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A copy of this document (which has been drawn up in accordance with the requirements of the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland), having attached thereto the consents referred to in paragraph 13 of Part 3 of this document and copies of the material contracts referred to in paragraph 10 of Part 3 of this document has been delivered to the Registrar of Companies in Ireland for registration in compliance with Section 47 of the Companies Act, 1963 of Ireland and a copy of this document (which has also been drawn up in accordance with the requirements of the Public Offers of Securities Regulations 1995 (the "POS Regulations")) has also been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4 (2) of the POS Regulations.

Application will be made for the Ordinary Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. 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 consultation with his or her own independent financial adviser.

The rules of AIM are less demanding than those of the Official List of the London Stock Exchange. It is emphasised that no application is being made for admission of these securities to the Official List. Further, the London Stock Exchange has not itself approved the contents of this document. It is expected that the Ordinary Shares will be admitted to AIM and that dealings will commence on 18 August 2000.

Petrel Resources Plc

(Incorporated and registered in the Republic of Ireland under the Companies Act 1963 to 1999)

(Registered No 92622)

Introduction to the Alternative Investment Market Sponsored by Rowan Dartington & Co. Limited

The Directors of Petrel Resources Plc, whose names appear on page 4, accept responsibility for the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Rowan Dartington & Co. Limited has not authorised the contents of, or of any part of, this document for the purposes of Regulation 13 (1) (g) of the POS Regulations or of Sections 49 (1) (d) and 50 (1) of the Companies Act, 1963 of Ireland. Rowan Dartington & Co. Limited, which is regulated by The Securities and Futures Authority Limited, is acting for the Company and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Rowan Dartington & Co. Limited or for advising any other person on the transactions and arrangements proposed in this document.

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DEFINITIONS AND INTERPRETATION

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

“Acts”	the Companies Acts, 1963 to 1999 of Ireland
“Admission”	the admission of the Ordinary Shares to trading on AIM in accordance with the AIM Rules
“Admission Document”	this document dated 16 August 2000
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules establishing AIM contained in chapters 16 and 17 of the Rules of the London Stock Exchange
“Directors” or “Board”	the directors of the Company
“Executive Directors”	John Teeling and David Horgan
“Group”	the Company and its subsidiary undertaking
“IR£” and “IRp”	Irish pounds and Irish pence respectively
“London Stock Exchange”	London Stock Exchange Limited
“Non-Executive Directors”	Harry Wilson and Guy Delbes
“OFEX”	the trading facility set up and operated by J P Jenkins Limited to facilitate trading in securities neither quoted nor dealt in on the London Stock Exchange
“Ordinary Shares”	ordinary shares of IR1p each in the capital of the Company
“Petrel” or “Company”	Petrel Resources Plc
“POS Regulations”	the Public Offers of Securities Regulations 1995 of England and Wales (SI 1995/1537)
“Rowan Dartington”	Rowan Dartington & Co. Limited
“Shareholders”	holders of Ordinary Shares
“Share Option Scheme”	the Share Option Scheme adopted by the Company on 26 June 1997
“UN”	United Nations

All references in this document to legislation are to Irish legislation, unless otherwise stated, or the context otherwise requires.

DIRECTORS, SECRETARY AND ADVISERS

Directors and Secretary	John James Teeling (<i>Chairman</i>) David Horgan (<i>Group Chief Executive Officer</i>) Guy Delbes (<i>Non-Executive Director</i>) Henry George Wilson (<i>Non-Executive Director</i>) James Finn (<i>Secretary</i>)
Registered and Head Office	162 Clontarf Road Dublin 3 Ireland
Nominated Adviser and Nominated Broker	Rowan Dartington & Co. Limited Colston Tower Colston Street Bristol BS1 4RD United Kingdom
Auditors to the Company	Deloitte & Touche Deloitte & Touche House Earlsfort Terrace Dublin 2 Ireland
Solicitors to the Company	Ivor Fitzpatrick & Co 44-45 St Stephen's Green Dublin 2 Ireland
Solicitors to Rowan Dartington	Osborne Clarke OWA 50 Queen Charlotte Street Bristol BS1 4HE United Kingdom
Principal Bankers	Allied Irish Banks plc Annesley Bridge North Strand Road Dublin 2 Ireland
Registrars	Computershare Services (Ireland) plc Heron House Corrig Road Sandyford Industrial Estate Dublin 18 Ireland

PART I

INFORMATION ON THE COMPANY

Introduction

Petrel Resources Plc is an oil and gas exploration and production company based in Dublin. The Company was originally created to explore areas of offshore Ireland, but its activities are today focused on developing oil and gas production in Iraq.

