

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities before taking any action. The whole of the text of this document should be read. An investment in the Company is speculative and involves a high degree of risk and may not be suitable for all recipients of this document. The Company has no existing business record and your attention is also drawn to the section headed "Risk Factors" in Part II of this document.

This document, which is an admission document required by the AIM Rules, has been prepared in connection with the proposed placing and subsequent admission to trading of the Company's Ordinary Shares on AIM. This document has been drawn up in accordance with the AIM Rules. It is not a prospectus drawn up pursuant to Section 84(2) of the Financial Services and Markets Act 2000.

The Directors of Cue Energy plc ("the Company"), whose names and functions appear on page 4 of this document, accept responsibility, 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 does not omit anything likely to affect the import of such information. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document. Under no circumstances should the information contained in this document be relied upon as being accurate at any time after Admission.

Application will be made for the whole of the issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM and it is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM on 3 August 2006. 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 UK 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 advisor.

The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. Neither the London Stock Exchange plc nor the UK Listing Authority has examined or approved the contents of this document. The Ordinary Shares are not dealt in on any other recognised investment exchange and no other such applications have been or are intended to be made.

## **CUE ENERGY PLC**

*(Incorporated in England and Wales with registered number 05315922)*

### **Placing of 150,000,000 new Ordinary Shares of 0.07p each at 2p per Ordinary Share and Admission to trading on AIM**

*Nominated Adviser*  
**Ruegg & Co Limited**

*Broker*  
**Hichens, Harrison & Co. plc**

Share capital immediately following Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
20,000,000,000	£14,000,000	Ordinary Shares of 0.07p each	230,207,901	£161,145.53

The Placing Shares will on Admission rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company after the date of this document and will rank pari passu in all respects with all the existing issued Ordinary Shares of the Company.

Ruegg & Co Limited, which is authorised and regulated in the United Kingdom 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 to any Director or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. Ruegg & Co Limited is acting for the Company and no one else and will not be responsible to any other person for providing the protections afforded to customers of Ruegg & Co Limited nor for providing advice in relation to the contents of this document or any other matter referred to herein.

Hichens, Harrison & Co. plc, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is the Company's broker for the purposes of the AIM Rules. Hichens, Harrison & Co. plc is acting for the Company and no one else and will not be responsible to any other person for providing the protections afforded to customers of Hichens, Harrison & Co. plc nor for providing advice in relation to the contents of this document or any other matter referred to herein.

This document does not constitute an offer to sell or the solicitation of an offer to buy Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) nor under the applicable securities legislation of the United States or any province or territory of Canada, Australia, South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities law or regulations. Accordingly, subject to certain exemptions, the Ordinary Shares may not be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan 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. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction.

**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 II of this document.**

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## EXPECTED TIMETABLE OF EVENTS

Publication of this document	28 July 2006
Admission effective and commencement of dealings on AIM	3 August 2006
Settlement of Placing Shares through CREST	3 August 2006
Despatch of definitive share certificates (where applicable) in respect of the Placing Shares to Placees by no later than	17 August 2006

## PLACING STATISTICS

Placing Price per Ordinary Share	2p
Number of Placing Shares	150,000,000
Number of Ordinary Shares in issue following the Placing	230,207,901
Percentage of the issued share capital on Admission represented by the Placing Shares	65.16%
Market capitalisation of the Company at the Placing Price following Admission	£4,604,158
Estimated gross proceeds of the Placing	£3,000,000
Estimated net proceeds of the Placing	£2,800,000

## DIRECTORS, SECRETARY AND ADVISORS

**Directors**

Christopher Lambert	<i>(Non-Executive Chairman)</i>
Malcolm James	<i>(Non-Executive Director)</i>
Jade Styants	<i>(Non-Executive Finance Director)</i>
Toby Howell	<i>(Non-Executive Director)</i>

All of: 7 Savoy Court, London WC2R 0ER

**Company Secretary and Registered Office**

Gregory Kuenzel  
7 Savoy Court  
London WC2R 0ER

**Nominated Advisor**

Ruegg & Co Limited  
39 Cheval Place  
London SW7 1EW

**Broker**

Hichens, Harrison & Co. plc  
Bell Court House  
11 Blomfield Street  
London EC2M 1LB

**Solicitors to the Company**

Kerman & Co LLP  
7 Savoy Court  
Strand  
London WC2R 0ER

**Auditors and Reporting Accountants**

Chapman Davis LLP  
2 Chapel Court  
London SE1 1HH

**Principal Bankers**

Bank of Scotland  
St James's Gate  
14-16 Cockspur Street  
London SW1Y 5BL

**Registrars**

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

## DEFINITIONS

In this document, where the context permits, the expressions set out below shall bear the following meanings:

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of all the Ordinary Shares in issue following the Placing 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 relating to AIM
“Combined Code”	the Combined Code on corporate governance published in July 2003 by the Financial Reporting Council
“Company” or “Cue”	Cue Energy plc, a company incorporated in England and Wales on 17 December 2004 with company number 05315922
“CREST”	the computerised settlement system used to facilitate the transfer of title to shares in uncertificated form operated by CRESTCo
“CRESTCo”	CRESTCo Limited, a company incorporated in England and Wales and the operator of CREST
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/3755)
“Directors” or “Board”	the board of directors of the Company whose names are set out on page 4 of this document
“Existing Ordinary Shares”	ordinary shares of 0.07p each in the capital of the Company which are in issue prior to the allotment of the Placing Shares
“FSA”	Financial Services Authority
“FSMA”	Financial Services and Markets Act 2000, as amended
“Hichens, Harrison” or “Broker”	Hichens, Harrison & Co. plc
“Lock-in Agreements”	the conditional agreements, details of which are set out in paragraph 8.4 of Part IV of this document
“Management”	the Directors and Technical Manager of the Company
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 0.07p each in the capital of the Company
“Placees”	the subscribers for Placing Shares pursuant to the Placing
“Placing”	the placing of the Placing Shares at the Placing Price

“Placing Price”	2p per Ordinary Share
“Placing Shares”	150,000,000 new Ordinary Shares being issued by the Company pursuant to the Placing
“Register”	the register of Shareholders
“Registrar”	Capita Registrars
“Resource & Capital Management”	Resource & Capital Management Pty Ltd, a private investment company incorporated in Australia
“Ruegg & Co”	Ruegg & Co Limited, the Company’s Nominated Adviser
“Share Dealing Code”	the share dealing code adopted by the Company to ensure compliance with Rule 21 of the AIM Rules
“Shareholders”	holders of Ordinary Shares
“Technical Manager”	Anthony Gates, details of whom are set out in Part I of this document
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“Uncertificated” or “in Uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“VAT”	value added tax
“£” or “Pound”	UK Pounds Sterling

# PART 1

## INFORMATION ON THE COMPANY

### **Introduction**

Cue has been established for the purpose of making investments in the energy sector, which may include exploration, development or production projects in oil and gas, coal, uranium and renewable energy.

Cue will primarily focus on investment and acquisition opportunities in Southern Africa, the former Soviet Union and South East Asia. Cue's interest in a proposed investment may range from a minority position to 100 per cent. ownership. The proposed investments may be a direct interest in an energy project or an indirect interest through partnerships, joint ventures or either quoted or unquoted companies.

It is intended that Cue will make investments which are in the development and/or production stages, however the Directors may decide that the Company should invest in early stage exploration assets where some exploration or development expenditure has already been made. The Directors intend to actively monitor any investments and/or acquisitions made by the Company.

The Directors believe that the current market conditions for a wide variety of energy sources will provide good opportunities for investment in situations which are, in their opinion, undervalued or capable of producing a satisfactory return.

### **Strategy**

Cue's strategy is to acquire holdings in energy assets which the Directors believe are undervalued and where such a transaction has the potential to create value for Shareholders.

Cue is seeking to acquire interests in energy projects such as exploration permits and licenses, renewable energy processing plants, coal and uranium mines or oil and gas fields. Such investments may result in Cue acquiring, either directly or indirectly, the whole or part of a project in the form of equity, debt, convertible instruments, licence rights, or other financial instruments as the Directors deem appropriate.

