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This document is drawn up under the Public Offers of Securities Regulations 1995 (Regulations). A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration pursuant to Regulation 4(2).

The Directors of Imperial Energy Corporation PLC (Company), whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of such Directors, 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.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. Neither the delivery of this document nor any subscription made pursuant to this document will, under any circumstances, create any implication that there has been any change in the affairs of the Company since the date of this document or that the information in this document is correct at any time subsequent to the date of this document.

Application will be made for the entire issued and to be issued share capital of the Company to be admitted to trading on the Alternative Investment Market (AIM). It is expected that such application to AIM will become effective and that dealings will commence on 5 April 2004.

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 potential risks in investing in such companies and should make the decision to invest only after careful consideration and if appropriate consultation with an independent financial adviser. The rules of AIM are less demanding than those of the official list of the United Kingdom Listing Authority. London Stock Exchange plc has not itself examined or approved the contents of this document.

IMPERIAL ENERGY CORPORATION PLC

incorporated in England and Wales under the Companies Acts 1985 to 1989 with registered number 5054461

PLACING OF 3,400,000 ORDINARY SHARES AT 25 PENCE PER SHARE

AND

APPLICATION FOR ADMISSION TO AIM

**NOMINATED ADVISER & BROKER:
CANACCORD CAPITAL (EUROPE) LIMITED**

SHARE CAPITAL

The following table shows the authorised and issued share capital of the Company as it is expected to be immediately following completion of the Placing described in this document:

	Authorised shares		Issued and fully paid shares	
	Number	Amount	Number	Amount
Ordinary Shares	200,000,000	£5,000,000	9,800,000	£245,000

The Placing Shares will on issue rank equally in all respects with the existing Ordinary Shares and will rank in full for all dividends and other distributions declared after their issue in respect of the ordinary share capital of the Company.

The Company is a recently formed company with no trading record. The whole of the text of this document should be read and in particular your attention is drawn to the section entitled "Risk Factors" set out in Part 1 of this document.

Canaccord Capital (Europe) Limited, which is regulated by Financial Services Authority Limited, is acting as Nominated Adviser and Broker to the Company. It is not acting for anyone else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Canaccord Capital (Europe) Limited or for providing advice in relation to the contents of this document or the Placing or the Admission of the Ordinary Shares to trading on AIM. In particular Canaccord Capital (Europe) Limited, in its capacity of nominated adviser to the Company, owes certain responsibilities to the London Stock Exchange which are not owed to the Company or the Directors or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by Canaccord Capital (Europe) Limited as to the contents of this document, without limiting the statutory rights of any person to whom this document is issued.



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Expected timetable of principal events

Publication of this document	25 March 2004
Payment to be received from the Placees in cleared funds	30 March 2004
Dealings in the Ordinary Shares both issued and to be issued pursuant to the Placing expected to commence on AIM	5 April 2004
Definitive share certificates for the Placing Shares expected to be despatched or CREST accounts credited, as applicable	12 April 2004

Definitions

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

"ABI Guidelines"	the guidelines of the Association of British Insurers as applicable to employee share and other investment schemes and the status and size of the Company.
"Admission"	the effective admission of the issued and to be issued share capital of the Company to trading on AIM in accordance with the AIM rules.
"Advisory Council"	The Advisory Council of the Company whose members are set out in Part 1 of this document.
"AIM"	the Alternative Investment Market of the London Stock Exchange.
"Board" or "Directors"	the directors of the Company.
"CA 1985"	Companies Act 1985, as amended.
"CIS"	The territory of the Commonwealth of Independent States.
"Combined Code"	the Principles of Good Governance and the Code of Best Practice issued by the London Stock Exchange.
"Company"	Imperial Energy Corporation PLC, registered in England and Wales with company number 5054461.
"CREST"	the system for paperless settlement of trades and the holding of uncertificated shares administered by CRESTCo Limited.
"E & P"	The exploration, development and production of oil and gas fields.
"Group"	the Company and any subsidiary of the Company.
"London Stock Exchange"	London Stock Exchange plc.
"Ordinary Shares"	ordinary shares of 2.5p each in the capital of the Company.
"Placing"	the placing of the Placing Shares described in this document.
"Placing Price"	25p per Ordinary Share, representing a premium of 22.5p for each share.
"Placing Shares"	the 3,400,000 Ordinary Shares the subject of the Placing.
"Placees"	the subscribers for Placing Shares.
"Regulations"	Public Offers of Securities Regulations 1995.
"Target Company" or "Target Companies"	companies or assets whose characteristics match the Company's investment strategy as set out in Part 1 of this document.
"UK" or "United Kingdom"	United Kingdom of Great Britain and Northern Ireland.

Admission Statistics

Gross proceeds of the Placing receivable by the Company	£850,000
Net proceeds of the Placing receivable by the Company	£770,000
Placing Price	25p per share
Market capitalisation of the Company at the Placing Price	£2,450,000
Prior to Placing	
Number of Ordinary Shares allotted	6,400,000
Following Placing	
Number of Placing Shares to be issued by the Company	3,400,000
Number of Ordinary Shares	9,800,000
Percentage of issued share capital represented by the Placing Shares	34.69%
Percentage of issued share capital represented by the Placees exclusive of the Placing Shares subscribed for by the Directors	21.63%
Percentage of issued share capital represented by Directors' interests	33.77%

Directors and Advisers

Directors	Peter Michael Levine M.A. (Oxon) (<i>Chairman</i>) Kenneth Peat Forrest CBE BSc Phd The business address of each of the Directors is 6/8 York Place Leeds LS1 2DS West Yorkshire United Kingdom
Company Secretary	Colin Glass BSc (Econ) FCA
Registered Office	6/8 York Place Leeds LS1 2DS West Yorkshire United Kingdom
Nominated Adviser and Broker	Canaccord Capital (Europe) Limited 1st Floor Brook House 27 Upper Brook Street London W1K 7QF United Kingdom
Solicitors to the Company	PLLG 100 Pall Mall St. James's London SW1Y 5HP United Kingdom
Auditors and reporting Accountants	Baker Tilly 2 Whitehall Quay Leeds LS1 4HG West Yorkshire United Kingdom
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom

PART 1

Introduction to the Company and the Placing

Introduction

Imperial Energy Corporation PLC is a new company that has been established to build, largely through acquisition, a group specialising in the oil and gas sector in the CIS with a particular emphasis on E & P. Initial capital of £400,000 has already been raised through subscriptions for Ordinary Shares details of which can be found in Part 4 of this document.

Although, on Admission, the Company will have no trading business, it is the Directors' intention to acquire interests in suitable assets in the oil and gas sector using as consideration, where appropriate, new Ordinary Shares, the cash proceeds of an issue of new Ordinary Shares or loans.

The monies so far raised by subscription for Ordinary Shares in the Company and the net proceeds of the Placing will be used to investigate suitable acquisition targets and to provide general working capital.

Background and investment strategy

The Directors currently intend to make investments by purchasing Target Companies and/or equities/assets in the E & P oil and gas sector principally in the CIS, although should appropriate opportunities present themselves, the geographic boundaries of interest may be extended.

The oil and gas sectors are enjoying a period of significant interest, particularly as far as the CIS is concerned. This is reflected in the increasing commitment of the major players to the region. By way of example, in 2003, BP allocated US\$6.8billion to its strategic partnership with TNK, the Russian oil producer. BG has committed significant funds to the supergiant Karachaganak field in Kazakhstan, one of its largest investments anywhere outside of the UK.