Although the production of oil in Iraq is currently controlled by the United Nations (“UN”) under a Memorandum of Understanding (“MOU”), the Directors believe that pressure is building to relax or abolish the sanctions. Once sanctions are abolished, the Directors believe that production could rise from the current 3 million barrels per day to 9 million barrels per day within a decade and intend that the Company should seek to gain early mover advantage based on the management team’s expertise and through strategic alliances with industry partners.

The Company has an experienced Board and also employs consultants to provide further insight and advice regarding developments in the Iraq oil industry.

The Ordinary Shares have been trading on the OFEX trading facility since 8 August 1997 but the Directors now consider that the greater visibility and publicity associated with achieving a trading facility on AIM will enable the Company to attract and retain high calibre industry partners and give the Company greater access to capital.

History and Background of Petrel

The Company was incorporated in Ireland as Kish Developments Limited on 24 December 1982. It was established by Westfield Minerals Limited to explore for hydrocarbons in the Kish Basin in the Irish Sea. Several exploration ventures were unsuccessful and, although the Company held seismic research data on more than 20,000 square kilometres of offshore Ireland and information on 48 wells, the Company ceased active trading in 1987. The Company was acquired by David Horgan on 8 August 1994 but remained dormant until 30 June 1997 when over £700,000 was raised from investors and the Company was listed on the OFEX trading facility. The name of the Company was changed to Petrel Resources Plc on 16 July 1997.

On 12 May 1998, Petrel acquired from Heritage Oil and Gas Limited interests in exploration and production rights over blocks of land in Namibia and Uganda. The Namibian interest has since lapsed. The Company has recently sold back to Heritage Oil and Gas Limited for STG£450,000 the Ugandan interest, subject to the consent of the Ugandan Minister for Energy.

The Country of Iraq

Iraq has a land area of 438,000 square kilometres and is populated with some 20 million people, approximately 70 per cent. of whom live in urban areas, with Baghdad the capital city and home to some 4 million people.

In ancient times, the land area now known as Iraq was almost equivalent to Mesopotamia. The land between the two rivers Tigris and Euphrates was called the Fertile Crescent. This region is also known as the cradle of civilisation. It is believed that land was cultivated for the first time in this area, the alphabet was invented and writing, mathematics, modern time keeping, banking and accounting were all developed in the region.

Iraq has four distinct geographic regions. The north-eastern region, near the Turkish border is the mountainous part of the country, the land area between the Tigris and the Euphrates is an alluvial plain and is Iraq’s most fertile region. In the southeast, adjacent to the Persian Gulf, is a low-lying swampy area, containing marshes, lakes and reedy waterways. To the west of the Euphrates is the desert region, where the land gradually rises to join the Syrian Desert. This desert area constitutes about 35 per cent. of Iraq’s total land area.

Agricultural production includes wheat, barley, rice, figs and other fruits such as apples, olives, grapes, pears, oranges and pomegranates. Iraq is the world's leading producer of dates and, before recent wars and sanctions, was also the world's leading exporter of dates.

Economically, Iraq is still paying for the war with Iran in the 1980s and the Gulf War of 1991. Iraqi assets were frozen by a worldwide boycott and these assets were seized by the UN Security Council after the war. Allied bombing seriously damaged operations for oil exportation, and the economic blockade continues. As a result of these severe problems, Iraq suffers from high levels of unemployment and inflation can be as high as 100 per cent. annually. The country itself, though suffering the effects of sanctions and war, is highly developed. Iraq's most valuable industry is the production of oil and gas.

United Nations Memorandum of Understanding

The external commercial activities of Iraq are controlled by the UN under the MOU. The current MOU operates in periods of six months, during which Iraq is allowed to export oil, the proceeds being retained by the UN and used to pay for approved imports to Iraq. Every six months, Iraq prepares an item by item list of required imports. If these items are approved by the UN, importers can tender to supply. Each shipment must be approved prior to entering Iraq, after which payment is made by the UN. The existing system is cumbersome, bureaucratic and, for large projects such as the refurbishment of an oil field, virtually unworkable. The UN officials can at any time reject any particular item. Pressure is building to relax or abolish the sanctions.