Cue intends to search for and review a number of opportunities which the Directors believe would benefit from further investment, Management expertise and access to the UK's capital markets. Cue will review project opportunities at all stages from early stage exploration to later stage extraction and processing. However, in respect of oil and gas projects, Cue will generally seek to make an investment and/or acquisition where some exploration has already been carried out and a resource has been identified.

Cue's Management intends to undertake the initial project assessments internally with additional independent technical advice as required. The Directors are confident that the resources of Cue will be invested within eighteen months of Admission and consider it probable that as investments are made, further funding for Cue will be required.

The Directors are currently reviewing potential investment and acquisition opportunities in line with Cue's strategy but have not, at this stage, commissioned any due diligence nor entered into any firm commitment in connection with any investments or acquisitions.

The Company intends to seek the consent of its Shareholders for its investment strategy on an annual basis (at its Annual General Meeting) in order to comply with the guidance to Rule 8 of the AIM Rules.

In the event no substantial acquisition is made within 18 months of Admission, it is the intention of the Directors to convene a general meeting of Shareholders to consider whether to continue seeking investment opportunities or to wind up the Company and distribute any surplus cash back to Shareholders.

***Your attention is drawn to the Risk Factors set out in Part II of this document.***

## **Directors and Management**

The Directors of the Company are as follows:

### **Christopher Walter Lambert: Non-Executive Chairman (aged 47)**

Chris Lambert has a financial background predominantly in the commodities markets within the City of London. He moved from Dresdner Bank to Johnson Matthey Bankers in 1979 to specialise in bullion banking and trading. During the following 17 years his positions included head of the London and global trading division for the Rural and Industries Bank of Western Australia, director of precious metals trading Europe for Prudential Bache Securities Inc. and head of precious metals trading (UK) for Barclays Bank plc. During this period he structured a number of major transactions for central banks, governments and mining companies. Chris Lambert is an associate director of Resource & Capital Management, and his recent activity on AIM includes acting as a director of Empyrean Energy plc and Braemore Resources plc, as well as the non-executive chairman of Altona Resources plc, Summit Resources plc and St James's Energy plc.

### **Malcolm Raymond Scott James: Non-Executive Director (aged 49)**

Mal James is a business graduate of RMIT University in Melbourne, Australia with over 25 years experience in merchant banking, engineering, manufacturing and financing. Over the last 15 years he has played an active role in identifying, exploring, financing and developing a number of significant natural resource projects in Australia, the former Soviet Union, the Middle East, Africa and Asia. To date he has been involved in raising in excess of AUD \$3 billion in debt and equity capital. Mal James is the chairman of Resource & Capital Management and chairs two Australian Stock Exchange listed companies, Lefroy Resources Limited and Peninsula Minerals Limited. Mal James is also a director of four AIM listed companies namely Empyrean Energy plc, Cordillera Resources plc, Summit Resources plc and Eureka Mining plc.

### **Jade Lauren Styants: Non-Executive Finance Director (aged 28)**

Jade Styants is a Chartered Accountant with experience in corporate accounting in the resource, mining and manufacturing industries, having worked for Anaconda Nickel Ltd and Gillette International SARL. To date she has been involved in the listing of Empyrean Energy plc, Cordillera Resources plc, Summit Resources plc and Caspian Holdings plc on AIM. Jade Styants is the CEO of Resource & Capital Management and is also a director of AIM listed Summit Resources plc as well as the company secretary of Empyrean Energy plc and Australian Stock Exchange listed Lefroy Resources Limited and Peninsula Minerals Limited.

### **Toby David Howell: Non-Executive Director (aged 30)**

Toby Howell is a graduate of Newcastle University, with experience in stock broking and corporate finance. He began his career at UBS Warburg in London and went on to help manage the investment division of Internet Business Group plc. Since 2001 he has specialised in smaller companies' corporate finance undertaking transactions on the Official List, AIM and Ofex. Toby Howell is an associate director of Resource & Capital Management and is a director of AIM listed Summit Resources plc as well as the chairman of Fairholt Media plc. He is also an associate director of corporate finance at HB Corporate and a member of the Securities & Investment Institute. Additionally he is an officer in the Territorial Army and served on operations in Iraq during 2004.

### **Anthony Gates: Technical Manager (aged 64)**

Tony Gates is a geologist with over 40 years experience in the fields of exploration and project management. He has specialised in the implementation of exploration programs for diamonds, gold, nickel, uranium, iron ore and base metals in Australia, Malaysia, Indonesia, Africa, Russia, Vietnam, Iran, New Zealand and USA. Tony has consulted for multinational American and Japanese corporations and smaller Australian, European and Canadian companies as well as Government agencies. Tony has also been involved in hydrocarbon oil and gas studies and negotiations in Papua New Guinea, Mali, Mauritania, New Zealand and more recently in off-shore gas projects in Myanmar. Tony has specific expertise in areas such as remote sensing, geophysics and geochemistry, field management and geological surveys.

The Company has had no employees since its incorporation.

## **The Placing**

The Company is proposing to raise £3,000,000 (before expenses) by the issue of 150,000,000 new Ordinary Shares at the Placing Price. The Placing Shares will represent approximately 65.16 per cent of the issued share capital of the Company at Admission. The Placing Shares will rank pari passu in all respects with the Existing Ordinary Shares including the rights to all dividends and other distributions declared, made or paid following



Admission and will be issued credited as fully paid. The Placing has not been underwritten. Application will be made for the Ordinary Shares to be admitted to AIM. The Placing Shares have not been marketed in whole or in part to the public in conjunction with the application for Admission.

The Placing is conditional *inter alia* on Admission and a minimum subscription of £3,000,000 being raised.

### **Reasons for the Placing and Admission**

The Company is seeking Admission to AIM in order to take advantage of the market's high profile, broad investor base, liquidity and access to institutional investors.

The Company intends to use the net proceeds of the Placing to make investments in accordance with Cue's investment strategy as outlined above. Additionally the net proceeds will be used to review and assess potential investments and to provide working capital, and if applicable, to be applied towards the funding of acquisitions or investments.

### **Current Trading and Prospects**

The Company has not traded since incorporation. Following Admission the Company will have approximately £3 million in cash after paying the expenses of the Placing and Admission.

The Directors are reviewing a number of investment and acquisition opportunities which may fit the Company's investment criteria and which they intend to pursue although there is no guarantee that any negotiations will lead to an investment by the Company or to the completion of an acquisition.

### **Working Capital**

In the opinion of the Directors, having made due and careful enquiry, taking into account the net proceeds of the Placing, the Company will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this document.

### **Admission to AIM and Dealings in Ordinary Shares**

Application will be made for the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 3 August 2006.

Ruegg & Co has been appointed as the Company's Nominated Adviser and Hichens, Harrison as the Company's Broker in relation to Admission.

### **Lock-in and Orderly Market Arrangements**

At Admission the Directors and the Company Secretary will together own 24,411,418 Ordinary Shares.

In accordance with Rule 7 of the AIM Rules, each of the Directors and the Company Secretary whose interests amount to 10.6 per cent. of the issued share capital on Admission has agreed not to dispose of any interest in Ordinary Shares held by themselves or any associates at the date of Admission for a period of one year following Admission, save as permitted by the AIM Rules. The above lock-in agreement additionally provides for an orderly market arrangement for a further 12 months following the expiry of the 12 month lock-in period whereby no disposal of any interest in Ordinary Shares may be made by the Directors or the Company Secretary without the consent of the Broker.

Certain other founding shareholders whose interests in the Company amount to 31,590,847 Ordinary Shares, representing 39.39 per cent. of the issued share capital of the Company prior to the Placing and 13.72 per cent. of the issued share capital of the Company at Admission, have undertaken to the Company, Ruegg & Co and Hichens, Harrison not to dispose of Ordinary Shares held at Admission by them for a minimum period of 12 months following Admission or until after a change in control (as defined in the City Code on Takeovers and Mergers) of the Company or following completion of an acquisition by the Company in accordance with its investment strategy (whichever is earlier).

