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The Directors of the Company, whose names appear on page 3, accept responsibility both individually and collectively for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and there are no other facts which, if omitted, would affect the import of such information.

Application will be made for the whole of the issued Ordinary Share capital of the Company to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the issued Ordinary Share capital on AIM will commence on 22 October 2004. It is emphasised that no application is being made for the issued Ordinary Shares to be admitted to the Official List of the UK Listing Authority or to any other recognised investment exchange.

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

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

Metals Exploration Plc

(Incorporated in England and Wales under the Companies Act 1985 Registered No. 5098945)

Admission of Ordinary Shares to trading on AIM

Nominated Adviser



Broker



Share capital immediately following Admission

Authorised			Issued and fully paid	
Number	Amount		Number	Amount
100,000,000	£1,000,000	Ordinary Shares of 1p each	25,593,332	£255,933.32

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

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

Credo, which is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange, is the Company's broker for the purposes of the AIM Rules and is acting exclusively for the Company in connection with the Admission. Credo will not be responsible to anyone other than the Company for providing the protections afforded to customers of Credo or for advising any other person on the Admission and other arrangements described in this document.

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

The whole of this document should be read. An investment in the Company involves a significant degree of risk, may result in the loss of the entire investment and may not be suitable for all recipients of this document. Investors should consider carefully the risk factors which are set out in Part 2 of this document.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Steven Miles Smith B Com, ACA, ATII (<i>Chairman and Chief Executive</i>) Kevin David Mahoney, MA (<i>Non-executive Director</i>) Gary Raymond Powell, B. App. Sc (<i>Non-executive Director</i>) Philip Charles Barnett (<i>Non-executive Director</i>) <i>The business address for each of the Directors is:</i> Portland House 4 Great Portland Street London W1W 8QJ
Secretary	Steven Miles Smith
Registered Office	7 Savoy Court Strand London WC2R 0ER
Nominated Adviser	Beaumont Cornish Limited Georgian House 63 Coleman Street London EC2R 5BB
Broker	Credo Capital Plc 3rd Floor 33 Margaret Street London W1G 0JD
Reporting Accountants and Auditors	Nexia Audit Limited 1 Riding House Street London W1A 3AS
Accountants and Tax Advisers	Smith & Williamson 1 Riding House Street London W1A 3AS
Solicitors to the Company	Kerman & Co. LLP 7 Savoy Court Strand London WC2R 0ER
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

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

"Act"	the Companies Act 1985, as amended
"Admission"	admission of the entire issued ordinary share capital of the Company to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	AIM, a market operated by the London Stock Exchange
"AIM Rules"	the rules of the London Stock Exchange governing admission to and operation of AIM
"Board" or "Directors"	the board of directors of the Company
"Company"	Metals Exploration Plc
"Credo"	Credo Capital plc, the Company's broker, which is a member of the London Stock Exchange and which is authorised and regulated by the Financial Services Authority to carry on investment business
"CREST"	the computerised settlement system operated by CRESTCo Limited in accordance with which securities may be held and transferred in uncertificated form
"Beaumont Cornish"	Beaumont Cornish Limited, the Company's nominated adviser, which is authorised and regulated by the Financial Services Authority to carry on investment business
"Existing Warrants"	the warrants in issue at the date hereof, being warrants to subscribe for up to 3,500,000 Ordinary Shares at 3.25p each exercisable for a period of 7 years after their date of issue, as more fully described in paragraph 5 of Part 4 of this document
"LME"	London Metal Exchange Limited
"London Stock Exchange"	London Stock Exchange Plc
"Ordinary Shares"	ordinary shares of 1p each in the Company
"Placing"	the allotment of the Placing Shares at the Placing Price to various persons made on 15 October 2004, conditionally upon Admission
"Placing Price"	3p per Ordinary Share
"Placing Shares"	the 18,093,332 Ordinary Shares to be issued pursuant to the Placing
"POS Regulations"	the Public Offers of Securities Regulations 1995 (as amended)
"Warrants"	the warrants to subscribe for up to 5,300,000 Ordinary Shares which will be in issue on Admission, consisting of the Existing Warrants, the warrant to subscribe for up to 1,000,000 Ordinary Shares to be issued to Beaumont Cornish and the warrant to subscribe for up to 800,000 Ordinary Shares to be issued to Credo, each as more fully described in paragraphs 6(a) and 6(b) of Part 4 of this document

EXPECTED TIMETABLE AND ADMISSION STATISTICS

EXPECTED TIMETABLE

Admission effective and trading in the Ordinary Shares on AIM commences	22 October 2004
CREST accounts credited by	22 October 2004
Despatch of definitive share certificates by	29 October 2004

ADMISSION STATISTICS

Number of Ordinary Shares in issue following Admission	25,593,332
Market Capitalisation at the Placing Price	£767,800

PART 1 – INFORMATION ON THE COMPANY

1.1 INTRODUCTION

Metals Exploration Plc is a newly incorporated company that has been established by the Directors in order to identify and acquire mining companies, businesses or projects with particular emphasis on precious and base metal mining opportunities predominantly in the Western Pacific Rim region. Such projects may be acquired by direct investment, or by acquiring all or part of an existing or newly formed company or business. Demand for locally sourced metals and minerals has increased significantly in this region thanks to economic expansion and rising world wide shipping costs and metals prices. Some of the countries on the Western side of the Pacific Rim are highly mineralised and the Philippines Islands, in particular, are regarded as one of the most gold-copper mineralised island areas on earth. The Directors believe that significant acquisition opportunities exist and that they have the contacts, experience and expertise to exploit such opportunities.