The Oil Industry in Iraq

The first oil well drilled in the Middle East was Chia-Surkh, in 1903, which provided oil shows, but the second, two years later in the same field, proved oil flow, signifying the first discovery in Iraq. The first commercial discovery, however, was drilled in 1927 in Kirkuk field, near the "Eternal Fires". The well was a gusher. The Kirkuk field still produces in excess of 700,000 barrels per day. In 1933, export commenced from this field to the Mediterranean, at a rate of 1,600 barrels per day through two 121 pipelines, then the largest of their kind. Iraq's production picked-up during the Iranian Revolution Crisis of 1950 to 1955, reaching 697,000 barrels per day from a production level of 50,600 barrels per day in 1950.

The 1970s witnessed production reaching 3.5 million barrels per day. Foreign-owned companies controlled the industry in the early 1970s, but they were nationalised by the government in the mid-1970s. The nationalised industry expanded exploration and development activities fairly swiftly. The industry is now operated by the Iraq National Oil Company and the Northern Petroleum Organisation.

Refineries are situated in Baghdad, Basra, al-Hadithah, Khanaqin, Kirkuk and Qayyarah.

Iraq has proven reserves of 113 billion barrels of oil, making it the second largest oil province in the world. Iraq has larger probable reserves than Saudi Arabia, with some estimates quoting figures of 350 billion barrels. With little exploration undertaken in many areas it is likely that Iraq will prove to have the greatest oil reserves in the world.

Iraq's proven reserves of 113 billion barrels are contained in some 80 oil fields as shown above. Of these, 7 have been fully developed, and another 7 to 8 only partially developed. The remaining 65 fields are totally undeveloped.

It should be noted, however, that there is a concentration of reserves in a few fields almost all of which have multi reservoirs. As a result, the drilling success rate in Iraq is almost 8 out of 10, and the discovery rate is 7 out of 10. The largest seven fields, Rumaila South and North, Kirkurk, East Baghdad, Majnoon, West Qurma and Zubair, contain two-thirds of the total proven reserves. The discovery cost of oil produced is less than US0.5 cents per barrel while production costs of less than US\$1.00 a barrel are among the lowest in the world.

In the past two decades, production has fluctuated between 1.5 and 3.5 million barrels per day. War damage and an inability to import spares or new technology due to sanctions have restricted output. The Directors believe that, once sanctions are lifted, refurbishment of existing fields and development

of known deposits can double output within seven years. The Directors also believe that output can grow to 10 million barrels per day without the need for additional discoveries.

The Business of Petrel

With no further interests in Namibia and Uganda (subject to the consent of the Ugandan Minister for Energy) and, with the interest in offshore Ireland planned to play little or no part in the Company's immediate future, Iraq is now the focus of the Company's activity. The Directors have identified three areas of potential operations:

- Oil Development;
- Oil Exploration; and
- Trade

Oil Development

As a consequence of the Iran-Iraq War and the Gulf War, numerous oil fields in Iraq were damaged and have since been unable to produce oil in the volumes they ought to be capable of. In July 1999, the Company applied to refurbish and re-open two oil fields in Southern Iraq. The projected total cost of refurbishment is \$360 million, to be provided by a bank consortium, and it is expected that the timescale to full production will be three years from the date the licence is granted.

Petrel staff and consultants have made visits to Baghdad to further its proposals to acquire and develop the two oil fields and, following extensive discussions with the relevant authorities and site visits, the Directors are currently revising their tender proposals. The Directors are pleased to be working with the Iraqi authorities within the current UN regulations and anticipate that the new submission will involve:

- De-bottleneck existing operations;
- Refurbish and rebuild the existing facilities;
- Complete an oil reservoir engineering plan; and
- Expand production

Oil Exploration

Apart from proposing the development of known deposits, the Directors have been looking at exploration opportunities in the nine blocks on offer in the Western Desert.

The Directors have identified certain areas of interest and will be pursuing an exploration licence over the coming months.

The Directors are continuing a dialogue with an oil exploration and production company about areas of shared interest. It is possible that some joint activities might evolve from these discussions.

Trade

An attractive opportunity has come out of visits to Iraq by the Directors – a trading house. There is a long record of trade between Iraq and Ireland although little has taken place in the past decade. The Directors consider potential trade opportunities with Iraq to be substantial, even within UN restrictions. Petrel has set up the Ireland Iraqi Trading Company Limited as a wholly owned subsidiary to identify and exploit trade between the European Union and Iraq. Clear opportunities exist particularly in dairy and beef products, pharmaceuticals and certain types of machinery and supplies.