Further details of these arrangements are set out in paragraphs 8.4.1 and 8.4.2 of Part IV of this document.

### **Dividend Policy**

The nature of the Company's business means that it is unlikely that the Directors will recommend a dividend in the early years following Admission. The Directors believe the Company should seek to generate capital growth

for its Shareholders but may recommend distributions at some future date, depending upon the generation of sustainable profits, when it becomes commercially prudent to do so.

### **Corporate Governance**

The Directors recognise the importance of sound corporate governance in so far as practicable for a company of its size. As the Company grows, the Directors intend to develop the policies and procedures which reflect the Combined Code, taking into account the size and nature of the Company.

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. Following Admission, the Directors intend to hold Board meetings quarterly and at other times as and when required.

The Directors intend to establish an audit committee to ensure that appropriate financial reporting procedures are properly monitored, controlled and reported on and in addition they intend to establish a remuneration committee to review the performance of Executive Directors (when appointed) and determine their remuneration.

The Company intends to adopt and will operate a Share Dealing Code governing the share dealings of the Directors and applicable employees during close periods and is in accordance with Rule 21 of the AIM Rules.

### **Share Options**

The Company has granted options, conditional upon Admission to subscribe for up to 20,958,711 new Ordinary Shares, equal to 9.10 per cent. of the issued share capital of the Company upon Admission and exercisable at the Placing Price for a period of up to five years from Admission. Further details of these share options are set out in paragraph 8.5 of Part IV of this document.

### **Taxation**

General information regarding taxation is set out in paragraph 11 of Part IV of this document. These details are intended only as a general guide to the current tax position under UK taxation law. If an investor is in any doubt as to his tax position he should consult his own independent financial adviser immediately.

*Your attention is drawn to the risk factors in Part II of this document and the additional information in Part IV of this document.*

## PART II

### RISK FACTORS

#### **AN INVESTMENT IN THE COMPANY IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK.**

Prospective investors should carefully consider all the information in this document including the risks described below. The risks and uncertainties described below are the material risk factors facing the Company which are currently known to the Directors. These risks and uncertainties are not the only ones facing the Company and additional risks and uncertainties not presently known or currently deemed immaterial may also have a material adverse effect on the Company's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Company's business, financial condition, operational performance and share price could be materially and adversely affected to the detriment of the Company and its shareholders. No inference ought to be drawn as to the order in which the following risk factors are presented as to their relative importance or potential effect.

#### **General risks**

Prospective investors should consider with care whether an investment in the Company is suitable for them in light of their personal circumstances and the financial resources available to them.

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. Prospective investors should therefore consult an independent financial adviser authorised under the FSMA before investing.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future. There is also the possibility that the market value of an investment in the Company may not reflect the true underlying value of the Company.

Changes in economic conditions including, for example, interest rates, inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect equity investments and the Company's prospects.

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. The market for shares in smaller public companies is less liquid than for larger public companies. Therefore, an investment in the Company may be difficult to realise. The Ordinary Shares will not be listed on the Official List. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the Official List.

The price for the Ordinary Shares may be volatile and influenced by many factors, some of which are beyond the control of the Company. For example, the performance of the overall share market, other Shareholders buying or selling large numbers of Ordinary Shares, changes in legislation or regulations and general economic conditions.

#### **Risks relating to the Company and its business**

An investment in the Company is speculative and involves a high degree of risk. Future results, including resource recoveries and work programme plans and schedules, will be affected by changes in market conditions, commodity price levels, political or regulatory developments, timely completion of exploration programme commitments or projects, the outcome of commercial negotiations and technical or operating factors.

#### **Initial operational risks**

The Company will initially be dependent upon the ability of the Directors and the Technical Manager to identify suitable investment opportunities and implement the Company's strategy. During this identification process, resources may be expended fruitlessly on investigative work and due diligence.

### **Exploration and mining risks**

Whilst the Directors will endeavor to apply what they consider from time to time to be the latest technology to assess potential energy projects, the business of exploration for and identification of commodities such as oil and gas, coal, uranium and renewable energy sources is speculative and involves a high degree of risk. The deposits of any projects acquired by the Company may not contain economically recoverable volumes of minerals and hydrocarbons of sufficient quality or quantity. Even if there are economically recoverable deposits, delays in the construction and commissioning of mining projects or other technical difficulties may make the deposits difficult to exploit.

The exploration for energy sources and development of any project may be disrupted, damaged or delayed by a variety of risks and hazards which are beyond the control of the Company. These include (without limitation) geological, geotechnical and seismic factors, environmental hazards, technical failures, adverse weather conditions, acts of God and government regulations or delays.

Exploration is also subject to general industrial operating risks, such as environmental hazards, explosions, fires, equipment failure and industrial accidents, which may result in potential delays or liabilities, loss of life, injury, environmental damage, damage to or destruction of property and regulatory investigations. The Company may also be liable for the mining activities of previous miners. Although the Company intends, itself or through its operators, to maintain insurance in accordance with industry practice, no assurance can be given that the Company or the operator of an exploration will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims. The Company may elect not to become insured because of high premium costs or may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

### **Drilling, developing and operating risks**

Drilling, developing and operating projects involve a number of risks, many of which are beyond the control of the Company, which may delay or adversely impact the Company's activities. These delays and potential impacts could result in the Company's activities being delayed or abandoned and substantial losses could be incurred.

Drilling may not result in the discovery of economically viable resources due to insufficient resources being discovered, the resources not being of sufficient quality to be developed economically or the costs of any development being in excess of that required for any economic project.

If economically recoverable minerals are found, it may take a number of years from the initial phases of exploration until production is possible, during which time the economic feasibility of production may change. Substantial expenditure is required to establish reserves and, in the cases of new properties, to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that the exploration programmes will result in any new commercial mining operations being brought into operation.

The scale of production from the development of a discovered mineral resource will be dependent upon factors over which the Company has no control such as market conditions at that time, access to, and the operation of, transportation and processing infrastructure, the available capacity levels and tariffs payable by the Company for such infrastructure and the granting of any licences or quotas the Company may require from the relevant regulatory authority. All of these factors may result in delays in production, additional costs or a reduction in expected revenues for the Company. Therefore, there is a risk that the Company may not make a commercial return on its investment.

### **Reserve and resource estimates**

Any future reserve and/or resource figures will be estimates and there can be no assurance that the minerals are present, will be recovered or that it can be brought into profitable production. Reserves and resources estimates may require revisions based on actual production experience. Furthermore, a decline in the market price for energy resources that the Company may discover could render reserves containing relatively lower grades of these resources uneconomic to recover and may ultimately result in a restatement of reserves.

### **Volatility of prices**

Historically, commodity prices have fluctuated and are affected by numerous factors beyond the Company's control, including global demand and supply, 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. Fluctuations in commodity prices, over the long term, may adversely impact the returns of the Company's investments.

### **Financing**

The successful exploration of energy resources on any project will require very significant capital investment. The only sources of financing currently available to the Company are through the issue of additional equity capital or through bringing in partners to fund exploration and development costs. The Company's ability to raise further funds will depend on the success of their investment strategy and acquired operations. The Company may not be successful in procuring the requisite funds on terms which are acceptable to it (or at all) and, if such funding is unavailable, the Company may be required to reduce the scope of its investments or anticipated expansion.

### **Environmental facts**

The Company may invest in operations that may be subject to environmental and safety regulation (including regular environmental impact assessments and permitting). This will include a wide variety of matters, such as prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The regulations may change in a manner that may require stricter or additional standards than those currently in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. There may also be unforeseen environmental liabilities resulting from exploration and development activities, which may be costly to remedy. In particular, the acceptable level of pollution and the potential clean up costs and obligations and liability for toxic or hazardous substances for which the Company may become liable as a result of its activities may be impossible to assess against the current legal framework and current enforcement practices of the various jurisdictions.