The relative political stability, the potential of developing further material hydrocarbon resources and the demand for oil and gas products have all further enhanced attractiveness of E & P in the region.

The Board consider that there remains significant opportunity for a small, quick-footed, technically competent and well connected E & P Group to identify the smaller fields both producing and in an investigative/exploration stage which are below the radar screens of the major players and/or which are not widely known. This includes territories in respect of which geological or seismic data is scarce.

Such fields may be locally owned where the current licence holder lacks expertise in E & P and/or is unable to resource sufficient funds to fulfil work programmes, whether such are dictated by the terms of the licences affecting the fields or under the conditions of contracts to which the fields are subject.

The Company expects that the targets for acquisition will be predominantly based in the CIS, in which territories the Directors and the Advisory Council have significant expertise and experience.

The funds available following Admission and the Placing will enable the Company to conduct investigations on suitable acquisition targets and provide working capital.

It is anticipated that investment will be typically by way of acquisition of a material stake in Target Companies, fields and/or licences being not less than 30% of the entire interest, with the favoured emphasis being on acquiring at least a majority stake, whether in conjunction with local persons or entities or otherwise.

The Company's acquisition and trading strategy is long term. However, this will not prevent the Company considering the realisation, profitability sharing or unleashing of value from various of its investments from time to time where it is prudent or profitable to do so. This includes attracting other experienced and substantial partners to fields where both risk and reward can be shared.

Investment process

Prior to any investment or acquisition an appropriate due diligence exercise will be undertaken. This due diligence process will be tailored to individual situations, but would normally be expected as a minimum to include the production of:

- an appraisal by an expert geologist/petrophysicist and any other appropriate expert in relation to any actual or potential oil and gas field being considered by the Company, including but without limitation, reporting on proven or possible reserves, exploration, development, production, logistics and transportation costs;
- a legal due diligence report addressing corporate, contractual and regulatory issues as well as broader legal information such as litigation and environmental issues, and relevant legal contracts. Such report will be provided by the Company's legal advisers from time to time; and
- a financial due diligence report setting out, in the case of an investment, its history, the key points of the Target Company's or target fields financial reports for the preceding three years (if available) and any issues that have arisen from audits of that company, such report being carried out by the Company's accountants from time to time. The report will also consider the Target Company's and/or field's operation financial controls and reporting procedures. Close attention will be paid to the work programme, production and cash flow programmes adopted and/or proposed by the management of the Target Company and/or owners of the assets and the associated projected working capital requirements.

Before any final investment or acquisitions decision is made, the investment, acquisition and other relevant terms must be approved by the Board. The Directors intend to meet regularly to discuss and monitor the status of the Company's current and potential investments.

Investment sectors

Between them the Directors have a wide range of experience in corporate and commercial transactions with a particular emphasis on the E & P oil and gas sector in the CIS, and believe that the Board possesses the experience in relevant acquisitions and in corporate financial management necessary to enable the Company to achieve its objectives.

The Company has an Advisory Council comprising experts in relevant sectors. These persons are to be paid only on a per diem, as required basis and it is anticipated that as the Company grows so will the constituency of the Council mature and expand.

Where and when appropriate, the Directors may seek to supplement the Board's access to expertise, skills and contacts specific to the E & P oil and gas sector by additional appointments to the Board itself, either from among the key management of acquired businesses or from within the oil and gas industry generally.

Current trading, LLC Sibinterneft and prospects

Except for entering the contract referred to in the next paragraph and in paragraph 7(i) of Part 4 of this document, the Company has not traded since incorporation. The Directors recognise that the Company's prospects depend upon the Company's ability to identify and acquire suitable Target Companies and assets/equity stakes that offer potential for growth in value.

On 22 March 2004 the Company entered into an agreement with Peter Michael Levine and Alexander Abraham Capelson ("the Sellers") under which the Company was granted the right, at any time up to and including 31 December 2004, to acquire an effective controlling interest in LLC Sibinterneft, a Russian registered limited liability company whose assets are represented by four hydrocarbon exploration licences for fields in the Tomsk region of Siberia in the Russian Federation covering an area of approximately 6,780 (six thousand seven hundred and eighty) square kilometres. The interest subject to the right represents an 85% stake of a 51% share block of the entire issued share capital of LLC Sibinterneft. The fields are in the initial stages of investigation and expert geological and petrophysicists reports are awaited. Under the Agreement there is no commitment or obligation on the Company to acquire any or all of the effective controlling interests which would, if it is contemplated, only take place after the receipt by the Company of satisfactory supporting expert reports and with the prior approval of the Independent Directors of the Company and the Nominated Adviser of the Company. Under the terms of the Agreement, should the Company exercise its right to acquire the effective controlling interest, the Sellers would be compensated limited to their costs of purchase of such interest, the reasonable expenses in such acquisition and on-sale to the Company and a reasonable sum commensurate with the risks undertaken by them, all such monies payable to the Sellers will be limited in aggregate to US\$1,000,000 (One Million United States Dollars). No compensation or any other monies are payable to the Sellers or any other party if the Company decides not to take up its rights to purchase.

Other than as stated above, the Directors have not at the date of this document identified any potential Target Companies or assets/equity stakes in the relevant sector. No discussions have taken place and no commitments have been entered into. Following Admission, the Directors intend to carry out a thorough identification process of potential acquisition targets and if appropriate enter into negotiations with those that appear to best fit the Company's criteria. There is no guarantee that any proposed negotiations nor the grant of the right relating to LLC Sibinterneft will lead to a successful acquisition or acquisitions. Under the AIM rules such acquisitions may be subject to the consent of shareholders at an extraordinary general meeting of the Company.

It may be necessary for the Company to raise additional capital through the issue of further Ordinary Shares to implement its strategy.

Director and Advisory Council Remuneration

In order to maximise the Company's effective working capital resources the Directors have agreed that they will not receive any fees, salaries or other payments in kind (other than reasonable expenses) until such a time as a first investment or acquisition is made by the Company.

Members of the Advisory Council will only receive remuneration on a per diem basis as and when called upon to give support and advice to the Company.

Return of capital to shareholders

The Directors intend that if the Company has not made an investment or acquisition within 18 months from Admission or within such time has not entered into a material commercial contract, they will convene an extraordinary general meeting at which proposals will be put to shareholders to liquidate the assets of the Company and distribute the proceeds amongst shareholders.

Reasons for the Placing and details of the Placing

The Directors recognise that the Company's investment/trading strategy and expansion plans depend upon its ability to raise working capital. They believe that the proposed Admission will enable the Company to pursue opportunities for growth by acquisition of Target Companies and/or assets. The Directors also believe that a trading facility on AIM will benefit the Company in the following ways:

- *Corporate profile* – the acquired companies and/or assets, may be expected to benefit from the perceived status and stature of being part of a publicly traded group;
- *Access to capital markets* – the Company may need to raise further funds in the future to develop its business, to fund the cash element of additional acquisitions, the working programs relating to E & P or generally to supplement its working capital resources. The Directors believe that capital for publicly traded companies carries a lower cost and is more freely available than for private companies;
- *Acquisition currency* – the issue of publicly traded shares as consideration for Target Companies and/or assets/equity stakes may be more attractive to sellers than the issue of non-publicly traded shares; and
- *Incentivising key staff* – the acquisition and retention of key staff can be facilitated through the use of share options which, on exercise, would leave staff with shares in a publicly traded group.