Competition

In recent years, Iraq has invited foreign companies to participate in developing the oil sector. Foreign companies can bring capital, innovation, technology and skill resources. The Gulf War and the subsequent UN sanctions have made developments difficult, particularly for US and British

companies. Russian, Chinese and French companies have signed development agreements although, to date, little has been done.

Funding of Petrel

On 8 August 2000, Petrel made a private placing of 3,574,000 new Ordinary Shares. The price of the Ordinary Shares offered was Stg10p per share, raising Stg£357,400 (before expenses) for the Company. The purpose of this fundraising was to secure the financing of the Company's planned capital expenditure programme.

Directors

As at the date of this document, the Board comprises the following members:

John Teeling (aged 54), Executive Chairman and founder

John Teeling has 27 years' experience in natural resource projects. John is the Chairman of African Gold PLC, Pan Andean Resources PLC and Minco PLC. He holds a doctorate from the Harvard Business School.

David Horgan (aged 40), Group Chief Executive Officer

David Horgan is currently Managing Director of Pan Andean Resources PLC. David spent four years with Boston Consulting Group. Latterly Finance Director of Kenmare Resources PLC. David holds a degree in law from Cambridge and an MBA from Harvard.

Guy Delbes (aged 71) Non-Executive Director

Mr Delbes has 40 years' experience of the oil industry in the Middle East. He is particularly knowledgeable on Iraq and Syria. A retired French diplomat, he speaks and writes fluent Arabic.

Harry Wilson (aged 47) Non-Executive Director

A British Petroleum scholar, Harry worked for BP for over 17 years as a senior exploration and production manager worldwide as well as in Corporate Finance. In 1987, he set up an independent exploration and production company, Kirkland Resources Limited. In 1993, Kirkland completed a reverse takeover of a fully listed British oil company, becoming Dragon Oil PLC.

Senior Management

Jim Finn (aged 41) Finance Manager

A director of Pan Andean Resources PLC, Minco PLC and Cooley Distillery PLC, Jim holds a degree in management from the Dublin Institute of Technology as well as a professional accounting qualification.

Employees and Support Services

The Company has established a presence in Baghdad and has recruited local technical and legal assistance. The Company has European based technical consultants working on the oil projects. It is now in the process of recruiting a Dublin based chief executive for the Ireland Iraqi Trading Company Limited.

Corporate Governance

The Directors are aware of the Combined Code applicable to listed companies which consolidates the work of the Cadbury, Greenbury and Hampel Committees on corporate governance. As a company quoted on AIM, the Company is not required to comply with the Combined Code but the Directors intend to comply with its main provisions as far as is practicable having regard to the size of the Company.

The Company will hold board meetings regularly throughout the year at which operating and financial reports will be considered. The Directors will be responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and senior personnel appointments.

The Audit Committee will be comprised of the Non-Executive Directors. It will meet at least twice a year and be responsible for ensuring that the financial performance of the Company is properly reported on and monitored and for meeting the auditors and reviewing the reports from the auditors relating to the accounts and internal control systems.

The Remuneration Committee will be comprised of the Non-Executive Directors (one of whom will chair the Committee). It will review the performance of the Executive Directors and set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of the Shareholders.

Current Trading

As previously stated in this document, the Company has disposed of its interests in Namibia and Uganda and does not intend to use the database of research material it owns over its offshore Ireland interest. The Company has now applied to the Iraqi government for the exploration rights over a block in the Western Desert and has submitted a detailed tender to refurbish, rebuild and develop two oilfields in Southern Iraq.

Dividend Policy

The proposed development of the Company is at a very early stage. Accordingly, the Directors expect that for the current year and the two subsequent financial years the Company will reinvest any profits to enhance the growth of the business and will not pay a dividend to Shareholders.

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 Ordinary Shares are already transferable by means of the CREST system.

Risk Factors

Prospective investors should carefully consider the following risks and uncertainties before deciding to invest in the Company, together with all the other information contained in this document. If any of these risks and uncertainties, together with possible additional risks and uncertainties of which the Directors are currently unaware, actually occur, the Company's business, financial position or operating results could be materially and adversely affected.