### **Political, economic and regulatory regime**

Projects in which the Company invests are likely to be in jurisdictions outside the United Kingdom and accordingly there will be a number of risks which the Company will be unable to control. Whilst the Company will make every effort to ensure it has robust commercial agreements covering its activities, there is a risk that the Company's activities will be adversely affected by economic and political factors such as the imposition of additional taxes and charges, cancellation or suspension of licences, expropriation, war, terrorism, insurrection and changes to the laws governing mineral exploration and operations. There is also the possibility that the terms of any licence the Company may acquire may be changed.

The profitability of renewable energy facilities will be in part dependent upon the continuation of a favourable regulatory climate with respect to the continuing operations and future growth and development of the independent power industry and environmentally preferred energy sources. Countries are continually to negotiate and extend the international climate change regime established under the UN Framework Convention and the Kyoto Protocol. Projects which seek to take advantage of the "flexible mechanisms" created under the Kyoto Protocol (including the Clean Development Mechanism ("CDM"), Joint Implementation and Emissions Trading) will need to comply with relevant international and domestic legal requirements, where relevant. Operations conducted under this ongoing legislative process could give rise to political/sovereign risks where the ongoing approval of a "Host Country" is needed for a project in the same way as for any type of foreign direct investment.

### **Currency risk**

The Company will report its results in pounds sterling, whilst a majority of its costs and revenues may be denominated in other currencies. This may result in additions to the Company's reported costs or reductions in the Company's reported revenues.

### **Ability to exploit successful discoveries**

It is possible that the Company may not be able to exploit commercially viable discoveries in which it acquires an interest. Exploitation may require external approvals or consents from relevant authorities and the granting of these approvals and consents is beyond the Company's control. For instance, power purchase agreements or standard offer contracts in certain jurisdictions are subject to approval by local, state, provincial or national utilities commissions or other regulatory authorities. The granting of such approvals and consents may be withheld for lengthy periods, not given at all, or granted subject to the satisfaction of certain conditions which the Company may not be able to meet. As a result of such delays, the Company may incur additional costs, losses or revenue or part or all of its equity in a licence. Additionally, should the regulatory regime in an applicable jurisdiction be modified in a manner which adversely affects renewable energy facilities or projects, including taxes and permit fees, the returns to the Company may be adversely affected.

## **Competition**

The Company is likely to face competition from other entities operating in its business sector, many of which may have significantly greater financial resources than the Company.

## **Legal systems**

If the Company makes investments in prospective energy projects, some of the countries in which it may operate could have legal systems that may result in risks such as: (i) potential difficulties in obtaining effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or in an ownership dispute; (ii) a varying 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; and (v) relative inexperience of the judiciary and courts in such matters. In certain jurisdictions 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 assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

Failure to maintain or comply with necessary licences, consents or exemptions could result in a breach of regulatory requirements that may lead to the owner being precluded from operating the licensed renewable energy facility that may lead to the owner being precluded from operating the licensed renewable facility or at least constrained in undertaking such operations and could adversely affect the returns to the Company.

## **Equipment failure**

There is a risk of equipment failure due to wear and tear, design error or operator error, among other things, which could adversely affect the returns to the Company.

## **Joint ventures**

The Company may enter into joint ventures. There is a risk that a joint venture partner does not meet its obligations and the Company may therefore suffer additional costs or other losses. It is also possible that the interests of the Company and those of its joint venture partners are not aligned resulting in project delays or additional costs and losses. The Company may have minority interests in the companies, partnerships and ventures in which it invests and may be unable to exercise control over the operations of such companies.

## **Reliance on key personnel**

The success of the Company will be dependent on the services of its Management and other key personnel, some of whom have not yet been identified. The Directors believe that the Company's future success will depend largely on its ability to attract and retain highly skilled and qualified personnel and to expand, train and manage its employee base. There can be no guarantee that suitably skilled and qualified individuals will be identified and employed or contracted on satisfactory terms or at all. If the Company fails to recruit or retain the necessary personnel, or if the Company loses the services of any of its key executives, its business could be materially and adversely affected.

## **Limited operating history**

The Company does not have an established track record. The Company is not currently producing cash flow and its ultimate success will depend on its ability to generate cash flow from its investments in the future.

## **Due diligence costs**

The Company may incur costs in conducting due diligence into potential opportunities that may not result in an acquisition being made.

## **Litigation risks**

Due to the relatively undeveloped legal systems in some of the jurisdictions in which the Company may invest, the Company may find it difficult, impossible or very costly to enforce the rights it may have under agreements it may enter into.

**Integration of acquisitions**

There is no guarantee that, following any acquisition, the Company will be able to successfully integrate and manage the newly acquired business.

**Concentration risk**

Due to the relatively small size of the Company on Admission, the anticipated number of initial investments will be limited. Accordingly, each investment will be likely to represent a significant proportion of the Company's total assets. As a result, the impact on the Company's performance and the potential returns to investors will be initially be more adversely affected if any one of the investments performs badly than would be the case if the Company's portfolio of investments was more diversified.

**Other risks**

The management of targeted companies may not always welcome pro-active involvement and may be resistant to change.

The Company may invest in exploration for and the development of resources which is speculative and involves a significant degree of risk. There is no assurance that such exploration will lead to commercial discoveries or, if there is a commercial discovery, that such reserves will be realisable.

**The risks noted above do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.**

**The investment described in this document is speculative and may not be suitable for all recipients of this document. Potential investors are accordingly advised to consult a person authorised under the FSMA who specialises in advising in investments of this kind before making any investment decisions. Prospective investors should consider carefully whether an investment in the Company is suitable in the light of their personal circumstances and the financial resources available to them.**

## PART III

### SECTION A

#### ACCOUNTANTS' REPORT ON THE COMPANY

The following is the full text of a report on Cue Energy Plc from Chapman Davis LLP, the Reporting Accountants, to the Directors of Cue Energy Plc and Ruegg & Co. Limited.



The Directors  
Cue Energy Plc  
7 Savoy Court  
London WC2R 0ER

The Directors  
Ruegg & Co. Limited  
39 Cheval Place  
London SW7 1EW

28 July 2006

Dear Sirs

#### CUE ENERGY PLC (THE "COMPANY")

##### **Introduction**

We report on the financial information set out in Part III Section B which has been prepared for inclusion in the Admission Document dated 28 July 2006 of the Company (the "Admission Document") on the basis of the accounting policies set out in the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with the AIM Rules and for no other purpose.

##### **Responsibility**

As described in Part III Section B of the Admission Document, the Directors of the Company are responsible for the preparation of the financial information on the basis set out in Note 1 of the financial information and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

##### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. 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 judgments 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.



**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated in accordance with the basis of preparation set out in Note 1 to the financial information and has been prepared in accordance with applicable International Financial Reporting Standards as described in Part III Section B.

**Declaration**

For the purposes of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully,

**Chapman Davis LLP**

*Chartered Accountants*

## PART III

### SECTION B

#### FINANCIAL INFORMATION ON CUE ENERGY PLC

##### Responsibility

The Directors of the Company are responsible for the preparation of the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with applicable accounting standards in the United Kingdom.

##### BALANCE SHEET

	<i>As at 22 June 2006</i>
	<i>Notes</i>
	<i>£</i>
<b>Current Assets</b>	
Cash at bank and in hand	205,770
<b>Capital and reserves</b>	
Called up share capital	2 56,146
Share premium account	3 149,624
	<u>205,770</u>

##### NOTES TO THE FINANCIAL STATEMENTS

###### 1. Accounting policies

###### *Basis of preparation*

The Company was registered in England and Wales having been incorporated on 17th December 2004 under the Companies Act 1985 with registered number 5315922. The Company has filed dormant accounts for the period ended 31 December 2005 and has incurred neither income nor expenses in the period to 22 June 2006, consequently no Income Statement has been prepared.

The financial information has been prepared under the historical cost convention and in accordance with International Financial Reporting Standards.

###### 2. Share capital

*As at 22 June 2006*

	<i>£</i>
Authorised:	
20,000,000,000 Ordinary shares of 0.07p each	<u>14,000,000</u>
Allotted, called up and fully paid:	
80,207,901 Ordinary shares of 0.07p each	<u>56,146</u>

At the date of incorporation, the Company had an authorised share capital of £2,000,000 divided into 200,000,000 ordinary shares of 1p each, of which 2 shares were issued fully paid to the subscribers to the Memorandum of Association of the Company. On 6th April 2006 the Company allotted and issued a further 12 ordinary shares of 1p, fully paid, for cash at par.