The Directors propose to raise £850,000, before expenses, by the issue of 3,400,000 Placing Shares at a price of 25 pence per Placing Share representing a premium of 22.5 pence to the nominal value per share.

The Placing Shares will represent 34.69 per cent of the issued share capital of the Company following the Placing. At the Placing Price the Company will be valued at £2,450,000 .

The net proceeds of the Placing of approximately £770,000 will be used to provide working capital for the Group.

Following the Placing, the Directors will collectively hold 33.77 per cent of the Company's issued ordinary share capital.

The Placing Shares will rank equally with the existing Ordinary Shares and in full for any dividends and other distributions paid or made in respect of the ordinary share capital of the Company after their issue.

The Placing is conditional on the Company receiving the Placing proceeds in full and Admission taking place on or before 12 April 2004 or such later date as the Company and the Nominated Adviser may agree, but in any event no later than 17 April 2004.

Dealings in the Ordinary Shares on AIM are expected to commence on 5 April 2004. Placees will have their CREST accounts credited on the day of Admission. Where Placees have requested to receive their Ordinary Shares in certificates form, share certificates will be despatched by first-class post not later than 12 April 2004.

Directors, Company Secretary and Advisory Council

Biographical details of the Directors, Company Secretary and Advisory Council members are as follows:

Directors

Peter Michael Levine MA (Oxon) (non-executive)

Peter Michael Levine, aged 48, a resident of the United Kingdom, graduated in jurisprudence from Trinity College Oxford in 1977 and qualified as a solicitor in 1980 from when he specialised in international/corporate law. He is the Chairman of PLLG International Lawyers which has offices in Russia, Kazakhstan, Ukraine and Hong Kong as well as in the United Kingdom. He is the Honorary Consul for the Republic of Kazakhstan in England as well as being the Co-Chairman, with Lord Fraser of Carmyllie, of the British-Kazakh Society whose Honorary Patrons are HRH The Duke of York and President Nursultan Nazarbayev of Kazakhstan. From 1998 he has been Chairman of the fully listed steel construction company Severfield-Rowen Plc having been its Deputy Chairman from 1993.

Kenneth Peat Forrest CBE BSc PhD (non-executive)

Kenneth Peat Forrest, aged 62, a resident of the United Kingdom, graduated in chemistry from Strathclyde University in 1965, gaining a PhD from that same university in 1968. In 1974 he joined the Department of Energy becoming Director of their China and Russian unit in 1984. In 1995 he was appointed Director of Exports (Oil and Gas) to the DTI and from May 2000 until he retired in 2002 was the Director of the Oil and Gas Business Directorate at Trade Partners UK. He is the Co-Chairman, with the Azeri Deputy Minister for Economic Development, of the Azerbaijan British Trade and Investment Council. Kenneth Peat Forrest was appointed CBE in 2002.

Company Secretary

Colin Glass B.Sc.(Econ) FCA (Company Secretary and part-time Financial Controller)

Colin Glass, aged 60, a resident of the United Kingdom, qualified as a Chartered Accountant in 1973. He is a Fellow of the Institute of Chartered Accountants and is a partner in the firm of Chartered Accountants, Winburn Glass Norfolk, with significant experience in advising start up ventures and developing businesses. He is currently a non-executive director of the AIM Companies Coe Group PLC, Surgical Innovations Group PLC and Straight PLC, as well as being a director of various private companies.

Advisory Council

Alexander Abraham Capelson PhD

Alexander Abraham Capelson, aged 56, a resident of the United States of America, graduated in Physics from Novosibirsk State University, Siberia, Russia, gaining a Ph.D in Geophysics from the Siberian Institute of Terrestrial Magnetism, Ionosphere and Propagation of Radio Waves. He was for 14 years Senior Professor at the Institute of Geology and Geophysics in Novosibirsk. Emigrating to the United States of America in 1990 he has occupied senior executive positions in mining and oil companies with significant interests in the CIS, particularly Kazakhstan. In 1997 he co-founded International Energy Services Inc., based in Houston, Texas, becoming Chief Executive Officer in 2000. Through its subsidiary Azimut Energy Services, a Kazakh registered entity, International Energy Services Inc., provides geophysical services to many of the leading global petroleum companies such as ChevronTexaco, Agip and Maersk. Alexander Abraham Capelson is also a substantial shareholder in the Company.

Yuri Petzoukha DSc MRAS

Yuri Petzoukha, aged 66, a resident of the United States of America, is a geologist and a Member of the Russian Academy of Sciences. He initially trained as a petroleum geologist/geochemist in Baku, Azerbaijan, before moving to Moscow for further training. He is a Doctor of Science from the Institute of Geology and Development of Fossil Fields in Moscow. Having had more than 35 years experience in the petroleum industry in the CIS, Algeria and China, he has acted as a petroleum expert consultant for entities such as the Russian Ministry of Oil Industry, Union Texas Petroleum/Arco International (in Azerbaijan/Kazakhstan), CNPC (in China) and First International Oil Corporation (in Kazakhstan). Yuri Petzoukha has agreed to perform consulting services for the Company in the Russian Federation and Azerbaijan.

Robert Anthony Sheffrin FCA MSI

Robert Anthony Sheffrin, aged 48, a resident of the United Kingdom is a Fellow of the Institute of Chartered Accountants and is a Member of the Securities Institute. He trained as a chartered accountant with KPMG subsequently spending post qualification time with Deloitte Haskins & Sells. From professional practice he went into venture capital and from 1986-1993 he was a Fund Manager with Enterprise plc. From 1994 he worked extensively in Russia, Kazakhstan, Uzbekistan and Ukraine, advising investment funds on portfolio management, company evaluation and corporate governance.

Lock-ins and orderly market arrangements

Following the Placing and Admission the Directors will in aggregate be interested in 3,310,000 Ordinary Shares representing 33.77 per cent. of the issued share capital of the Company. Details of these shareholdings are set out in paragraph 5.1 of Part 4 of this document. The Directors and Alexander Abraham Capelson, a substantial shareholder in the Company as set-out in paragraph 4 of Part 4 of this document, have undertaken to the Company and the Broker that, except in limited circumstances, they will not sell or dispose of any of their Ordinary Shares for a period of 12 months from Admission and, for a further 12 months thereafter, they will only sell or dispose of their Ordinary Shares through the Broker or the Company's broker from time to time.

Share option scheme

The Directors believe it important that Directors and employees of the Company are appropriately and properly motivated and rewarded. To this end, the Directors intend that at an appropriate time after completion of the first acquisition of a Target Company and/or asset and the establishment of an executive management structure, the Company will establish an appropriate share option scheme or other incentive schemes under which eligible persons will be invited to participate at the discretion of the Board. Such incentive schemes will comply at all times with principles of good corporate governance and ABI guidelines.

Such share option scheme or schemes will in any event be limited in total to ten per cent. of the Company's issued share capital from time to time. The Board intends to allot and issue options under the share option scheme or schemes in accordance with performance-related criteria to be determined by the Remuneration Committee of the Board subject to compliance as aforesaid.