Liquidity

The shares are not listed on the Official List of the London Stock Exchange and although the Ordinary Shares are to be traded on AIM, this should not be taken as implying that there will be a liquid market in the shares. An investment in the Ordinary Shares may, therefore, in certain circumstances be difficult to realise.

Volatility of share price

The Group is not yet profitable and the share price could be highly volatile.

Investment risk

Prospective investors should be aware that the value of an investment in the Company may go down as well as up. In addition there can be no certainty that the market price of an investment in the Company will fully reflect its underlying value.

Limited trading

The business activities of the Group are at an early stage in their development and are not currently earning revenue. There is therefore limited information on which to base an evaluation of the Company's future prospects.

Nature of the Industry

The ultimate production of oil from the probable and possible reserves may be lower than expected or even non-existent. The Company's operations are subject to the normal risks inherent in oil exploration, development and production.

Working Capital

The Directors believe that the net proceeds of the recent private placing referred to in the section headed "Funding of Petrel" above, together with available credit facilities, will be sufficient to fund operations for the next 12 months. If the working capital requirements exceed current expectations, the Company may need to raise additional finance, without which it may fail to achieve its planned growth or may be unable to continue in business.

Management of Growth

If the Company grows as expected, it must successfully increase and implement additional resources to support sales, marketing, personnel, operational and financial functions. If growth cannot be managed effectively, the business, financial conditions and results from operations could be adversely affected.

Dependence on key personnel

In common with other services and businesses and in particular those at an early stage of their development, the Company's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of the Company has been, and will, to a significant extent, continue to be dependent on the expertise and experience of the Directors and the loss of one or more could have a materially adverse effect on the Company.

Economic, political, judicial, administrative, taxation or other regulatory factors

The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in both the Republic of Ireland, the jurisdiction in which the Company is registered, and Iraq, the jurisdiction in which the Company operates and holds its major assets, as well as other unforeseen matters.

PART II

FINANCIAL INFORMATION ON PETREL RESOURCES PLC

Accountants' report on the audited financial information for the three years ended 31 December 1999

Chartered Accountants and
Registered Auditors
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
Ireland

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**Deloitte
& Touche**

16 August 2000

The Directors
Petrel Resources plc
162 Clontarf Road
Dublin 3
Ireland

The Directors
Rowan Dartington and Co. Limited
Colston Tower
Colston Street
Bristol
BS1 4RD

Dear Sirs

Petrel Resources plc (“the Company”) and its subsidiary (“the Group”)

We report on the financial information set out below. This financial information has been prepared for inclusion in the Admission Document dated 16 August 2000 relating to the Company's proposed admission to trading on the Alternative Investment Market.

Basis of Preparation

The financial information set out in this report is based on the audited consolidated financial statements of the Group for the three years ended 31 December 1999, to which no adjustments have been made.

Responsibility

Such financial statements are the responsibility of the Directors of the Group who approved their issue.

The Directors of the Group are responsible for the contents of the Admission Document in which this report is included.

**Deloitte
Touche
Tohmatsu**

B Agnew PJ Barton FW Bowen PJ Carr PP Carty TM Cassin P Cronin P Cullen DB Deasy CA Dennehy F Dolan G Fitzpatrick ME Fulton
JP Gilmartin JM Hayden DF Hearn BP Jennings P Kenny G Lyons R MacDarby BP McDonald EP McHugh GV Magee MA Murphy D Murray
RJ Nolan PJ Nunan D O'Donovan TR O'Ferrall D O'Flanagan GB O'Mahoney TG O'Rourke JS Pittock P Reck MM Smith BD Uniacke
Also at Cork & Limerick
Authorised by the Institute of Chartered Accountants in Ireland to carry on investment business in Ireland and the United Kingdom

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Statements of 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. The evidence included that previously obtained by us relating to the audits of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Fundamental Uncertainty – Intangible Fixed Assets

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the valuation of intangible fixed assets. The realisation of the intangible fixed assets of IR£235,406 at 31 December 1999 and IR£228,239 at 31 December 1998 is dependent on the successful development of economic ore reserves. Details of the circumstances relating to this fundamental uncertainty are described in Note 8. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits and losses and cash flows of the Group for the years then ended.

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report.