On 7 April 2006 the authorised share capital of the Company was increased from £2,000,000 to £14,000,000 by the creation of 1,200,000,000 new ordinary shares of 1p and was sub-divided into 140,000,000,000 ordinary shares of 0.01p each and was consolidated into 20,000,000,000 ordinary shares of 0.07p each.

On 21 June 2006, the Company issued and allotted 65,681,065 ordinary shares, fully paid, at par value.

On 22 June 2006 certain persons subscribed for and were allotted an aggregate of 14,526,636 Ordinary Shares, fully paid for cash at 1.1p per share.

**3. Reserves**

The movements on reserves during the period were as follows:

	<i>Share capital</i>	<i>Share premium account</i>
	£	£
Issue of shares	56,146	149,624
Share issue expenses	-	-
As at 22 June 2006	<u>56,146</u>	<u>149,624</u>

**4. Nature of financial information**

The financial information presented above in respect of the period ended 22 June 2006 does not constitute statutory accounts for that period.

## PART IV

### ADDITIONAL INFORMATION

#### 1. The Company

- 1.1 The Company is registered in England and Wales, having been incorporated on 17 December 2004 under the Act with registered number 5315922 as a public company limited by shares with the name Cue Energy plc. The liability of the members is limited.
- 1.2 The principal legislation under which the Company operates is the Act.
- 1.3 The Company has no subsidiary or associated undertakings.
- 1.4 On 28 June 2006, the Registrar of Companies issued a certificate entitling it to do business under the provisions of section 117 of the Act.
- 1.5 The Company's principal place of business is 7 Savoy Court, Strand, London WC2R 0ER, United Kingdom and its telephone number is +44 (0) 20 7932 2441.
- 1.6 The ISIN (International Security Identification Number) of the Company is GB00B1803980.

#### 2. Share Capital

- 2.1 The authorised and issued share capital of the Company at the date of this document and immediately following Admission are as follows:

- 2.1.1 number of Ordinary Shares, authorised and issued, at the date of this document;

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Amount</i>	<i>Number</i>	<i>Amount</i>	<i>Number</i>
Ordinary Shares of 0.07p each	£14,000,000	20,000,000,000	£56,146	80,207,901

- 2.1.2 number of Ordinary Shares, authorised and issued, following Admission

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Amount</i>	<i>Number</i>	<i>Amount</i>	<i>Number</i>
Ordinary Shares of 0.07p each	£14,000,000	20,000,000,000	£161,145.53	230,207,901

- 2.2 At the date of incorporation, the Company had an authorised share capital of £2,000,000 divided into 200,000,000 ordinary shares of 1p each, of which 2 were issued, fully paid, to the subscribers to the Memorandum of Association of the Company.
- 2.3 On 6 April 2006 the Company allotted and issued 12 ordinary shares of 1p, fully paid, to certain subscribers.
- 2.4 At the Company's first annual general meeting on 7 April 2006 the authorised share capital of the Company:
  - 2.4.1 was increased from £2,000,000 to £14,000,000 by the creation of 1,200,000,000 new ordinary shares of 1p each ranking pari passu in all respects with the existing ordinary shares of 1p each.
  - 2.4.2 was sub-divided from 1,400,000,000 ordinary shares of 1p each into 140,000,000,000 ordinary shares of 0.01p each; and
  - 2.4.3 was consolidated from 140,000,000,000 ordinary shares of 0.01p each into 20,000,000,000 ordinary shares of 0.07p each.
- 2.5 Pursuant to an ordinary resolution and a special resolution passed respectively at the first annual general meeting on 7 April 2006:
  - 2.5.1 the Directors were generally and unconditionally authorised for the purposes of 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 £13,999,999.9986 provided that such authority shall

expire on the conclusion of the Annual General Meeting next held after the passing of the resolution and that the Company may before such expiry make offers or agreements 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 notwithstanding that the authority conferred hereby had expired.

- 2.5.2 Subject to the passing of the Resolution numbered 2.5.1 above, the Directors were empowered pursuant to section 95 of the Act to allot equity securities (as defined by section 94(2) of the Act) pursuant to the authority conferred by resolution numbered 2.5.1 and sell relevant shares (as defined in Section 94 of the Act) held by the Company as treasury shares (as defined in Section 162A of the Act) for cash as if section 89(1) of the Act did not apply to any such allotment or sale, provided that this power shall expire at the commencement of the Annual General Meeting held next after the passing of this resolution, and the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities and sell treasury shares in pursuance of any such offer or agreement notwithstanding that the power conferred hereby had expired.
- 2.6 Following the re-organisation of the Company's share capital at the first annual general meeting, 200 Ordinary Shares were transferred by the initial subscribers to Black Ivory Limited on 21 June 2006.
- 2.7 On 21 June 2006, the Company issued and allotted 65,681,065 Ordinary Shares to certain founder subscribers, fully paid, at par value.
- 2.8 On 22 June 2006, 14,526,636 Ordinary Shares were issued and fully paid, at 1.1p each.
- 2.9 The Company has granted options to subscribe for up to 20,958,711 new Ordinary Shares, equal to 9.10 per cent. of the issued share capital of the Company upon Admission, conditional upon Admission and exercisable at the Placing Price for a period of up to five years from Admission. Further details of these share options are set out in paragraph 8.5 of this Part IV.
- 2.10 On Admission, the Company intends to allot a further 150,000,000 Ordinary Shares for cash at 2p per share pursuant to the Placing.
- 2.11 The Placing Shares on Admission will rank *pari passu* in all respects including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares from the date of this document.
- 2.12 Save as disclosed above, in connection with the Placing, as described in paragraph 2.5.2 above and other than the issue of any new Ordinary Shares pursuant to the exercise of any share options as described in this Part IV, no share or loan capital of the Company is proposed to be issued or is under option or is agreed conditionally or unconditionally to be under option.
- 2.13 Following Admission, the Ordinary Shares may be held in either certificated or uncertificated form. None of the Ordinary Shares are being marketed or made available in whole or in part to the public in conjunction with the application for Admission other than pursuant to the Placing.

### **3. Memorandum of Association**

The principal objects of the Company, which are set out in clause 4 of its Memorandum of Association, are to act as a general commercial company.

### **4. Articles of Association**

The articles of association of the Company (the "Articles") contain, *inter alia*, provisions to the following effect:

#### *(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. If any member, or any other person appearing to be interested in any shares in the capital of the Company held by such member, has

been duly served with a notice under Section 212 of the Act and is in default for the period of 14 days from the date of service of such notice, the member shall, for so long as the default continues not be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting of the Company or meeting of the holders of any class of shares of the Company or, upon any poll or to be reckoned in a quorum, or to exercise any other right or privilege conferred by membership in relation to general meetings of the Company or meetings of the holders of any class of shares of the Company.

*(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. No dividend may exceed the amount recommended by the Board of Directors.