1.2 MINING OPPORTUNITIES IN THE PACIFIC RIM

Since the Asian crisis of 1997, the countries on the Western side of the Pacific Rim have shown strong economic growth powered by China's headlong industrialisation programme. Between 1997 and 2002 the GDP of China grew by 38 per cent with 2 per cent deflation. The Chinese government announced in July 2004 that the GDP growth for the first half of 2004 was 9.7 per cent compared to 9.1 per cent for the whole of 2003. More importantly for the minerals industries, China's industrial output for the period January to August 2004 increased by 17.1 per cent over the same period for 2003. This Chinese growth has helped the other countries around it to also show impressive growth with the whole Eastern Asian region expected to show 7.3 per cent GDP growth this year compared to 6.6 per cent in 2003 and thus producing an increased demand for minerals and raw materials.

China is still at the materials intensive stage of development where infrastructure, urbanisation and manufacturing make a heavy demand on materials such as steel, aluminum and electricity. In addition, it is government that is paying for railways, ports, power stations and highways.

Much of the demand for minerals has been generated by manufactured goods, exports of which have grown at a rate well in advance of global rates of export growth. So great has been this demand for metals been that it has accounted for the major part of world growth in the use of aluminum, copper and nickel (used in stainless steel). The rapidly improving consumer purchasing power of Eastern Asia's very large population further fuels this mineral demand. In China alone the purchasing power of its workers numbering 737.4 million in 2002 has increased 490 per cent between 1990 and 2002.

The net effect of this rapid expansion in Eastern Asia is the rapid increase in the price of raw materials and of shipping costs. Shipping rates worldwide have risen over 500 per cent between 2001 and February 2004, resulting in a dramatic increase in the transportation costs of raw minerals. Since mid-October 2001, nickel prices have risen from approximately \$5,600.00 per ton to approximately \$16,000.00, and copper prices have increased from approximately \$1,490.00 to approximately \$3,000.00 per ton by mid-October 2004. The price rises of metals has also been helped by the lack of investment by major mining companies, resulting in a shortfall in production and long lead times for new discoveries. Currently, LME stock levels for copper and nickel are significantly low.

This local demand for raw materials, the hardening of dry cargo shipping rates and the increase in the price of metals has resulted in an increased desire by Chinese and Japanese investors to find supplies of essential minerals from nearby countries.

In addition, the continued decline of the dollar against the Canadian, Australian, and South African currencies has meant that dollar wage increases have eaten into the profits upside generated by price increases for mining companies in these areas.

Hence the Directors believe an opportunity exists to explore and develop mineral deposits on the Western side of the Pacific Rim.

1.3 STRATEGY

The Directors, drawing on their contacts and the experience and expertise of Gary Powell, intend to identify and acquire late stage development projects although they may also consider exploration phase projects. The Directors are aware of a number of significant acquisition opportunities in the Pacific Rim region. A number of these opportunities have been reviewed by the Directors and further evaluation will take place following Admission.

The Directors also believe that other opportunities will become available once the Company's interest in the region becomes known. The Directors intend to take specialist legal and technical advice in the process of evaluating the merits of any project.

The Directors intend to acquire projects either for cash or by the issue of new Ordinary Shares or a combination of both. The Directors believe it is likely that further funds will have to be raised at the time of the first major acquisition or investment. In addition, as part of the consideration, the Company may issue non-tradable warrants to subscribe for Ordinary Shares.

If any acquisition or investment of a suitable business or participation constitutes a reverse acquisition under the AIM rules, shareholders' approval will be sought. The Company anticipates that the first acquisition will be made in the 12 month period following Admission. Should no acquisitions or investments be made by 31 October 2006 the Directors intend to convene a 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.

The Company has not yet commenced trading and until a suitable acquisition is made the Company will have no income. To preserve its cash resources, the Company will keep expenditure to a minimum and the Directors have agreed to draw minimal remuneration until the Company completes a significant acquisition or investment.

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

1.4 DIRECTORS AND SECRETARY

Steven Smith (*Chairman, Chief Executive and Secretary*), aged 45, is a Chartered Accountant with a specialisation in international tax. In 1988, he moved into Commerce and Industry and for the next 4 years was actively involved in several quoted companies as the Tax Manager/Director. From 1992 to 1996, he was Group Finance Director of Kevin Morley Group Limited and from 1996 to 2001 he was Group Finance Director of Photobition Group Plc. In 1996 he also established a private venture capital vehicle, Reef Securities Limited. He is currently a Director of Catalyst Media Group Plc (formerly Newsplayer Group Plc).

Kevin Mahoney (*Non-executive Director*) aged 53. Kevin Mahoney has over the last 30 years held senior management roles with a number of major companies including Caradon, Everest, W H Smith Business Supplies, British Gas Services and ISS UK Limited. Over the last 2 years he has been actively involved in several potential management buyouts and is expecting to join the executive management team for a quoted Plc in the coming months.

Gary Powell (*Non-executive Director*), aged 46, is a geologist with 20 years experience of precious and base metals and diamond mining in Australia and the Far East. From 1993 to 2000 he was Managing Director of Egerton Gold N.L. based in Western Australia and in July 1998 he became Vice President – Operations for Egerton Gold Philippines, Inc in the Philippines, a position he still holds. He is also Consulting Geologist for Boonjarding Resources Limited, a Malaysian based company with operations in Australia and the Philippines.