Dividend policy

The Company has not paid dividends since incorporation. It is the intention of the Directors that the Company should achieve capital growth. Until after completion of its first acquisition and the establishment of positive free cash flow from any oil or gas discoveries resulting from such acquisition, the Company will not be in a position to pay a dividend. Thereafter the Company's dividend policy will be reviewed in the light of the availability of distributable reserves and the need to retain funds to finance the further growth of the Company.

Corporate governance

Following the Company's first acquisition, the Directors intend to comply with the Combined Code as far as is applicable for a company of its size and nature. An Audit Committee, Nominations Committee and a Remuneration Committee, each consisting of non executive Directors will be established for this purpose. The Directors intend that the Board will comprise such number of executive and non-executive Directors to facilitate compliance with the Combined Code and the effective operation of the proposed committees.

The Audit Committee will be responsible for ensuring that the financial performance, position and prospects of the Group are properly monitored and reported on and for meeting with the auditors and discussing their audit procedures and the Group's internal controls.

The Remuneration Committee will review the performance of the executive Directors, set their remuneration, determine the payment of bonuses and consider the grant of options under the share option schemes of the Company and, in particular, the price per share and the application of performance standards to such grants.

The Nominations Committee will be responsible for dealing with appointments to the Board of Directors and senior positions in the management of the Company as well as relevant employment issues that arise in connection thereto.

The Company has adopted a code consistent with the AIM rules governing Directors' share dealings and will take proper steps to ensure compliance by the Directors.

Crest

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument.

The Company's articles of association contain provisions concerning the transfer of shares which are consistent with the transfer of shares in dematerialised form in CREST under the Uncertificated Securities Regulations 2001. The consent of CREST Co Limited has been sought to issue the Company's shares in uncertificated form and, accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if 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.

Permission is anticipated to be given for trading through CREST to begin on 5 April 2004.

Risk factors

The investment detailed in this document may not be suitable for all its recipients. Before making an investment decision, potential investors are advised to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in investments of the kind described in this document. A potential investor should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company:

Industry Specific Risks

1. The exploration, development and production of oil and gas involve a material degree of financial risk, with particularly the exploration aspect being of a highly speculative nature;
2. the geographical location of any potentially oil and gas bearing geological structures are such that they may be located in inhospitable and/or remote areas which increases exposure to risk;
3. the terms and conditions of licences to explore and produce oil and gas may be onerous as to many factors including time period and extent of work programme. Particularly in the CIS, the licences and their life may be affected by external factors including micro and macro political influences;
4. major expenditure is often required to identify and explore potential hydrocarbon bearing geological structures. Even after such expenditure has occurred and favourable results obtained through survey there is still no guarantee that oil or gas will be found;
5. even after material expense of drilling and identifying proven oil and gas reserves, there can be no guarantee that their extraction and subsequent transportation will prove to be and/or continue to be through the life of the fields, economically viable;
6. due to the speculative nature of E & P it is not always possible to forecast cash flow, operating costs and economic returns;
7. the price obtainable for the sale of gas and oil is variable and sensitive to a number of factors including demand, economic, social, environmental and political factors and terrorist actions. It is not possible to forecast with certain accuracy the prices obtainable going forward;
8. whilst where reasonably prudent and necessary to obtain, subject to availability, the Company will seek to insure against certain risks involved in E & P, there are risks and hazards against which it is not reasonably possible or practical to obtain insurance;

9. whilst not generally currently materially applicable, there may from time to time be implemented material restrictions on foreign control or foreign investment in oil and gas interests in the CIS or other relevant territories;
10. currency fluctuations may influence investments costs, values and realisations;

General Risks

11. there can be no guarantee that the price of the Placing Shares will reflect their actual or potential market value;
12. 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 recover the whole of their investment. This investment may be volatile and investors could lose all their investment;
13. the price at which investors may realise their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its proposed operations, and some which may affect the business sectors in which the Company operates and generally. These factors could include the performance of the Company's operations, large purchases or sales of shares in the Company, liquidity or absence of liquidity in the Ordinary Shares, legislative or regulatory changes relating to the business of the Company and general economic conditions;
14. the Company's future performance, and that of any companies which it invests in, will depend heavily on its ability to retain the services of its Directors and to be able to attract, motivate and retain the services of suitable personnel. Although such individuals have entered or will enter into service agreements or letters of appointment with the Company, the loss of the services of any such individual may have a material adverse affect on the business, operations, revenues and/or prospects of the Company;
15. although the Company has a defined strategy, there can be no guarantee that its objectives or any of them will be achieved on a timely basis or at all;
16. the Company has never traded and its future success will depend on the Directors' ability to implement its outlined strategy. While the Directors are optimistic about the Company's prospects, there is no certainty that anticipated acquisitions, revenues or growth will be achieved;
17. although it is the Company's intention to issue Ordinary Shares to satisfy all or part of the consideration payable for acquisitions, sellers of Target Companies or assets/equity stakes may not be prepared to accept shares traded on AIM;
18. potential investors should be aware that the value of shares can go down as well as up, and that an investment in a share which is to be traded on AIM is likely to be less realisable and to carry a higher degree of risk than an investment in a share quoted on the Official List of the London Stock Exchange;
19. the Company may face competition from various organisations wishing to trade/invest in similar companies and assets/equity stakes. Some of these competitors may have greater resources than the Company. There can be no assurance that such competition will not limit the Company's ability to implement its strategy; and
20. it may be necessary for the Company to raise additional capital to finance the growth of the Company through future stages of development. Any such capital requirement may not be available to the Company on favourable terms or at all and will, if existing shareholders choose not to subscribe, lead to a dilution of their interest.

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

PART 2

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 Placing Shares as investments and not as securities to be realised in the course of a trade. They do not purport to be comprehensive nor to describe all potential relevant considerations. They are based on current legislation and UK Inland Revenue practice. Any shareholder or prospective purchaser of Placing 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.

(a) Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax is payable on the issue of the Placing Shares.

Any subsequent disposal of the Placing Shares will generally give rise to payment of ad valorem stamp duty on the transfer document at the rate of 50p per £ 1 00, or part, on the amount or value of the consideration paid, subject to minimum duty of £5. Agreements for such transfers are generally subject to stamp duty reserve tax (unless, in general, the transfer of the relevant shares is duly stamped with ad valorem duty), generally at the rate of 0.5 per cent. of the amount or value of the consideration paid. Liability to pay any stamp duty reserve tax is generally that of the transferee or purchaser. Where a purchase or transfer is effected through a member of the London Stock Exchange Plc or a qualified dealer, the member or dealer will normally account for the collection and payment of the tax, but in all other cases the transferee or purchaser must account for the tax to the Inland Revenue.

Persons operating clearance services or depositary receipt schemes may be required to account for stamp duty and stamp duty reserve tax at rates higher than those referred to above.

(b) Taxation of chargeable gains

A subsequent disposal of the Placing Shares by persons resident or ordinarily resident in the United Kingdom in a tax year which gives rise to gains may be liable to capital gains tax (individuals and trustees) and corporation tax (companies). Liability to tax and the rate of tax will depend on the shareholder's circumstances and the availability of exemptions or allowable losses.

Indexation allowance, which increases the acquisition cost of an asset in line with the rise in the retail price index, is available for corporate shareholders during the period of ownership.

For individuals and trustees, taper relief may be available to reduce the amount of a chargeable gain according to how long the asset has been held.