*(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 an extraordinary 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 or in the case of shares held in uncertificated form, in accordance with the CREST Regulations and the systems rules and otherwise as the Board in its absolute discretion shall determine. 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 or are traded on AIM 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 un-certificated 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 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 guarantee, security or indemnity to him in respect of money lent or obligations incurred 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 guarantee, security or indemnity 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) his subscribing or agreeing to subscribe for, or purchasing or agreeing to purchase, any shares, debentures or other securities of the Company or any of its subsidiary undertakings as a holder of securities, or his being, or intending to become, a participant in the underwriting of an offer of any shares, debentures, or other securities by the company or any of its subsidiary undertakings for subscription, purchase or exchange
  - (d) any contract concerning any other company 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 346 of the Act) is not the holder of or beneficially interested in one per cent. or more of the issued shares of any class of such company or of the voting rights available to members of such company (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 arrangement for the benefit of employees of the Company or any of its subsidiary undertakings under which he benefits in a similar manner as the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the arrangement relates; or
  - (f) any matter connected with the purchase or maintenance of insurance for the benefit of any of the Directors or for persons who include Directors.
- (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 the Board or by a committee authorised by the Board provided that the aggregate of such fees in respect of all Directors shall not exceed two hundred thousand pounds (£200,000) per annum or such higher amount as the Company may by ordinary resolution determine from time to time.
  - (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) *General Meetings*
- (i) *Annual general meeting*  
Each year the Company shall hold a general meeting as its annual general meeting (in addition to any other meetings in that year) and not more than fifteen months shall elapse between the date of one annual general meeting and that of the next. Annual general meetings shall be held at such time and place as may be determined by the Directors.
  - (ii) *Extraordinary general meetings*  
The Directors may convene an extraordinary general meeting of the Company whenever they think fit and extraordinary general meetings shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by the Act. Any meeting convened under this Article by requisitionists shall be convened in the same manner as nearly as possible as that in which



meetings are to be convened by the Directors. If at any time there are not within the United Kingdom sufficient Directors capable of acting to form a quorum, the Directors in the United Kingdom capable of acting may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

An annual general meeting and any extraordinary general meeting convened for the purpose of passing a special resolution shall be convened by not less than 21 days' notice in writing; all other extraordinary general meetings may be convened by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the place, the day and hour of meeting and, in case of special business, the general nature of such business. The notice shall be given to all the members, other than those members who, under the provisions of these Articles or the terms of issue of the shares they hold, are not entitled to receive notice of the meeting, and to the Directors and to the Auditors. A notice convening an annual general meeting shall specify the meeting as such and the notice convening a meeting to pass a special resolution or an extraordinary resolution as the case may be shall specify the intention to propose the resolution as such.

*Restrictions on changes in control, mergers, acquisitions or corporate restructuring of the Company*

There are no provisions in the Articles that would have the effect of delaying, deferring or preventing a change in control of the Company or that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company.

*Ownership threshold requiring public disclosure*

There are no provisions in the Articles governing the threshold above which shareholder ownership must be disclosed. The Company is subject to the provision of the Statutes requiring public disclosure of shareholdings.

**5. Directors' and Other Interests**

5.1 As at the date of this document (the latest practicable date prior to the publication of this document) the interests (all of which are beneficial unless otherwise stated) of the Directors and their immediate families and the persons connected with them (within the meaning of Section 346 of the Act ("Connected Person")) (i) which have been notified to the Company pursuant to Sections 324 or 328 of the Act or (ii) are required to be disclosed in the register of Directors' Interests pursuant to Section 325 of the Act in the issued share capital of the Company or (iii) are interests of a Connected Person, which would, if the Connected Person were a Director, be required to be disclosed under (i) or (ii) above, and the existence of which is known to, or could with reasonable due diligence be ascertained by, the Directors are as follows:

<i>Name</i>	<i>Number of Ordinary Shares held before the Placing</i>	<i>Percentage of issued share capital at the date of this document</i>	<i>Number of Ordinary Shares held after the Placing</i>	<i>Percentage of issued share capital following Admission</i>
Christopher Lambert	4,600,000	5.74%	4,600,000	2.00%
Malcolm James	6,629,989	8.27%	10,630,989*	4.62%
Jade Styants**	4,265,429	5.32%	4,265,429	1.85%
Toby Howell	4,275,000	5.33%	4,275,000	1.86%

\* The sum of 4,001,000 shares will be held by the James Family Superfund after the Placing, the beneficiaries of which include Malcolm James.

\*\* The shares are held by Black Ivory Limited. The interest is a non-beneficial interest.

5.2 The Company has granted to the Directors options to subscribe for the following numbers of new Ordinary Shares, conditional upon Admission, and exercisable at the Placing Price for a period of up to five years from Admission:

<i>Name</i>	<i>Number</i>
Toby Howell	2,302,079
Christopher Lambert	1,151,040
Malcolm James	1,151,040
Jade Styants*	1,151,040

\* The options are held by Black Ivory Limited. The interest is a non-beneficial interest.

- 5.3 Save as disclosed above, none of the Directors or any person connected with the Directors (within the meaning of Section 346 of the Act) has any interest, whether beneficial or non-beneficial, in any share capital of the Company.
- 5.4 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.
- 5.5 Save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or unperformed.
- 5.6 Save as disclosed in paragraph 6 below, there are no contracts, existing or proposed, between any Director and the Company.
- 5.7 Save as set out below or disclosed elsewhere in this document, no directorships of any company other than Cue, have been held or occupied over the five years prior to the date of this document by any of the Directors, nor over that period has any of the Director been a partner in a partnership:

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Christopher Lambert	Empyrean Energy plc Altona Resources plc Braemore Resources plc Summit Resources plc St James's Energy plc Simply Overseas Property Limited Tau Resource Finance Limited Walkerton Limited Western Consolidated Nickel Pty Ltd	Grosvenor Holdings plc Robert Leech & Partners (Lingfield) Limited
Malcolm James	Peninsula Minerals Ltd Lefroy Resources Ltd Eureka Mining plc Resource & Capital Management Pty Ltd Summit Resources plc Empyrean Energy plc Cordillera Resources plc West Perth Football Club	Minara Resources Limited (previously Anaconda Nickel Limited) Moly Mines Limited (previously Hibernia Gold Ltd) Siberia Mining Corporation Ltd Tianshan Goldfields Limited Caspian Holdings plc
Jade Styants	Summit Resources plc Tau Resource Finance Ltd Jade Lauren Pty Ltd Kameo Investments Limited Citypoint Investments Pty Ltd	
Toby Howell	Summit Resources plc Fairholt Media plc MN Specialty Steels Limited	BargainMobiles Ltd BargainMobiles.com Ltd

- 5.8 Christopher Lambert was a director of Grosvenor Holdings plc, which went into creditors' voluntary liquidation on 21 October 1998. No criticism of the directors of that company was made by the liquidator.
- 5.9 Save as disclosed above, none of the Directors has:
- 5.9.1 any unspent convictions in relation to indictable offences;
- 5.9.2 had any bankruptcy order made against him or entered into any individual voluntary arrangements or has had a receiver appointed to any asset of such Director; or

- 5.9.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to 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 or within the 12 months after he ceased to be a director of that company; or
- 5.9.4 been a partner of any partnership which has been placed into compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership; or
- 5.9.5 been the owner of any assets or a partner in any partnership- which has been placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership; or
- 5.9.6 been publicly criticised by an statutory or regulatory body (including recognised professional bodies); or
- 5.9.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of affairs of any company.
- 5.10 The aggregate remuneration (including any contingent or deferred compensation) payable and benefits in kind granted to Directors is estimated to be £56,000 for the current financial period ending 31 December 2006 under arrangements in force at the date of this document.

## 6. Directors' Letters of Appointment

- 6.1 The services of Mr Howell as a non-executive Director of the Company are provided under the terms of a letter of appointment dated 19 June 2006 for an initial period of one year with effect from 6 April 2006 and thereafter subject to termination upon two months written notice by either party, at an initial fee of £30,000 per annum.
- 6.2 The services of Mr Lambert, Mr James and Ms Styants as non-executive Directors of the Company, are each provided under the terms of separate letters of appointment dated 19 June 2006 respectively for an initial period of one year with effect from 6 April 2006 and thereafter subject to termination upon two months written notice by either party, at an initial fee of £18,000 per annum.

Each non-executive Director has voluntarily agreed to waive all rights to such fees until Admission.

## 7. Substantial Shareholders

Except for the interests of the Directors, which are set out in paragraph 5.1 above, and the interests disclosed in this paragraph the Directors are not aware of any holding of Ordinary Shares as at the date of this document and immediately following Admission representing three per cent. or more of the issued share capital of the Company.