Philip Barnett (*Non-executive Director*), aged 59, became a member of the London Stock Exchange when becoming a Market Maker with Smith Bros in 1970. In 1982, after serving 4 years on the European Options Exchange in Amsterdam, he was made Managing Director of Smith Bros Financial Futures in the UK and became a founder member of LIFFE's rules committee. In 1984 he became a sole trader on LIFFE and served for several years as a Director of LIFFE. Since leaving LIFFE in 1996, he has successfully helped a number of companies from gestation to successful AIM flotation. He is presently a Director of Pace Securities Limited and DiscKiosk Limited.

1.5 CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance whilst taking into account the size and nature of the Company. When the Company makes either a significant acquisition or investment as described above the Directors intend to develop policies and procedures for the Company which reflect the principles of good governance and best practice as contained in the revised combined code published by the Financial Reporting Council in July 2003 to the extent that they are appropriate to the size of the Company.

The Company intends to set up an Audit Committee with formally delegated duties and responsibilities following Admission and, once a significant acquisition or investment has been made, to set up a Remuneration Committee.

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

1.6 DIVIDEND POLICY

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

1.7 RESTRICTIONS ON DEALING

Other than for the Lock In Arrangements, referred to in paragraph 1.11 below, that apply to the Ordinary Shares and Existing Warrants held by the Directors and certain of the Shareholders, there are no restrictions on the free transferability of the Shares.

1.8 CREST

The Company's Articles of Association permit the Company to issue shares in uncertificated form in accordance with the Uncertificated Securities Regulations 2001.

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

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

1.9 SHARE CAPITAL

At the date of this document there are 7,500,000 Ordinary Shares in issue, and a further 18,093,332 Ordinary Shares have been allotted pursuant to the Placing conditionally upon Admission:

- (a) on the date of incorporation of the Company, 8 April 2004, 2 ordinary shares were issued to the subscribers;
- (b) on 30 September 2004, the Company issued 7,499,998 Ordinary Shares. This share issue was carried out at 1p per share, and raised £74,999.98 (before expenses);
- (c) on 15 October 2004, the Company carried out the Placing, whereby it raised £542,799.96 (before expenses) by way of the allotment of 18,093,332 Ordinary Shares, at the Placing Price, conditionally upon Admission.

The Company has issued or agreed to issue Warrants to subscribe for up to 5,300,000 Ordinary Shares to individuals or organisations. These comprise the Existing Warrants to subscribe for up to 3,500,000 Ordinary Shares issued to certain Directors and certain investors and the proposed issue of a warrant to subscribe for up to 1,000,000 Ordinary Shares to Beaumont Cornish and a warrant to subscribe for up to 800,000 Ordinary Shares to Credo in consideration for services rendered and to be rendered to the Company. Each Warrant will entitle the holder to subscribe for one Ordinary Share at the exercise price of 3.25 pence per share, such right to be exercisable at any time within the period of 7 years following Admission. Further details of the terms of the Warrants are set out in paragraph 5 of Part 4 of this document.

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

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

1.10 REASONS FOR ADMISSION

The Directors believe that Admission and the funds raised prior to Admission (as referred to paragraph 1.9 above entitled "Share Capital") by the Company are an important step towards developing a successful precious and base metals exploration and development business. Admission is expected to raise the public profile of the Company and enhance the Company's ability to pay for the acquisition of businesses by enabling it to issue traded securities.

1.11 LOCK IN ARRANGEMENTS

In accordance with Rule 7 of the AIM Rules, each of the Directors (save Gary Powell) has undertaken that, save in limited circumstances, he will not (and will procure, in so far as he is able, that any person with whom he is

connected for the purposes of Section 346 of the Act will not) during the period of 12 months from Admission, dispose of any interest in the Ordinary Shares held by him or his connected persons (as appropriate) at Admission or any interest in Existing Warrants held by him or Ordinary Shares that are issued to him on exercise of such Existing Warrants.

The above lock in arrangements additionally provide for orderly marketing arrangements for a further 12 months following the expiry of the initial 12 month lock in period whereby no disposal of any interest in Ordinary Shares or Existing Warrants may be made by the Directors or persons connected to them without the consent of Beaumont Cornish.

PART 2 – RISK FACTORS

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

The Company is newly formed with no operating history upon which potential investors may base an evaluation of its likely performance. The Company was incorporated on 8 April 2004.

The Directors consider the risks and other factors detailed below, to be the most significant for potential investors. However these risks do not necessarily comprise all those associated with an investment in the Company and are not set out in any order of priority.

If events in connection with any of the risks outlined below occur, the Company's business, financial condition, results or future operations may be adversely affected. In such a case, the price of the Company's Ordinary Shares could decline and investors may lose all or part of their investment. Additional risks, as yet unknown to the Directors, may also have an adverse effect on the Company.

Mining risks

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

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

Uninsured risks

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

Specific Risks Relating to the Pacific Rim

(a) Political and legal

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

The regions in which the Company intends to carry on business generally have less developed legal systems than more established economies which may result in risks such as: (i) effective legal redress in the courts of such jurisdiction, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. In consequence the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and

legal redress may be uncertain or delayed. There can be no assurances that licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of an enforcement of such arrangements in the region in which the Company proposes to carry on business cannot be assured.