Individuals and certain trusts have an overall annual exemption from capital gains tax for the first £7,900 of chargeable gains in the current tax year. Settlements have an equivalent exemption of up to £3,950 in the current tax year.

Generally, losses realised on the disposal of assets may be set against other gains made during the tax year or carried forward and set against gains in future tax years.

Different tax treatment applies to persons who trade in securities.

Persons who are neither resident nor ordinarily resident in the United Kingdom will not normally be liable to tax in the United Kingdom in respect of any gain accruing to them on a disposal of the Placing Shares. The terms of a relevant double taxation treaty may apply to persons with dual residence.

(c) Taxation of dividends

When a company pays a dividend it is not required to withhold tax at source. A tax credit equal to ten per cent. of the dividend and the associated tax credit, attaches to a dividend, i.e. the tax credit is equivalent of one ninth of the dividend.

Individual shareholders resident in the United Kingdom who pay tax at the lower or basic rate only, which, in respect of dividend income, is ten per cent., have no further tax liability in respect of the dividend. Individual shareholders resident in the United Kingdom who pay tax at the higher rate, pay tax in respect of dividend income at 32.5 per cent. on the dividend received and the tax credit, but will be able to offset the tax credit against such liability. Individual shareholders cannot reclaim the whole or part of any tax credit attaching to a dividend from the Inland Revenue.

Whether individual shareholders who are not resident in the United Kingdom for tax purposes (other than Commonwealth citizens, EEA nationals, residents of the Channel Islands or the Isle of Man and certain other categories of shareholders who are entitled to a tax credit on dividends received as if they were resident in the United Kingdom) are entitled to claim the whole or any part of any tax credit in respect of a dividend will usually depend on the terms of any applicable double tax treaty between the United Kingdom and their jurisdiction of residence. Such shareholders may be subject to tax on such dividends in their jurisdiction of residence and should consult their own professional advisers. The amount which can be reclaimed is likely to be minimal.

United Kingdom resident corporate shareholders are not normally liable to corporation tax on any dividends received.

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.

These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. The comments assume that Placing Shares are held as an investment and not as a trading asset. The levels and basis of taxation can change. The value of a relief from taxation depends upon the circumstances of the taxpayer. If you are in any doubt as to your tax position, you should contact your professional adviser without delay.

PART 3

Accountants' Report

The following is the full text of a report on Imperial Energy Corporation PLC from Baker Tilly, the Reporting Accountants, to the Directors of Imperial Energy Corporation PLC and Canaccord Capital (Europe) Limited.



BAKER TILLY

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The Directors
Imperial Energy Corporation PLC
6/8 York Place
Leeds LS1 2DS

and

The Directors
Canaccord Capital (Europe) Limited
1st Floor Brook House
27 Upper Brook Street
London W1K 7QF

25 March 2004

Dear Sirs

Imperial Energy Corporation PLC ("the Company")

Introduction

We report in connection with the Company's placing of 3,400,000 Ordinary Shares at 25 pence per share ("the Placing") and the application for admission of the issued and to be issued ordinary share capital of the Company to trading on the Alternative Investment Market of the London Stock Exchange ("the Admission"). This report has been prepared for inclusion in the Placing and Admission Document dated 25 March 2004 ("the Placing and Admission Document").

The Company was incorporated on 24 February 2004. The Company has not traded, prepared any financial statements for presentation to members, 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 described below and the execution of the material contracts, including entering into an agreement to purchase an 85% interest in a 51% majority block of shares in LLC Sibinterneft, a Russian registered limited liability company, referred to in paragraph 7 of Part 4 of the Placing and Admission Document. Accordingly, no profit and loss account information is presented in this report.

Basis of preparation

The financial information set out below has been extracted from the Company's accounting records for the period ended 15 March 2004, to which no adjustments were considered necessary. No audited financial statements have been prepared for submission to members in respect of any period since incorporation.

Responsibility

The financial records are the responsibility of the Directors of the Company ("the Directors"). The Directors of the Company are also responsible for the contents of the Placing and Admission Document dated 25 March 2004 in which this report is included.

It is our responsibility to compile the financial information set out below from the Company's financial records and to make a report in accordance with paragraphs 45 of Schedule 1 to the Public Offers of Securities Regulations 1995. Our work has been undertaken so that we might state those matters 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.

Basis of opinion

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out below gives, for the purpose of the Placing and Admission Document, a true and fair view of the state of affairs of the Company as at 15 March 2004.

IMPERIAL ENERGY CORPORATION PLC

BALANCE SHEET 15 March 2004

	Notes	£
Current assets		
Cash at bank and in hand		124,880
Creditors: Amounts falling due within one year	1	24,880
		<hr/> 100,000
Capital and reserves		
Called up share capital	2	100,000

Accounting policies

Basis of accounting

The financial information has been prepared in accordance with applicable UK accounting standards under the historical cost convention.

Notes to the financial information

1. Creditors: Amounts falling due within one year

	£
Other creditors	24,880

2. Share capital

	£
Authorised:	
200,000,000 ordinary shares of 2.5 pence each	5,000,000
Allotted, issued and fully paid:	
4,000,000 ordinary shares of 2.5 pence each	100,000

On 24 February 2004, the Company was incorporated with a share capital of 50,000 £1 ordinary shares of which 2 were issued and fully paid.

On 1 March 2004, each of the existing 50,000 ordinary shares of £1 each (both issued and unissued) were sub divided into 40 ordinary shares of 2.5 pence.

On 1 March 2004, the authorised share capital of the Company was increased to £5,000,000 by the creation of 198,000,000 ordinary shares of 2.5 pence each ranking pari passu in all respects with the existing ordinary shares of 2.5 pence each.

On 1 March 2004, the Company issued 3,999,920 ordinary shares of 2.5 pence for cash at par.

3. *Post balance sheet event*

On 18 March 2004, the Company issued 2,400,000 ordinary shares of 2.5 pence for a cash consideration of 12.5 pence per share, which represents a premium of 10 pence over the nominal value of each share.

4. *Related party transactions*

Other creditors relates to amounts owed to Peter Michael Levine, a Director and shareholder, and Alexander Abraham Capelson, a substantial shareholder. The amounts owed are interest free and repayable on demand.

The Company has entered into an agreement with Peter Michael Levine, a Director and shareholder and Alexander Abraham Capelson, a substantial shareholder ("the Sellers") of the one part and the Company of the other part under which the Company was granted a right to purchase an 85% interest in a 51% majority block of shares LLC Sibinterneft, a Russian registered limited liability company. The right expires after 31 December 2004 and the agreement contains no obligation or commitment on the Company's part to make such acquisition or pay any monies or compensation if such right to acquire is not exercised. If such right is exercised the total purchase costs are limited to the reimbursement to the Sellers of their aggregate costs and expenses in acquiring the relevant interest limited in total to US\$1,000,000 (One Million United States Dollars).

