- (b) the Accountants Report set out in Part 3 of this AIM Admission Document;
- (c) the material contracts referred to in paragraph 5 above;
- (d) the letters of consent referred to in paragraphs 12(i) and (j) above; and
- (e) this document.

## **12. 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 22 July 2004.