(b) *Exchange Controls and Repatriation*

Exchange controls vary from one country to another. In Indonesia, Japan and Singapore there are no restrictions on foreign currency exchange whereas in Malaysia, the Bank Negara Malaysia administers currency exchange in accordance with the Exchange Control Act of 1953 and in Papua New Guinea exchange controls are administered by the Bank of Papua New Guinea. In China, the yuan, also known as the renminbi, is not yet a fully convertible currency. The State Administration of Foreign Exchange (SAFE), directly supervised by the People's Bank of China is responsible for enforcing exchange control rules and regulations. No assurance can be given that exchange control restrictions will not be introduced in countries where it currently does not apply.

(c) *Taxation*

A variety of local taxes and customs and other duties apply to enterprises in countries operating in the Pacific Rim, including Corporation tax, value added tax, capital gains, fringe benefits and branch profits tax etc.

Taxes payable by companies may be substantial and diverse. No assurance can be given over the taxation rules and regulations in this region.

(d) *Exploration risks*

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

All mining to establish productive mineral deposits is inherently speculative. The techniques presently available to geophysicists, geologists, engineers and other technical specialists to identify the existence and location of deposits are subject to a wide variety of variables which are subjective in nature with respect to the environment in which they exist and are not precise on their application, and therefore, a considerable amount of personal judgement is involved in the selection of any prospect for mining or identifying potentially profitable mineral deposits. In addition, even when mining successfully encounters a mineral deposit and a mine is established, unforeseen operating problems may arise which render it uneconomical.

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

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

(e) *Extraction licences*

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

and/or taxation provisions in the region in which it proposes carrying on business, could adversely affect the value of the Company's interests.

(f) *Environmental factors*

The Company's operations are subject to the environmental risks inherent in the mining industry. The legal framework for environmental liability and clean-up is still not yet fully developed in the Pacific Rim countries, however the Company's operations will be subject to environmental regulation (including environmental impact assessments and permitting) in the jurisdictions in which it operates. Such regulation may cover a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for any toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. Local, regional and national authorities may adopt stricter environmental standards than those now in effect and may move towards more stringent enforcement of existing laws and regulations. The level of pollution and potential clean-up is impossible to assess against the current legal framework and without a consistent interpretation and enforcement of environmental laws by the government.

(g) *Other areas of risk.*

- there can be no guarantee that the Company will identify and acquire suitable projects to achieve its investment objective;
- there can be no guarantee that following Admission the share price of the Ordinary Shares will reflect their actual or potential market value.
- prior to Admission there was no public market for the Company's Ordinary shares and nor have they ever been traded, quoted or dealt on any securities market. Consequently, each prospective investor should view his purchase of Ordinary Shares as a long-term investment and should not consider such purchase unless he is certain he will not have to liquidate his investment for an indefinite period of time.
- notwithstanding the fact that an application will be made for the Ordinary Shares to be traded on AIM, this should not be taken as implying that there will be a fluid market in the Ordinary Shares. An investment in Ordinary Shares may therefore be difficult to realise. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the official list of the UK Listing Authority.
- it may be necessary for the Company to raise additional capital in the future for the purpose of business development. Such capital may not be available to the Company or may not be available to the Company on satisfactory terms.
- notwithstanding statutory subscription rights, if additional funds are raised through the issue of equity securities, the percentage ownership of then current shareholders of the Company may be reduced and such securities may have rights, preferences or privileges senior to those of the holders of the Company's Ordinary Shares.
- if sufficient funds are not available to satisfy short or long-term capital requirements, the Company may be required to limit its operations or to sub contract some level of interest in its projects.
- there is no guarantee that all or part of the Company's current strategy will develop as anticipated and that the Company will be profitable.
- the Directors believe the businesses or projects in which the Company proposes to invest may face competition from various organisations operating in the same sector. Some of these competitors may have greater resources than the Company. These competitors may limit the potential revenue of the Company.
- the price at which investors may realise their holding of Ordinary Shares and the timing of any disposal of them may be influenced by various factors, some of which are specific to the Company and others of which are extraneous. Investors may not get back the whole of their investment. This investment is likely to be volatile and investors could lose all their investment.
- the business of the Company is dependent on certain key directors and employees. The loss of such individuals could adversely affect the Company's business and prospects.

- the business sector in which the Company will operate may be affected by legislative and other regulatory changes which could adversely affect the Company's business and its ability to fulfil its statutory obligations.
- investors in companies holding their assets in emerging markets such as the Pacific Rim should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant economic and political risks.
- investors should also note that emerging markets are subject to rapid change and therefore the information in this document may become rapidly out of date.
- the share price of the Ordinary Shares can fall as well as rise and may be subject to varied and unpredictable influences on AIM in general and the metals and minerals markets more specifically. Neither the Company nor the Directors warrant the future performance of the Company or any return on investment in the Company.

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

PART 3 – ACCOUNTANTS’ REPORT

The following is the full text of a report on Metals Exploration Plc from Nexia Audit Limited, the Reporting Accountants, to the Directors of Metals Exploration Plc and Beaumont Cornish Limited.

Nexia Audit

— • Limited • —

Chartered Accountants and Registered Auditors
No 1 Riding House Street London W1A 3AS

15 October 2004

The Directors
Metals Exploration plc
7 Savoy Court
Strand
London WC2R 0ER

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

Dear Sirs

Metals Exploration Plc (“the Company”)

We report on the financial information set out below. This information has been prepared for inclusion in the Company’s Admission Document dated 15 October 2004.