Consolidated Profit and Loss Accounts

	<i>Note</i>	<i>Year ended 31 December</i>		
		<i>1997</i>	<i>1998</i>	<i>1999</i>
		<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
Operating loss		(50,376)	(123,818)	(107,290)
Interest income		13,144	22,177	2,707
Loss before exceptional item		(37,232)	(101,641)	(104,583)
Exceptional items – charge (credit)	2	1,279,419	(691,795)	–
Profit/(loss) on ordinary activities before taxation	3	1,242,187	(793,436)	(104,583)
Taxation	4	(3,816)	(5,766)	(518)
Profit/(loss) for the year		<u>1,238,371</u>	<u>(799,202)</u>	<u>(105,101)</u>
Earnings/(loss) per share – basic	5	4.1p	(2.4p)	(0.3p)
Earnings/(loss) per share – diluted	5	<u>3.8p</u>	<u>(2.4p)</u>	<u>(0.3p)</u>

All gains and losses are dealt with through the profit and loss account. The results derive from continuing operations.

Consolidated Balance Sheets

	<i>Note</i>	<i>As at 31 December</i>		
		<i>1997</i>	<i>1998</i>	<i>1999</i>
		<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
Fixed assets				
Tangible assets	7	–	–	3,050
Intangible fixed assets	8	24,080	228,239	235,406
		<u>24,080</u>	<u>228,239</u>	<u>238,456</u>
Current assets				
Debtors	9	1,601	2,742	5,742
Cash at bank		708,607	187,918	73,676
		<u>710,208</u>	<u>190,660</u>	<u>79,418</u>
Creditors: (amounts falling due within one year)	10	(36,557)	(57,545)	(61,621)
Net current assets		<u>673,651</u>	<u>133,115</u>	<u>17,797</u>
Total assets less liabilities		<u>697,731</u>	<u>361,354</u>	<u>256,253</u>
Capital and reserves				
Called up share capital	11	299,104	354,104	354,104
Share premium	12	589,227	997,052	997,052
Profit and loss account – (deficit)	13	(190,600)	(989,802)	(1,094,903)
Shareholders' funds – all equity	14	<u>697,731</u>	<u>361,354</u>	<u>256,253</u>

Consolidated Cash Flow Statements

	Note	Year ended 31 December		
		1997 IR£	1998 IR£	1999 IR£
Net cash outflow from operating activities	15	<u>(167,788)</u>	<u>(109,737)</u>	<u>(96,677)</u>
Returns on investments and servicing of finance				
Interest received		<u>13,144</u>	<u>22,177</u>	<u>2,707</u>
Net cash inflow from returns on investments and servicing of finance		<u>13,144</u>	<u>22,177</u>	<u>2,707</u>
Taxation				
Corporation Tax Paid		<u>–</u>	<u>–</u>	<u>(9,293)</u>
Capital expenditure and financial investment				
Payments to acquire intangible fixed assets		<u>(24,080)</u>	<u>(895,954)</u>	<u>(7,167)</u>
Payments to acquire tangible fixed assets		<u>–</u>	<u>–</u>	<u>(3,812)</u>
Net cash outflow from capital expenditure and financial investment		<u>(178,724)</u>	<u>(983,514)</u>	<u>(10,979)</u>
Financing				
Issue of ordinary share capital		<u>887,331</u>	<u>462,825</u>	<u>–</u>
Net cash inflow from financing		<u>887,331</u>	<u>462,825</u>	<u>–</u>
Increase/(decrease) in cash	16	<u><u>708,607</u></u>	<u><u>(520,689)</u></u>	<u><u>(114,242)</u></u>

Principal accounting policies

The financial information set out in this report has been prepared in accordance with applicable Accounting Standards generally accepted in Ireland and the United Kingdom including relevant Statements of Recognised Practice on accounting for oil and gas exploration, development, production and decommissioning activities. A summary of the more important accounting policies, which have applied consistently for all periods covered by this report, is set out below:

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention and are denominated in Irish pounds.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to the end of the financial year.

Deferred Development Expenditure

Mineral exploration costs are capitalised until the results of the projects, which are based in geographic areas, are known. Mineral exploration costs include an allocation of administration and salary costs as determined by management. If the project is successful, when the related exploration costs are written off over the life of the estimated ore reserve on a unit of production basis. Where a project is terminated, the related exploration costs are written off immediately.

Tangible fixed assets

Depreciation is provided to write-off the cost less the estimated residual value of tangible assets by equal instalments over their useful economic lives as follows:

Office Equipment: 5 years

Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated into Irish pounds at the rate of exchange prevailing at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transactions.