<i>Name</i>	<i>Number of Ordinary Shares at the date of this document</i>	<i>Percentage of issued share capital at the date of this document</i>	<i>Number of Shares at Admission</i>	<i>Percentage of the issued share capital at Admission</i>
Seapoint Investments Limited	8,500,000	10.60%	18,500,000	8.04%
Resource Finance Services Limited	6,445,429	8.04%	12,695,429	5.51%
Vidacos Nominees	6,000,000	7.48%	6,000,000	2.61%
Terasse (WA) Pty Ltd	4,825,000	6.02%	4,825,000	2.10%
Global International Energy Limited	4,420,418	5.51%	4,420,418	1.92%
Ivan & Cheryl Hunter	2,850,000	3.55%	2,850,000	1.24%
Rockbury Services Inc.	2,850,000	3.55%	2,850,000	1.24%
SPGP	2,500,000	3.12%	23,000,000	9.99%

## 8. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business of the Company, have been entered into by the Company and are or may be material:

### 8.1 Letter of Engagement and Nominated Adviser Agreement

8.1.1 An engagement letter dated 12 June 2006 from Ruegg & Co under which it agreed to act as the Company's nominated adviser. The letter contains the initial terms of engagement of Ruegg & Co and will continue to be in force for the duration of Ruegg & Co's appointment as the Company's nominated adviser. Under the agreement the Company paid or has agreed to pay the following fees:

- (a) an initial fee of £10,000 plus VAT; and
- (b) a fee of £10,000 plus VAT one month following signing of the engagement letter or upon listing, whichever is sooner; and
- (c) immediately following Admission a further fee of £10,000 plus VAT; and
- (d) on Admission becoming effective to grant Ruegg & Co options to subscribe for Ordinary Shares equating to 2 per cent. of the enlarged share capital upon Admission exercisable at the Placing Price for a period of up to five years from Admission.

8.1.2 A nominated adviser agreement dated 28 July 2006 between the Company (1) and Ruegg & Co (2) to act as nominated adviser to the Company for the purpose of AIM for a period of 24 months commencing on the date of the Agreement and terminable thereafter on 3 months notice by either party. Pursuant to the agreement the Company has agreed to pay to Ruegg & Co, a fee of £18,000 (plus VAT and disbursements) per annum and such fee will be increased to £30,000 per annum upon completion of a substantial transaction or reverse takeover by the Company.

### 8.2 Letter of Engagement and Broker Agreement

8.2.1 A letter of engagement dated 28 July 2006 recording the initial terms of the appointment of Hichens Harrison as the nominated broker of the Company for the period commencing on the date of the letter until Admission, terminable early by three months' written notice by either party.

8.2.2 A broker agreement dated 28 July 2006 between the Company (1) and Hichens, Harrison (2) to act as stockbroker to the Company for the purpose of AIM for a period of 12 months commencing on the date of Admission and thereafter terminable on 3 months notice. Under the agreement the Company has agreed to pay Hichens Harrison a broking fee of £15,000 and an annual retainer of £15,000 together with the following:

- (a) a broking commission equal to 5 per cent. of the aggregate value of the new Ordinary Shares placed by Hichens, Harrison pursuant to the Placing;
- (b) a broking commission equal to 0.5 per cent. of the aggregate value of the new Ordinary Shares placed outside Hichens, Harrison pursuant to the Placing;
- (c) options to subscribe for Ordinary Shares equal to 1 per cent. of the issued share capital upon Admission exercisable at the Placing Price for a period of up to five years from the date of Admission; and
- (d) on any transaction introduced by Hichens, Harrison to the Company an introduction fee representing 2.5 per cent. of the share capital of the Company as enlarged by the transaction

### 8.3 Corporate Services Agreement

A letter of appointment dated 19 June 2006 between Resource Finance Services Limited ("RFS") and Cue whereby RFS was appointed to provide the Company with corporate and administrative services for a period commencing from the 1 April 2006 until Admission for a fee of £40,000 conditional upon Admission.

#### 8.4 Lock in Agreements

- 8.4.1 A lock in agreement dated 28 July 2006 between the Directors and Company Secretary (1) (“Locked-In Parties”), the Company (2), Ruegg & Co (3) and Hichens Harrison (4) pursuant to which each of the Locked-In Parties has undertaken save in certain circumstances not to sell or otherwise dispose of, or agree to sell or dispose of any of their interests in the Ordinary Shares held by them for the 12 month period commencing on the date of Admission (“Restricted Period”) and for the 12 month period following the end of the Restricted Period abide by orderly market arrangements.
- 8.4.2 Lock in Agreements dated 28 July 2006 between the Company, Ruegg & Co, Hichens Harrison and the following parties: Seapoint Investments Limited, Terasse (WA) Pty Ltd, Resource Finance Services Limited, Rockbury Services Inc., Global International Energy Limited, Ivan & Cheryl Hunter and Keyport Investments Pty Ltd (the “Locked-In Parties”), pursuant to which each of the Locked-In Parties has undertaken save in certain circumstances not to sell or otherwise dispose of or agree to sell or dispose of any of their interests in the Ordinary Shares held by them for the period commencing from the date of Admission for a period of twelve months or until a change of control (as defined in the City Code on Takeovers and Mergers) or the completion of an acquisition by the Company (whichever is the earlier).

#### 8.5 Option Agreements

- 8.5.1 Option Agreement between Cue (1) and Ruegg & Co (2) dated 28 July 2006

Cue has granted an option to Ruegg & Co to subscribe, at the Placing Price, for such number of Ordinary Shares as will represent 2 per cent. of the issued share capital of the Company immediately following Admission. The option shall be exercisable in full or in part for a period of up to 5 years from the date of Admission.

- 8.5.2 Option Agreement between Cue (1) and Hichens Harrison (2) dated 28 July 2006

Cue has granted an option to Hichens Harrison to subscribe, at the Placing Price, for such number of Ordinary Shares as will represent 1 per cent. of the issued share capital of the Company immediately following Admission. The option shall be exercisable in full or in part for a period of up to 5 years from the date of Admission.

- 8.5.3 Option Agreement between Cue (1) and Toby Howell (2) dated 28 July 2006

Cue has granted an option to Toby Howell to subscribe, at the Placing Price, for such number of Ordinary Shares as will represent 1 per cent. of the issued share capital of the Company immediately following Admission. The option granted shall be exercisable in full or in part for a period of up to 5 years from the date of Admission.

- 8.5.4 Option Agreement between Cue (1) and Black Ivory Limited (2) dated 28 July 2006

Cue has granted the right to Black Ivory Limited to subscribe, at the Placing Price, for such number of Ordinary Shares as will represent 0.5 per cent of the issued share capital of the Company immediately following Admission. The option granted shall be exercisable in full or in part for a period of up to 5 years from the date of Admission.

- 8.5.5 Option Agreement between Cue (1) and Malcolm James (2) dated 28 July 2006

Cue has granted an option to Malcolm James to subscribe, at the Placing Price, for such number of Ordinary Shares as will represent 0.5 per cent. of the issued share capital of the Company immediately following Admission. The option granted shall be exercisable in full or in part for a period of up to 5 years from the date of Admission.

- 8.5.6 Option Agreement between Cue (1) and Christopher Lambert (2) dated 28 July 2006

Cue has granted an option to Christopher Lambert to subscribe, at the Placing Price, for such number of Ordinary Shares as will represent 0.5 per cent of the issued share capital of the Company immediately following Admission. The option granted shall be exercisable in full or in part for a period of up to 5 years from the date of Admission.

- 8.5.7 Option Agreement between Cue (1) and Anthony Gates (2) dated 28 July 2006

Cue has granted an option to Anthony Gates to subscribe, at the Placing Price, for such number of Ordinary Shares as will represent 0.5 per cent of the issued share capital of the Company immediately

following Admission. The option granted shall be exercisable in full or in part for a period of up to 5 years from the date of Admission.

8.5.8 Option Agreement between Cue (1) and Cornhill Asset Management Limited (2) dated 28 July 2006

Cue has granted an option to Cornhill Asset Management Limited to subscribe, at the Placing Price, for such number of Ordinary Shares as will represent 1.5 per cent. of the issued share capital of the Company immediately following Admission. The option granted shall be exercisable in full or in part for a period of up to 5 years from the date of Admission.