Introduction

The company was incorporated on 8 April 2004 by the Registrar of Companies for England and Wales with the registered number 5098945 and an authorised share capital of £1,000,000 divided into 100,000,000 ordinary shares of £0.01 each.

The Company has not traded or prepared financial statements for presentation to members.

Basis of preparation

The financial information at 30 September 2004 set out below is based on the issue of the 7,500,000 ordinary shares of £0.01 each being the only transaction. The Company has not prepared statutory accounts for audit for the period from incorporation.

Responsibility

Such financial information is the responsibility of the Directors of the Company who have approved it.

The Directors of the Company are responsible for the contents of the Admission Document dated 15 October 2004 in which this report is included.

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

FINANCIAL INFORMATION

1. Profit and loss account for the period ended 30 September 2004

The Company has incurred neither profit nor loss, and has neither declared nor paid dividends or made any other distributions since the date of incorporation. There have been no transactions other than the allotment of shares and the granting of warrants described below and the execution of the material contracts referred to in paragraph 6 of Part 4 of the Document. Accordingly, no profit and loss account information is presented in this report.

2. Balance sheet at 30 September 2004

	2004 £
Current assets	
Cash at bank	75,000
Capital and reserves	
Called up share capital	75,000
Shareholders' funds	75,000

3. Notes to the Financial Information

3.1 Trading and dividends

The Company has not traded since incorporation, neither have any dividends been declared or paid.

3.2 Called up share capital

	2004 £
Authorised	
100,000,000 ordinary shares of £0.01 each	1,000,000
Allotted and called up	
7,500,000 ordinary shares of £0.01 each	75,000

On 8 April 2004 two ordinary shares were issued at par.

On 30 September 2004 7,499,998 ordinary shares were issued for a consideration of £75,000.

Warrants

On 30 September 2004 the Company issued warrants to subscribe for 3,500,000 ordinary shares at £0.0325 each, exercisable for a period of 7 years from the date of issue.

3.3 Post balance sheet events

On 15 October 2004, 18,093,332 ordinary shares were allotted at £0.03 each pursuant to the placing, conditional upon Admission.

On 15 October 2004, the Company issued warrants to subscribe for 1,800,000 ordinary shares at £0.0325 each, conditional upon Admission. The warrants are exercisable for a period of 7 years from the date of Admission.

Basis of opinion

We conducted our work in accordance with the Statement of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial records and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material mis-statement 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 Metals Exploration plc as at 30 September 2004 and of its results for the period from incorporation, 8 April 2004, to 30 September 2004.

Consent

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

Yours faithfully

Nexia Audit Limited

Chartered Accountants

Registered Auditors

PART 4 – ADDITIONAL INFORMATION

1. Company and Share Capital

- (a) The Company was incorporated and registered in England and Wales under the Act on 8 April 2004 as a public limited company with the name Metals Exploration Plc. Its registered number is 5098945.
- (b) The registered office of the Company is at 7 Savoy Court, Strand, London, WC2R 0ER.
- (c) The liability of the members of the Company is limited.
- (d) The authorised and issued share capital of the Company at the date of this document and following Admission are and will be as follows:

Authorised		Issued	
Number	Amount (£)	Number	Amount (£)
100,000,000	1,000,000	25,593,332	255,933.32

- (e) At the date of incorporation, the Company had an authorised share capital of £1,000,000 divided into 100,000,000 Ordinary Shares of 1p each
- (f) The following changes in the issued share capital of the Company have taken place since incorporation:
 - (i) On 29 September 2004, the two subscriber shares were transferred to Reef Securities Limited, a related party of Mr Steven Smith, one of the Directors;
 - (ii) On 30 September 2004, 7,499,998 Ordinary Shares were issued at 1p per share to Reef Securities Limited, a related party of Mr Steven Smith, one of the Directors, and certain other persons;
 - (iii) On 30 September 2004, warrants to subscribe for up to 3,500,000 Ordinary Shares were issued to certain of the Directors, Reef Securities Limited and other persons;
 - (iv) On 15 October 2004, 18,093,332 Ordinary Shares were allotted at 3p to certain persons pursuant to the Placing, conditionally upon Admission; and
 - (v) On 15 October 2004, warrants to subscribe for up to 1,800,000 Ordinary Shares were issued to Beaumont Cornish and Credo conditionally upon Admission.
- (g) By Ordinary and Special Resolutions passed on 29 September 2004 ("the Resolutions") the members resolved that:
 - (i) the Directors were authorised generally and unconditionally pursuant to and in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £999,998.98 and the Company may pursuant to the authority make offers or agreements before the expiry of the authority, which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offers or agreements as if the power conferred thereby had not expired;
 - (ii) the Directors were empowered pursuant to and in accordance with section 95 of the Act to allot equity securities (as defined by section 94(2) of the Act) for cash, pursuant to the authority referred to in (i) above, as if section 89(1) of the Act did not apply to such allotment, such authority to expire at the commencement of the Annual General Meeting of the Company next held after the passing of the resolution save that the Company may pursuant to the authority make offers or agreements before the expiry of the authority which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of such offers or agreements as if the power conferred thereby had not expired.
- (h) The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the Act) apply to the authorised but un-issued share capital of the Company to the extent not disapplied pursuant to section 95 of the Act as described in paragraph (g) above. No such issue is presently in contemplation.