Consent

We consent to the inclusion of this report in the Placing and Admission Document dated 25 March 2004 and accept responsibility for this report for the purposes of paragraphs 45 of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully

Baker Tilly
Chartered Accountants
Registered Auditor

PART 4

Statutory and general information

1. THE COMPANY

- 1.1 The Company was incorporated in England and Wales as a public limited company on 24 February 2004 under CA 1985, with registered number 5054461, with the name Imperial Energy Corporation PLC.
- 1.2 The Company has received a certificate pursuant to section 117 CA 1985 to enable it to commence *business and exercise its borrowing powers. Its principal place of business in the United Kingdom is 6/8 York Place, Leeds LS1 2DS, West Yorkshire, United Kingdom.*
- 1.3 The liability of the members of the Company is limited.
- 1.4 The Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each, one of which was issued to PL Company Nominees Limited and one of which was issued to PL Company Secretaries Limited in each case at par.
- 1.5 On 1 March 2004 the Company increased its authorised share capital from £50,000 to £5,000,000 and subdivided its existing issued and unissued ordinary share capital into 200,000,000 ordinary shares of 2.5p each.
- 1.6 On 1 March 2004 the Company allotted 3,999,920 Ordinary Shares at par.
- 1.7 On 18 March 2004 the Company allotted 2,400,000 Ordinary Shares at 12.5p per share representing a premium of 10p over the nominal value per share.
- 1.8 The authorised and allotted share capital of the Company at the date of this document and following completion of the Placing, is and will be as follows:

	Number of Ordinary Shares	
	Authorised £	Allotted and fully paid Shares
Current	160,000	6,400,000
On Admission	245,000	9,800,000

- 1.9 The Directors are authorised for the purposes of section 80 CA 1985 to allot Ordinary Shares up to the maximum of authorised but unissued capital of £4,999,998, such authority to expire on 23 February 2009, unless previously revoked or varied by the Company in a general meeting. Such authorisation remains valid and effective and the allotments subsequently made as referred to above were made pursuant thereto.
- 1.10 The Directors are authorised pursuant to section 95(1) CA 1985 to allot equity securities, as defined in section 94(2) CA 1985, as if section 89(1) CA 1985 did not apply to such allotment, such authority expiring on the conclusion of the next annual general meeting of the Company or 23 February 2009 whichever is earlier and the Directors may allot equity securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to:
 - 1.10.1 the allotment of equity securities in connection with the Placing but subject to any exclusions or arrangements the Directors think necessary or expedient for the purpose of dealing with fractional entitlement or legal or practical problems under the laws of any territory or the requirement of any recognised regulatory body or stock exchange in any territory up to an aggregate nominal amount of £85,000; and
 - 1.10.2 the allotment of equity securities otherwise than in accordance with paragraph 1.10.1 above up to an aggregate nominal amount of £49,000 being 20 per cent of the Company's issued share capital following Admission.
- 1.11 The proposed business of the Company and its principal activity is that of a holding company of a group conducting the exploration, development and production of oil and gas fields.
- 1.12 Prior to Admission, the Company has no subsidiaries and is not part of a group.
- 1.13 Other than as disclosed in this document, the Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company.

2. MEMORANDUM OF ASSOCIATION

The principal objects of the Company are set out in clause 4 of its memorandum of association and are to carry on business as a general commercial company.

3. ARTICLES OF ASSOCIATION AND CREST

- 3.1 The rights attaching to the Ordinary Shares, as set out in the articles of association of the Company, contain, amongst others, the following provisions:

Votes of members

- (a) Subject to any special terms as to voting or to which any shares may have been issued, no shares having been issued subject to any special terms, on a show of hands every member who being an individual is present in person or, being a corporation is present by a duly authorised representative, has one vote, and on a poll every member has one vote for every share of which he is the holder.
- (b) Unless the Directors determine otherwise, a member of the Company is not entitled in respect of any shares held by him to vote at any general meeting of the Company if any amounts payable by him in respect of those shares have not been paid or if the member has a holding of at least 0.25 per cent. of any class of shares of the Company and has failed to comply with a section 212 notice.

Variation of rights

Subject to the provisions of CA 1985, if at any time the capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated with the consent in writing of the holders of at least three-fourths in nominal value of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of that class but not otherwise. The quorum at any such meeting is two or more persons holding, or representing by proxy, at least one-third in nominal value of the issued shares in question.

Transfers of shares

- (a) Subject to the provisions of the articles relating to CREST, all transfers of shares will be effected in the manner authorised by the Stock Transfer Act 1963 and must be signed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it.
- (b) The Directors may, in their absolute discretion and without assigning any reason, refuse to register the transfer of a share in certificated form if it is not fully paid or if the Company has a lien on it, or if it is not duly stamped, or if it is by a member who has a holding of at least 0.25 per cent. of any class of shares of the Company and has failed to comply with a section 212 notice. In exceptional circumstances approved by the UK Listing Authority, the Directors may refuse to register any such transfer, provided that their refusal does not disturb the market.
- (c) The articles of association contain no restrictions on the free transferability of fully paid ordinary shares provided that the transfers are in favour of not more than four transferees, the transfers are in respect of only one class of share and the provisions in the articles of association, if any, relating to registration of transfers have been complied with.

Payment of dividends

Subject to the provisions of CA 1985 and to any special rights attaching to any shares, the shareholders are to distribute amongst themselves the profits of the Company according to the amounts paid up on the shares held by them, provided that no dividend will be declared in excess of the amount recommended by the Directors. A member will not be entitled to receive any dividend if he has a holding of at least 0.25 per cent. of any class of shares of the Company, and has failed to comply with a section 212 notice. Interim dividends may be paid if profits are available for distribution and if the Directors so resolve. The Company or its Directors may fix a date as the record date for a dividend provided that the record date is not later than the date on which the dividend is paid or made.

Unclaimed dividends

Any dividend unclaimed after a period of 12 years from the date of its declaration will be forfeited and will revert to the Company.

Untraceable shareholders

The Company may sell any share if, during a period of 12 years, at least three dividends in respect of such shares have been paid, no cheque or warrant in respect of any such dividend has been cashed and no communication has been received by the Company from the relevant member. The Company must advertise its intention to sell any such share in both a national daily newspaper and a newspaper circulating in the area of the last known address to which cheques or warrants were sent. Notice of the intention to sell must also be given to the UK Listing Authority.

Return of capital

On a winding-up of the Company, the balance of the assets available for distribution will, subject to any sanction required by CA 1985, be divided amongst the members.

Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part if it, and subject to the provisions of CA 1985, to 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.

Directors

- (a) No shareholding qualification is required by a Director.
- (b) The Directors are entitled to fees at the rate decided by them, subject to an aggregate limit of £100,000 (one hundred thousand pounds sterling) per annum or such additional sums as the Company may by ordinary resolution determine. The Company may by ordinary resolution also vote extra fees to the Directors which, unless otherwise directed by the resolution by which it is voted, will be divided amongst the Directors as they agree, or failing agreement, equally. The Directors are also entitled to be repaid all travelling, hotel and other expenses incurred by them in connection with the business of the Company.
- (c) At every annual general meeting, one third of the Directors who are subject to retirement by rotation, or as near to it as may be, will retire from office. A retiring Director is eligible for re-appointment.
- (d) The Directors may from time to time appoint one or more of their body to be the holder of an executive office on such terms as they think fit.
- (e) Except as provided in paragraphs (f) and (g) below, a Director may not vote or be counted in quorum present on any motion in regard to any contract, transaction, arrangement or any other proposal in which he has any material interest, which includes the interest of any person connected with him, otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. Subject to CA 1985, the Company may by ordinary resolution suspend or relax this provision to any extent or ratify any transaction not duly authorised by reason of a contravention of it.
- (f) In the absence of some other material interest than is indicated below, a Director is entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:
 - (i) the giving of any security, guarantee or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving of any security, guarantee 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 under a guarantee or indemnity or by the giving of security;
 - (iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in its underwriting or sub-underwriting;
 - (iv) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, as defined in Part VI of CA 1985, provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company, or of a third company through which his interest is derived, or of the voting rights available to members of the relevant company, any such interest being deemed for the purpose of article 29.7 of the articles of association to be a material interest in all circumstances;