8.5.9 Option Agreement between Cue (1) and Resource Finance Services Limited (2) dated 28 July 2006

Cue has granted an option to Resource Finance Services Limited to subscribe, at the Placing Price, for such number of Ordinary Shares as will represent 1.5 per cent of the issued share capital of the Company immediately following Admission. The option granted shall be exercisable in full or in part for a period of up to 5 years from the date of Admission.

8.5.10 Option Agreement between Cue (1) and Codan Trust Company Limited as trustee of the Viking Trust (2) dated 28 July 2006

Cue has granted an option to Codan Trust Company Limited as trustee of the Viking Trust to subscribe, at the Placing Price, for 240,000 Ordinary Shares immediately following Admission. The option granted shall be exercisable in full or in part for a period of up to 5 years from the date of Admission.

Save as disclosed above, there are no contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company since its incorporation and which are or may be material.

## **9. Litigation**

9.1 The Company has been notified by a letter dated 12 July 2006 that its name bears a similarity to an Australian company called Cue Energy Resources Limited (“CER”) which may potentially cause confusion to investors. CER states that it reserves its right to commence proceedings against the Company if the Company does not undertake to change its name within three months of the date of the letter or cease using the name “Cue Energy plc”. This matter is currently being handled by the Company’s legal advisers.

9.2 Save as disclosed above in paragraph 9.1, there are no governmental legal or arbitration proceedings (including to the knowledge of the Directors, any such proceedings which are pending or threatened by or against the Company) which may have or have had during the 12 months immediately preceding the date of this document a significant effect on the financial position of the Company.

## **10. Working Capital**

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company will, from the date of Admission, be sufficient for its present requirements, that is, for at least the next 12 months from the date of this document.

## **11. Taxation**

The following information is intended only as a general guide to the position under current United Kingdom taxation law and HM Revenue and Customs practice as at the date of this document for Shareholders who are the beneficial owners of Ordinary Shares, resident or ordinarily resident in the United Kingdom for tax purposes and who hold their Ordinary Shares as an investment and is not a substitute for the investor obtaining professional advice before buying shares. Its applicability will depend upon the particular circumstances of individual Shareholders. The summary is not exhaustive and does not generally consider tax reliefs or exemptions.

### **11.1 Taxation of Chargeable Gains**

If a shareholder disposes of all or any Ordinary Shares acquired under the Placing he or she may, depending on the shareholder’s particular circumstances, incur a liability to taxation on chargeable gains. Individuals, personal representatives and trustees may be entitled to taper relief, which will serve to reduce the gain chargeable. Companies are not entitled to taper relief, but are entitled to an indexation allowance which may also reduce the gain chargeable.

### **11.2 Stamp Duty**

Except in relation to certain categories of person, including market makers, brokers, dealers and persons connected with depository arrangements or clearance services, where special rules apply: (i) no stamp duty or

stamp duty reserve tax will be payable on the issue of the Placing Shares; and (ii), the transfer or sale of Ordinary Shares will normally be subject to ad valorem stamp duty (rounded up to the nearest £5) at the rate of one-half of one per cent. of the consideration paid. However, if an unconditional agreement to transfer such shares is not completed by a duly stamped transfer, stamp duty reserve tax will be payable, normally at the rate of one-half of one per cent. of the consideration paid.

### 11.3 Taxation of Dividends and Distributions

Holders of Ordinary Shares who are resident in the UK for tax purposes will generally be liable to UK income tax or corporation tax, as the case may be, on the gross amount of any dividends paid to them by the Company. Dividends received by such holders who are within the charge to UK corporation tax will generally be taxed at the prevailing UK corporation tax rate (currently 30 per cent. in most cases). Any individual holder will generally be chargeable to UK income tax on dividends received from the Company at the current rate of 10 per cent., or, to the extent that the amount of the gross dividend when treated as the top slice of his or her income exceeds the threshold for higher rate tax, at the current rate of 32.5 per cent. Neither corporate nor non-corporate holders of Ordinary Shares will be entitled to a UK tax credit in respect of any dividend received.

An individual holder of Ordinary Shares who is resident but not domiciled in the UK for tax purposes, or is a Commonwealth citizen or citizen of the Republic of Ireland who is resident but not ordinarily resident in the UK for tax purposes, will be liable to UK income tax only to the extent that dividends paid by the Company are remitted or deemed to be remitted to the UK.

### 11.4 Anti-avoidance

The attention of individual holders of Ordinary Shares who are ordinarily resident in the UK is drawn to the provisions of sections 739 and 745 of the Income and Corporation Taxes Act 1998 (the "Taxes Act"). These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad and may render them liable to taxation in respect of undistributed income and profits of the Company on an annual basis.

**Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult his or her own professional adviser.**

## 12. CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Company's Articles of Association permit the holding of the Ordinary Shares to be evidenced in uncertificated form in accordance with the CREST Regulations. The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission and CRESTCo has agreed to such admission. Accordingly settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system, should 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.

All the Ordinary Shares will be in registered form and no temporary documents of title will be issued.

## 13. General

13.1 The accounting reference date of the Company is 31 December. The Company lodged dormant accounts made up to the 31 December 2005. The Company's first audited accounts will be made up to 31 December 2006.

13.2 The gross proceeds which will be raised by the placing are £3,000,000 and the net proceeds after deduction of expenses are estimated at £2,800,000.

13.3 The total costs and expenses payable by the Company in connection with or incidental to the Placing and Admission, including London Stock Exchange fees, professional fees, consulting and investor relation services and the costs of printing and distribution, are estimated to amount to approximately £200,000 (excluding VAT), all of which will be payable by the Company. These fees include £63,000 payable to Cornhill Asset Management Limited.

- 13.4 Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- (a) received, directly or indirectly, from the Company within 12 months preceding the date of this document; or
  - (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
    - (i) fees totalling £10,000 or more; or
    - (ii) securities in the Company with a value of £10,000 or more; or
    - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 13.5 The financial information contained in Part III of this document does not constitute full statutory accounts as referred to in Section 240 of the Act.
- 13.6 Chapman Davis LLP have given and not withdrawn its written consent to the issue of this document with the inclusion of its Report and references to their name in the form and context in which they appear in this document.
- 13.7 Ruegg & Co has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to its name in the form and context in which they appear.
- 13.8 Hichens, Harrison has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to its name in the form and context in which they appear.
- 13.9 Save for the Placing and as disclosed in this document, there has been no significant change in the trading or financial position of the Company since 22 June 2006, being the date to which the historical financial information in Part III is made up.
- 13.10 Save as set out in this document, the Directors are not aware of any exceptional factors that have influenced the Company's activities.
- 13.11 The Placing has not been underwritten or guaranteed by any person.
- 13.12 Save as set out in this document, no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this document relates or of his procuring or agreeing to procure subscriptions for such securities.
- 13.13 The Placing Shares will be issued at 2p per share, a premium of 1.93p per Ordinary Share above nominal value.
- 13.14 Save as disclosed in this document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.
- 13.15 No patents or other intellectual property rights, licences or particular contracts which are, or may be, of fundamental importance to the business of the Company.
- 13.16 Save as disclosed in this document, there are no investments in progress which are significant.

#### **14. Documents available for inspection**

Copies of the following documents will be available for inspection at the offices of Kerman & Co LLP, 7 Savoy Court, Strand, London, WC2R 0ER during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until at least 30 days after the date of Admission:

- (a) the memorandum and articles of association of the Company;
- (b) the Accountants' Report set out in Part III of this document;



- (c) the Directors' letters of appointment referred to in paragraph 6.1 and 6.2 of this Part IV;
- (d) the material contracts referred to in section 8 of this Part IV; and
- (e) the letters of consent referred to in paragraphs 13.6, 13.7 and 13.8 of this Part IV.

**15. Availability of documents**

Copies of this document will be available free of charge from the date of this document until the date which is one month after Admission, at the registered office of Ruegg & Co, 39 Cheval Place, Knightsbridge, London SW7 1EW during normal business hours on any week day (Saturdays and public holidays excepted).

Date: 28 July 2006