- (i) Save as disclosed in this document, no share or loan capital of the Company has since its incorporation been issued or agreed to be issued or is now proposed to be issued fully or partly paid either for cash or a consideration other than cash and no discounts or other special terms have been granted by the Company during such period in connection with the sale or issue of any share or loan capital of the Company.
- (j) Save for the Existing Warrants and the warrants to be issued to Beaumont Cornish and Credo on Admission as referred to in paragraphs 6(a) and 6(b) below, no share capital of the Company is under option and there is no conditional or unconditional agreement to put any such capital under option.

2. Directors' Interests

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

Director	Number of Ordinary Shares	Percentage of the issued share capital
Steven Miles Smith*	1,500,000	5.86%
Kevin David Mahoney	0	0
Gary Raymond Powell	0	0
Philip Charles Barnett	0	0

* All of the Ordinary Shares in which Steven Miles Smith is interested are registered in the name of Reef Securities Limited.

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

Director	Number of Warrants
Steven Miles Smith*	1,000,000
Philip Charles Barnett	1,000,000
Kevin David Mahoney	500,000

* These warrants in which Steven Miles Smith is interested are held in the name of Reef Securities Limited.

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

Steven Miles Smith

Current Directorships

Rockpace Limited
 Buygreatwines Limited
 Penbranch Limited
 Amity Events Limited
 Shelfco (No.2771) Limited
 Shelfco (No.2772) Limited
 Catalyst Media Group Plc
 Newsplayer Group Limited
 Eaton Investments Limited (Guernsey)
 Belgravia Investments Limited (Guernsey)
 Lowndes Square Limited (Guernsey)
 Full Count Limited (Guernsey)
 Reef Securities Limited (Bahamas)
 Newsplayer International Limited (Guernsey)

Previous Directorships

Vulcan Entertainment Limited
 Warrens Holdings Limited
 Warrens Photolabs (Sheffield) Limited
 Graphics Realisations (BS) Limited
 Equinox Special Projects Limited
 1 Pump Lane Hayes Limited
 63/65 East Street Limited
 C and C Commercial Properties Holdings Limited
 C and C Commercial Properties I Limited
 Photobition International (No. 1) Limited
 Photobition International (No 2) Limited
 Photobition Overseas Limited
 Photobition Group Plc
 Graphics Realisations (Graphics) Limited
 Graphics Realisations (Event) Limited
 Graphics Realisations (Media) Limited
 Graphics Realisations (Investments) Limited
 Graphics Realisations (Holdings) Limited
 Graphics Realisations (CPL) Limited
 Graphics Realisations (UK Graphics) Limited
 Potts Corporate Graphics Limited
 Precision Image Limited

Steven Miles Smith – continued

Current Directorships

Kevin David Mahoney

Current Directorships

Centre for Economics and Business
Research Limited
Mavinwood Plc

Previous Directorships

Rastergraphics (Europe) Limited
Rastergraphics UK Limited
Direct Finishing Limited
St Catherines Place Shopping Centre Limited
Lemonset Limited
Project Lateral Limited
ACC Print & Project Management Limited
847TH Shelf Trading Company Limited
Data Design Distribution Limited
Data Design Limited
Estadio Publicidade Limited
Foray 735 Limited
G.L.G Promotions Limited
Gardiner Laminating Limited
G.L.G Film Products Limited
G.L.G Holdings Limited
Jigsaw Pieces Limited
Magmasters Sound Studios Limited
Novo Group Limited
Novo Holdings Limited
Novo Overseas Limited
Overdue Holdings Limited
Overdue International Limited
C and C Commercial Properties Limited

Previous Directorships

Morris Plains Limited
Chinon Rights Limited
Cartridge-Wise (UK) Limited
Everest Legacy Limited
The Cleaning & Support Services Association
ISS Servisystem Limited
ISS Transport Services Limited
ISS Facility Services Limited
ISS Workwear & Washroom Services Limited
Ideal Painting Contractors Limited
ISS Servisystem North Limited
Ideal Service Stations Limited
ISS Scotland Limited
ISS Airport Services Limited
ISS Contract Clean (Southern) Limited
ISS UK Limited
ISS Supplies Limited
ISS Finance & Investment (Bishops Auckland) Limited
ISS Finance & Investment Limited
ISS Servisystem Midlands Limited
ISS Care UK Limited
ISS Payroll Services Limited
Blue Ribbon Contract Services Limited
Blue Ribbon Group Limited
ISS Servisystems Southwest & Wales Limited
Raglan House Estates Limited
ISS Multiservice Limited
ISS Support Services Limited
Swirl Holdings Limited
Swirl Industrial Services Limited

Kevin David Mahoney – continued*Current Directorships**Previous Directorships*

Swirl Service Group Limited
 Joseph Gilman & Son Limited
 ISS Aviation UK Limited
 ISS Servisystem South Limited
 Safe Passage (UK) Limited
 ISS Servicelink Limited
 ISS Mediclean Limited

Gary Raymond Powell*Current Directorships*

Egerton Gold Philippines Inc (Philippines)
 Kajaki Resources Pty Limited (Australia)

Previous Directorships

Metal Sands Limited (Australia)

Philip Charles Barnett*Current Directorships*

VFM Management Limited
 Pace Securities Limited
 DiscKiosk Limited

Previous Directorships

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- (d) (i) Steven Smith was the Group Finance Director of Photobition Group plc until 12 October 2001. Photobition Group plc carried on business as display graphics printers. It went into administrative receivership on 31 October 2001. During the course of his employment with Photobition Group plc, Steven Smith was also a director of the following group companies which went into creditors' voluntary liquidation (after he had left the board):