- (v) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue;
 - (vi) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of an employee share scheme which includes full time executive Directors of the Company and/or any subsidiary or any arrangement for the benefit of employees of the Company or any of its subsidiaries and which does not accord to any Director any privilege or advantage not generally accorded to the employees to whom such a scheme relates; and
 - (vii) any contract, arrangement, transaction or proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including the Directors.
- (g) If any question arises at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question must be referred to the chairman of the meeting and his ruling in relation to any other Director will be final and conclusive except in a case where the nature or extent of the interest of such Director has not been fully disclosed. If the question concerns the chairman, it must be referred to such other Director present at the meeting, other than the chairman, as the Directors present appoint.
- (h) The Directors may provide or pay pensions, annuities, gratuities and superannuation or other allowances or benefits to any Director, ex-Director, employee or ex-employee of the Company or any of its subsidiaries or any wife, widow, children and other relatives and dependants of any such Director, ex-Director, employee or ex-employee.

3.2 Crest

The Directors may implement such arrangements as they think fit in order for any class of shares to be held in uncertificated form and for title to those shares to be transferred by means of a system such as CREST in accordance with the Uncertificated Securities Regulations 2001 and the Company will not be required to issue a certificate to any person holding such shares in uncertificated form.

4. SUBSTANTIAL SHAREHOLDER

Except for the interests of the Directors, which are set out in paragraph 5.1, the only holder of Ordinary Shares representing three per cent or more of the nominal value of the Company's share capital at the date of this document and their percentage holding following the Placing is:

Name	Existing Ordinary Shares	Percentage current ordinary share capital	Ordinary Shares post Placing	Percentage post Placing ordinary share capital
Alexander Abraham Capelson	2,600,000	40.63	3,300,000	33.67

5. DIRECTORS' INTERESTS AND OTHER MATTERS

5.1 The interests of the Directors, their immediate families and persons connected with them, within the meaning of section 346 CA 1985, in the share capital of the Company at the date of this document, all of which are beneficial, and following the Placing are:

Name	Existing Ordinary Shares	Percentage current ordinary share capital	Ordinary Shares post Placing	Percentage ordinary share capital post Placing
Peter Michael Levine	2,600,000	40.63	3,300,000	33.67
Kenneth Peat Forrest	Nil	Nil	10,000	0.10

5.2 Except as disclosed in paragraph 5.1 none of the Directors, nor any member of their respective immediate families nor any person connected with them within the meaning of section 346 CA 1985 is interested in the share capital of the Company.

5.3 The Company has entered into the following letters of appointment in relation to the Directors and Advisory Council members:

- 5.3.1 a letter of appointment with Peter Michael Levine dated 19 March 2004 conditional upon Admission, pursuant to which Peter Michael Levine was appointed as a Director and Chairman for an annual fee of £48,000 payable monthly in arrears such fee only to

commence to be payable upon the Company making its first material investment or acquisition as determined by the Board of Directors. The appointment is for six months and is then terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if Peter Michael Levine is, among other things, in material breach of the terms of the appointment.

- 5.3.2 a letter of appointment with Kenneth Peat Forrest dated 19 March 2004 conditional upon Admission, pursuant to which Kenneth Peat Forrest was appointed as a Director for an annual fee of £12,000 payable monthly in arrears such fee only to commence to be payable upon the Company making its first investment or acquisition as determined by the Board of Directors. The appointment is for six months and is then terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if Kenneth Peat Forrest is among, other things, in material breach of the terms of the appointment.
- 5.3.3 a letter of appointment with Alexander Abraham Capelson dated 19 March 2004 conditional upon Admission, pursuant to which Alexander Abraham Capelson was appointed to be a consultant to the Company and a member of the Company's Advisory Council. No annual fee is payable. Alexander Abraham Capelson will only receive fees from the Company on a per diem case by case basis at the request of the Company, such fees to be determined at the time by the Company but to be proportionate and reasonable in the context of the services required by the Company. The appointment is terminable on one months notice or in the event of material breach of obligations without compensation.
- 5.3.4 a letter of appointment with Yuri Petzoukha dated 19 March 2004, conditional upon Admission, pursuant to which Yuri Petzoukha was appointed to be a consultant to the Company and a member of the Company's Advisory Council. No annual fee is payable. Yuri Petzoukha will only receive fees from the Company on a per diem case by case basis at the request of the Company, such fees to be determined at the time by the Company but to be proportionate and reasonable in the context of the services required by the Company. The appointment is terminable on one months notice or in the event of material breach of obligations without compensation.
- 5.3.5 a letter of appointment with Robert Anthony Sheffrin dated 19 March 2004, conditional upon Admission, pursuant to which Robert Anthony Sheffrin was appointed to be a consultant to the Company and a member of the Company's Advisory Council. No annual fee is payable. Robert Anthony Sheffrin will only receive fees from the Company on a per diem case by case basis at the request of the Company, such fees to be determined at the time by the Company but to be proportionate and reasonable in the context of the services required by the Company. The appointment is terminable on one months notice or in the event of material breach of obligations without compensation.
- 5.4 The aggregate remuneration paid and benefits in kind granted to the Directors for the period from the date of incorporation of the Company to Admission, under the arrangements in force at the date of this document, amount to £ nil. It is estimated that the aggregate remuneration payable to the Directors from Admission to 31 October 2004 under arrangements in force at the date of this document will in the maximum amount to approximately nil.
- 5.5 The Directors have held the following directorships and partnership (which unless otherwise stated are incorporated or established in the UK) within the five years prior to the publication of this document:

Peter Michael Levine

Current

British-Kazakh Society
Dalton Airfield Estate Limited
Dalton Airfield Properties Limited
Ennerdale Apartments (Leeds) Limited
Getech International Limited
Keltbray Group (Holdings) Limited
PL Company Nominees Limited
PL Company Secretaries Limited
Severfield-Rowen Plc
Tubemasters Limited
Unity Petroleum Limited
Watson Steel Structures Limited

Past

Advanced Computer Group Limited
Dom Investments Limited
GDI & Co. Limited
Golden Grain Limited
Firebrand Limited
International Energy Services Limited
Interconnect Solutions Limited
Kinel Fire Limited
PLLG Limited
Teletel Plc
Teletel (UK) Limited
Tubemasters Profiling Limited

Peter Michael Levine was a non-executive director of A Line Systems Limited, as nominee of an investor third party. Administrative Receivers were appointed to A Line Systems Limited on 17 December 1998. The estimated deficiency towards creditors was approximately £660,000 (Six Hundred and Sixty Thousand Pounds).