NOTES

1. Segmental analysis

The analysis of the profit/loss before taxation and the net assets employed by geographical segment is shown below:

	<i>Year ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
(A) Profit/(loss) before tax			
Ireland	1,242,187	(101,641)	(104,583)
Africa	–	(691,795)	–
	<u>1,242,187</u>	<u>(793,436)</u>	<u>(104,583)</u>

	<i>Year ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
(B) Net assets employed			
Ireland	685,731	145,195	32,927
Africa	12,000	216,159	223,326
	<u>697,731</u>	<u>361,354</u>	<u>256,253</u>

2. Exceptional items

The exceptional charge in 1998 represents the write off of deferred exploration expenditure of IR£691,795 in Namibia due to the termination of the project during 1998 by the majority partner.

The exceptional credit in 1997 represents a balance of IR£1,279,419 due to a director and waived by him. The resultant credit was taken to the profit and loss.

3. Profit/(loss) on ordinary activities

	<i>Year ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
The profit/(loss) on ordinary activities before taxation is stated after charging:			
Auditors' remuneration – audit	2,000	3,000	3,000
Depreciation	–	–	762
Directors' remuneration – fees	20,000	20,000	10,000
– salary	–	–	23,735
Staff costs – non directors	–	–	3,300
	<u>–</u>	<u>–</u>	<u>3,300</u>

The Company had one employee during the year ended 31 December 1999; none in the years ended 31 December 1998 and 1997.

4. Taxation

	<i>Year ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
Corporation taxation – based on the results for the years	<u>3,816</u>	<u>5,766</u>	<u>518</u>

The charge to taxation arises on interest income earned.

5. Earnings/(loss) per share

Basic earnings per share is computed by dividing the profit or loss after taxation for the year available to ordinary shareholders by the sum of the weighted average number of ordinary shares in issue and ranking for dividend during the period. Diluted earnings per share is computed by dividing the profit or loss after taxation for the year by the weighted average number of ordinary shares in issue, adjusted for the effect of all dilutive potential ordinary shares that were outstanding during the year.

The following table sets forth the computation for basic and diluted earnings per share (EPS):

	<i>Year ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
Numerator			
Numerator for EPS: retained profit/(loss)	<u>1,238,381</u>	<u>(799,202)</u>	<u>(105,101)</u>
Denominator			
Denominator for basic EPS	29,910,388	33,347,887	35,410,388
Effect of diluted securities – options	<u>2,773,373</u>	<u>3,249,742</u>	<u>3,593,824</u>
Denominator for diluted EPS	<u>32,683,761</u>	<u>36,597,629</u>	<u>39,004,212</u>
Basic EPS	4.1p	(2.4p)	(0.3p)
Diluted EPS	<u>3.8p</u>	<u>(2.4p)</u>	<u>(0.3p)</u>

In 1998 and 1999, basic and diluted loss per share are the same, as the effect of the outstanding share options is anti-dilutive, and therefore excluded.

6. Profit and loss account of Petrel Resources Plc

In accordance with the Irish Companies Acts, 1963 to 1999, the profit and loss account of the Company is not presented as part of these financial statements.

The loss after taxation for the year ended 31 December 1999, dealt with in the financial statements of the parent Company, was IR£105,101; year ended 31 December 1998: loss of IR£799,202; year ended 31 December 1997: profit of IR£1,238,371.

7. Tangible fixed assets

	<i>Office Equipment IR£</i>	<i>Total IR£</i>
Cost		
At 1 January 1999	–	–
Additions	3,812	3,812
At 31 December 1999	<u>3,812</u>	<u>3,812</u>
Depreciation		
At 1 January 1999	–	–
Charge for the year	762	762
At 31 December 1999	<u>762</u>	<u>762</u>
Net book value		
At 31 December 1997	<u>–</u>	<u>–</u>
At 31 December 1998	<u>–</u>	<u>–</u>
At 31 December 1999	<u>3,050</u>	<u>3,050</u>

8. Intangible fixed assets

Group

Deferred development expenditure:

	<i>IR£</i>
Cost:	
At 1 January 1997	–
Additions	24,080
At 1 January 1998	24,080
Additions	895,954
Write-offs	(691,795)
At 1 January 1999	228,239
Additions	7,167
At 31 December 1999	<u>235,406</u>
Net book value:	
At 31 December 1999	<u>235,406</u>
At 31 December 1998	<u>228,239</u>
At 31 December 1997	<u>24,080</u>

Deferred development expenditure:

- at 31 December 1999 represents exploration and related expenditure in respect of projects in Uganda (IR£223,326) and Ireland (IR£12,080);
- at 31 December 1998 projects in Uganda and Ireland. Expenditure of IR£691,995 in Namibia, South West Africa was written off during the year;
- at 31 December 1997 projects in Uganda and Namibia.