<i>Company Name</i>	<i>Date of creditors voluntary liquidation</i>
Graphics Realisations (Media) Limited	20 November 2001
Graphics Realisations (Investments) Limited	31 October 2001
Graphic Realisations (Holdings) Limited	1 November 2001
Graphic Realisations (CPL) Limited	2 November 2001
Photobition Overseas Limited	31 October 2001
Photobition International (No. 2) Limited	31 October 2001
Photobition International (No.1) Limited	31 October 2001
Warren Holdings Limited	13 November 2001
GLG Holdings Limited	1 November 2001

- (ii) Graphics Realisations (BS) Limited was also part of the Photobition Group and which Steven Smith served as a director of until 12 October 2001. An administration order was made in respect of Graphics Realisations (BS) Limited on 16 January 2002 and was subsequently discharged on 9 July 2002. The company then went into compulsory liquidation on 9 July 2002.
- (iii) Steven Smith also served as a director on the board of Equinox Special Projects Limited until 16 September 2002. It went into creditors' voluntary liquidation on 12 February 2003.
- (e) Save as disclosed in sub-paragraph (d) above, none of the Directors has:
- (i) any unspent convictions relating to indictable offences;
 - (ii) had a bankruptcy order made against him or entered into any individual voluntary arrangements;
 - (iii) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company at the time of, or within the twelve months preceding, such events;
 - (iv) been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;
 - (v) had any asset belonging to him placed in receivership or been a partner of a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; or

- (vi) been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- (g) No Director has or has had any direct or indirect interest in any asset which has been acquired or disposed of by, or leased to, the Company since the date of its incorporation or which is proposed to be so acquired, disposed of or leased.
- (h) During the initial period prior to the Company's first investment each of the Directors will receive remuneration at the rate of £1,000 per month. Following the Company's first investment these remuneration levels will be re-considered, depending on the circumstances at that time. On this basis the aggregate remuneration paid and benefits in kind granted to the Directors is expected to be approximately £12,000 for the year ending 31 December 2004.
- (i) There are no service agreements in existence between any of the Directors and the Company which cannot be determined by the Company without payment of compensation (other than statutory compensation) within one year.
- (j) Save as disclosed in sub-paragraph (h) above, there is no contract or arrangement to which the Company is a party and in which any Director is materially interested and which is significant in relation to the business of the Company and no amount or benefit has been or is intended to be paid or given to any promoter of the Company.
- (k) The following persons have a holding of 3 per cent or more in the share capital of the Company at the date of this document and are expected to have the following holdings immediately following Admission:

Name of shareholder	Number of shares held	Percentage of issued share capital held
Reef Securities Limited	1,500,000	5.86%
JM Finn Nominees Limited	1,250,000	4.88%
Mr Michael James L Stratton	1,250,000	4.88%
KAS Nominees Limited*	1,250,000	4.88%
KAS Nominees Limited*	1,250,000	4.88%
Insinger de Beaufort	830,000	3.24%

* Each of these holdings is for a different beneficial owner.

3. Memorandum of Association

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

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

4. Articles of Association

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.

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.

Variation of rights

If at any time the share capital is divided into different classes of shares the rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the issued shares of that class, but not otherwise. The special rights attaching to any class of shares

will not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith or subordinate thereto.

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.

Transfer of shares

Shares in the Company may be transferred by instrument of transfer in any usual or common form, or in such other form as shall be approved by the Board. The instrument of transfer will be signed by or on behalf of the transferor who is deemed to remain holder of the share until the name of the transferee is entered in the Register provided that if the share is not fully paid the instrument of transfer shall also be executed by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason, refuse to register a transfer of any share that: is not fully paid (provided that where any such shares are admitted to the Official List of the UK Listing Authority such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis), relates to more than one class of share, is in favour of more than four joint holders as transferees or is subject to restriction, is in favour of a minor, bankrupt or person of mental ill health, in the case of shares held in certificated form if it is not lodged duly stamped (if necessary) at the Registered Office or at such other place as the Board may appoint and accompanied by the certificate for the shares to which it relates (where a certificate has been issued in respect of the shares) and such other evidence as the board may require to show the right of the transferor to make the transfer, in the case of shares held in un-certificated 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.

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.

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.

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).

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.

Directors

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

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

- (ii) The Directors shall be paid out of the funds of the Company for their services as Directors such aggregate fees per annum as shall be determined from time to time by an ordinary resolution of the Company for their services as Directors such aggregate fees per annum shall be divisible (unless such resolution shall provide otherwise) among the Directors as they agree or, failing agreement, equally.
- (iii) Any Director (being willing and having been called upon to do so) who renders or performs extra or special services of any kind, including services on any committee, or who travels or resides abroad for any business or purposes of the Company, shall be entitled to receive such sum as the Directors may think fit for expenses and for remuneration, either as a fixed sum or as a percentage of profits or otherwise, and such remuneration may, as the Directors shall determine, be either in addition to or in substitution for any other remuneration he may be entitled to receive.
- (iv) The Directors may be paid all expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors or general meetings or separate meetings of the holders

of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

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

5. Warrants

(a) Existing Warrants

Each Existing Warrant entitles the holder to subscribe for one Ordinary Share at 3.25 pence per share. The Existing Warrants are exercisable for a period of 7 years from issue.