Kenneth Peat Forrest**Current**

Atlantic Oil & Gas Plc
Kazlink Limited
The Factor Ten Company Limited

5.6 Except as disclosed above, no Director has:

- 5.6.1 any unspent convictions in relation to indictable offences;
- 5.6.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;
- 5.6.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or which entered into 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;
- 5.6.4 been publicly criticised by any statutory or regulatory authority, including recognised professional bodies;
- 5.6.5 been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangement where such director was a partner at the time of or within the 12 months preceding such event;
- 5.6.6 been subject to the receivership of any asset of such director or of a partnership of which the director was a partner at the time or within 12 months preceding such event; or
- 5.6.7 been disqualified from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5.7 No Director has been interested in any transaction with the Company which was unusual in its nature or conditions or significant to the business of the Company during the current financial year which remains outstanding or unperformed.

6. LITIGATION

The Company is not involved in any legal or arbitration proceedings which have or, since incorporation, may have had, a significant effect on the Company's financial position nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company.

7. MATERIAL CONTRACTS

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

- (i) Agreement made 22 March 2004 between Peter Michael Levine and Alexander Abraham Capelson ("the Sellers") of the one part and the Company of the other part under which the Company was granted a right to purchase an 85% interest in a block of shares representing 51% of the entire issued share capital in a majority block of shares in LLC Sibinterneft, a Russian

registered limited liability company. The right expires after 31 December 2004 and the agreement contains no obligation or commitment on the Company's part to make such acquisition or pay any monies or compensation if such right to acquire is not exercised. If such right is exercised the total purchase costs are limited to the reimbursement to the Sellers of their costs and expenses incurred in acquiring the relevant interest and subsequent on-sale to the Company together with a reasonable sum commensurate with risks undertaken in purchase of the same, all monies payable to the Sellers limited in aggregate to US\$1,000,000 (One Million United States Dollars).

- (ii) Agreements dated 22 March 2004 in which the Directors and Alexander Abraham Capelson have agreed with the Company and the Broker not to dispose of any interest in the shares in the capital of the Company for a period of 12 months from the date of Admission, except in the case of an intervening court order, a takeover offer relating to the Company's share capital becoming or being declared unconditional or in the case of the Directors, on the death of that Director. The parties have also agreed that during a period of 12 months after the expiry of the above period, they will only sell or dispose of any shares of the Company through the Broker or the Company's Broker from time to time.
- (iii) On 13 February 2004 the Company and Canaccord Capital (Europe) Limited entered into a nominated adviser and broker engagement letter in relation to the latter acting as the company's Nominated Adviser and Broker for the proposed application for admission to AIM.
- (iv) On 25 March 2004 the Company and Canaccord Capital (Europe) Limited entered into a Nominated Adviser and Broker agreement. Under this agreement Canaccord Capital (Europe) Limited will receive an annual retainer of £20,000 for on-going Broker and Nominated Adviser services. The Company has agreed to comply with its legal obligations and those of AIM and the London Stock Exchange and to consult and discuss with Canaccord Capital (Europe) Limited all of its announcements and statements and to provide Canaccord Capital (Europe) Limited with any information with Canaccord Capital (Europe) Limited believes is necessary to enable it to carry out its obligations to the Company or the London Stock Exchange as Nominated Adviser and Broker. The engagement is for 12 months from Admission and thereafter is terminable on three months notice.
- (v) On 19 March 2004 the Company entered into an engagement letter with Winburn Glass Norfolk, Chartered Accountants, in relation to the provision of the services of Colin Glass to act as Company Secretary and part time financial controller to the Company. Under the terms of the letter, the Company will pay a monthly fee to Winburn Glass Norfolk of £500 for such services. The engagement is terminable on one months notice.

8. WORKING CAPITAL

It is the Directors' opinion having made due and careful enquiries that the working capital available to the Company, taking into account the net proceeds of the Placing receivable by the Company will be sufficient for its present requirements and for at least 12 months from Admission.

9. GENERAL

- 9.1 Except as set out in Part I of this document under the heading "Current Trading, LLC Sibinterneft and prospects" and in paragraph 7 of this Part 4, the Company has not traded or conducted business within section 117 (1) of CA 1985 since its incorporation. For the purposes of paragraphs 48 and 49 of schedule 1 of the Regulations there have been no significant recent trends concerning the business of the Company since its incorporation and the prospects of the Company are dependent on the successful implementation of the strategy referred to in Part 1 of this document.
- 9.2 The expenses of the application for admission of the Ordinary Shares of the Company to AIM and Placing are estimated at £80,000 (Eighty Thousand Pounds) exclusive of VAT and disbursements and are payable by the Company.
- 9.3 The Company's accounting reference date is 31 December.
- 9.4 There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.
- 9.5 There are no significant investments in progress by the Company.
- 9.6 No exceptional factors have influenced the Company's activities.
- 9.7 There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) against, or being brought by, the Company.

- 9.8 Except as stated in this document and for the advisers named on page 5 of this document, no person has received, directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission to trading on AIM or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any fees or securities in the Company.
- 9.9 The minimum amount which in the opinion of the Directors, must be raised through the Placing to provide the sums required in respect of the matters specified in schedule 1 of the Regulations is £850,000 which will be applied as follows:
- | | |
|---|----------|
| 9.9.1 the purchase of property | £ nil |
| 9.9.2 preliminary expenses and expenses of the Placing | £80,000 |
| 9.9.3 repayment of money borrowed in respect of 9.8.1 and 9.8.2 above | £ nil |
| 9.9.4 working capital | £770,000 |
- 9.10 Except as disclosed in this document, there has been no significant change in the financial or trading position of the Company since its incorporation.
- 9.11 The Nominated Adviser and Broker, Canaccord Capital (Europe) Limited, has given and not withdrawn its written consent to the issue of this document with references to its name in the form and context in which they appear.
- 9.12 The Reporting Accountants, Baker Tilly, have given and not withdrawn their written consent to the issue of this document with the inclusion in it of their report and references to it and to their name in the form and context in which they respectively appear.
- 9.13 For the purpose of paragraph 25 of Part 4 of Schedule 1 to the Regulations, the subscription list for the Placing will open at 3.00 p.m. on 25 March 2004 and may be closed any time thereafter but not later than 17 April 2004. If the Placing Proceeds are not received in full by 12 April 2004 or such later date as the Company and the Nominated Adviser agree, but in any event no later than 17 April 2004, then the application monies received for Placing Shares shall be returned to the relevant applicants at their risk without interest.
- 9.14 The financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of section 240 CA 1985.
- 9.15 The Placing Price of 25p represents a premium of 22.5p above the nominal value of an Ordinary Share.
- 9.16 It is expected that certificates in respect of the Placing Shares will be despatched by 5 April 2004 and CREST accounts altered, as applicable, on 12 April 2004.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekdays, Saturdays and public holidays excepted, at the offices of PLLG, at 100 Pall Mall, London SW1Y 5HP for a period of one month from the date of this document:

- the memorandum and articles of association of the Company;
- the report of Baker Tilly in Part 3 of this document;
- the letters of appointment of the Directors and the Advisory Council members referred to in paragraph 5.3 of this Part 4;
- the material contracts referred to in paragraph 7 of this Part 4; and
- the written consents of Canaccord Capital (Europe) Limited and Baker Tilly referred to in paragraphs 9.11 and 9.12 of this Part 4.

11. COPIES OF THIS DOCUMENT

Copies of this document will be available to the public free of charge at the offices of Canaccord Capital (Europe) Limited, 1st Floor Brook House, 27 Upper Brook Street, London W1Y 1PD during normal business on any weekday (other than Saturdays and public holidays), for a period of one month from the date of this document.

Dated: 25 March 2004