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

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

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

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

(b) Beaumont Cornish and Credo

Each of the warrants which are to be issued to Beaumont Cornish and Credo pursuant to the engagement letter and agreement referred to respectively in paragraphs 6(a) and 6(b) below entitle the holder to subscribe for one Ordinary Share at 3.25 pence per share, and are exercisable for a period of seven years from the date of Admission. They provide for an appropriate adjustment, as determined by the auditors of the Company, to either the subscription price or the number of warrants, in the event of certain specified changes in the share capital of the Company such as a sub-division or consolidation.

6. Material Contracts

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

(a) *Nominated Adviser Agreements*

- (i) On 4 October 2004 the Company entered into an engagement letter with Beaumont Cornish (as amended by a side letter dated 15 October 2004) under which Beaumont Cornish agreed to act as the Company's nominated adviser and to advise and assist the Company in respect of the AIM Rules unless terminated by seven days written notice by either party. The agreement provides for the payment to Beaumont Cornish of an initial non-refundable fee of £10,000 plus VAT and a further fee of £15,000 plus VAT payable on Admission, together with the issue of a warrant to subscribe for up to 1,000,000 Ordinary Shares at 3.25 pence per share, exercisable within a period of 7 years from the date of Admission. Beaumont Cornish will be entitled to act for the Company in respect of the first transaction after Admission that is a substantial transaction or is an acquisition regarded by the AIM Rules as a reverse takeover for a fee equating to 1 per cent of the value of the transaction or acquisition subject to a minimum fee of £40,000 plus VAT. The engagement letter also contains indemnities from the Company to Beaumont Cornish.
- (ii) On 15 October 2004 the Company entered into an agreement, pursuant to the engagement letter referred to above, conditional on Admission, pursuant to which the Company appointed Beaumont Cornish to act as the Company's Nominated Adviser for the purposes of the AIM Rules. Under the terms of this Agreement Beaumont Cornish is to be paid a fee of £20,000 plus VAT per annum from Admission, to be payable quarterly in advance with the first payment of £5,000 plus VAT being due immediately upon Admission. The Agreement is terminable by either party on 90 days' prior notice. The Agreement contains warranties given to Beaumont Cornish by the Company and the Directors.

(b) *Broker Agreement*

On 14 September 2004 the Company entered into an agreement with Credo under which Credo agreed to act as the Company's broker in relation to the Admission for a fee of £12,000 plus VAT payable upon the signing of the agreement, and to act as the Company's broker thereafter for an annual fee of £12,000 plus VAT payable half-yearly in advance. The agreement is for a period of a year and thereafter terminable on three months notice. The agreement (as amended by a side letter dated 15 October 2004) also provides for Credo to be issued on Admission with a warrant to subscribe for up to 800,000 Ordinary Shares at 3.25 pence per share, exercisable within a period of 7 years from the date of Admission.

7. Litigation

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

8. Commission Arrangements

Commissions of an aggregate sum of £24,585 have been paid to certain parties in relation to the Placing.

9. Group Structure

The Company has no subsidiaries.

10. Taxation

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not in the course of a trade, and are based on current legislation and UK Inland Revenue practice. The position for employees subscribing for Ordinary Shares and Warrants under the Placing has not been addressed. Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK should consult his own professional adviser immediately.

Taxation of Chargeable Gains

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

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

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

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

Inheritance Tax – Business Property Relief (“BPR”)

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

Stamp Duty and Stamp Duty Reserve Tax

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

Dividends and other Distributions

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

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

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

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

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

11. Working Capital

In the opinion of the Directors, having made due and careful enquiry, and taking into account the monies received by the Company under the Placing, the working capital available to the Company is sufficient for the Company’s present requirements, that is, for at least twelve months from the date of Admission.

12. Miscellaneous

- (a) The estimated expenses of Admission including the expenses relating to the Placing are approximately £100,000 (inclusive of any applicable VAT) and will be payable by the Company.
- (b) No person (other than the Company’s professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the twelve months preceding the date of this document, or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more, securities in the Company with a value of £10,000 or more at the Placing Price or any other benefit with a value of £10,000 or more at the date of this document.

- (c) Save for the transactions set out in paragraph 1 of this Part 4 of this document, there has been no significant change in the trading or financial position of the Company since 8 April 2004, being the date of incorporation of the Company.
- (d) Save as disclosed, no exceptional factors have influenced the Company's activities.
- (e) The Company is not dependent on patents or other intellectual property rights, licences or particular contracts and which are of fundamental importance to the Company's business.
- (f) The Company's accounting reference date is 30 April.
- (g) The Company has no significant investments in progress.
- (h) No financial information contained in this document is intended by the Company to represent or constitute a forecast of profits by the Company nor to constitute publication of accounts by it.
- (i) Nexia Audit Limited has given and not withdrawn its written consent to the inclusion in this document of its reports and references thereto in the form and context in which they are included.
- (j) Beaumont Cornish and Credo have each given and not withdrawn their written consents to the inclusion in this document of references to their names in the form and context in which they appear.

13. Documents for inspection

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

- (a) the memorandum and articles of association of the Company;
- (b) the Accountants' Report set out in Part 3 of this document;
- (c) the material contracts referred to in paragraph 6 above;
- (d) the letters of consent referred to in paragraph 12 (i) and (j) above; and
- (e) this document.

14. Availability of this Document

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

Dated 15 October 2004