The realisation of this intangible asset is dependent on the development of economic reserves, including the ability to raise finance to develop the mine. Should this prove unsuccessful the value included in the balance sheet would be written off.

The directors are aware that by its nature there is an inherent uncertainty in such development expenditure as to the value of the asset. Having reviewed the deferred development expenditure at 31 December 1999, 31 December 1998 and 31 December 1997, the directors are satisfied that the value of the intangible asset is not less than net book value.

9. Debtors

	<i>As at 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
Due within one year			
Other debtors and prepayments	<u>1,601</u>	<u>2,742</u>	<u>5,742</u>

10. Creditors: (amounts falling due within one year)

	<i>As at 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
Accruals	32,741	47,963	60,814
Corporation taxation	<u>3,816</u>	<u>9,582</u>	<u>807</u>
	<u>36,557</u>	<u>57,545</u>	<u>61,621</u>

11. Called up share capital

	<i>As at 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
Authorised			
Ordinary shares of IR1p each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid			
Ordinary shares of IR1p each			
At beginning of year	1,000	299,104	354,104
Shares issued during year	<u>298,104</u>	<u>55,000</u>	<u>–</u>
At end of year (31 December 1999: 35,410,388 shares)	<u>299,104</u>	<u>354,104</u>	<u>354,104</u>

During the year ended 31 December 1997, 29,810,388 ordinary shares were issued. The proceeds were applied to fund working capital.

During the year ended 31 December 1998, 5,500,000 ordinary shares were issued to acquire interests in Uganda and Namibia from Heritage Oil & Gas Limited.

Options: A total number of 5,295,000 share options were in issue at 31 December 1999; at 31 December 1998: 4,430,000 share options; and at 31 December 1997: 4,430,000 share options. These options were exercisable at prices ranging between IR1p and IR5p in accordance with the option agreement.

12. Share premium

	<i>As at 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
At beginning of year	–	589,227	997,052
Arising on shares issued during year (net of capital duty of IR£8,974 in 1997 and IR£4,675 in 1998) – see note 11	589,227	407,825	–
At end of year	<u>589,227</u>	<u>997,052</u>	<u>997,052</u>

13. Profit and loss account

	<i>As at 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
Accumulated deficit at beginning of year	(1,428,971)	(190,600)	(989,802)
Profit/(loss) for year	1,238,371	(799,202)	(105,101)
Accumulated deficit at end of year	<u>(190,600)</u>	<u>(989,802)</u>	<u>(1,094,903)</u>

14. Reconciliations of movement in shareholders' funds

	<i>Year ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
Total recognised profits/(losses) for the year	1,238,371	(799,202)	(105,101)
Issue of shares	298,104	55,000	–
Related share premium – net	589,227	407,825	–
Net change in shareholders' funds	2,125,702	(336,377)	(105,101)
Opening shareholders' funds	(1,427,971)	697,731	361,354
Closing shareholders' funds	<u>697,731</u>	<u>361,354</u>	<u>256,253</u>

15. Net cashflow from operating activities

	<i>Year ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
Operating profit/(loss)	1,229,043	(123,818)	(107,290)
Depreciation	–	–	762
(Increase) in debtors	(1,601)	(1,141)	(3,000)
(Decrease)/increase in creditors	(1,395,230)	15,222	12,851
	<u>(167,788)</u>	<u>(109,737)</u>	<u>(96,677)</u>

16. Analysis of movement in net funds

	<i>As at 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
Cash at bank and in hand at 1 January	–	708,607	187,918
Cash flow	708,607	(520,689)	(114,242)
At 31 December	<u>708,607</u>	<u>187,918</u>	<u>73,676</u>

	<i>Year ended 31 December</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>IR£</i>	<i>IR£</i>	<i>IR£</i>
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the year	<u>708,607</u>	<u>(520,689)</u>	<u>(114,242)</u>
Movement in funds/(net debt) in the year	708,607	(520,689)	(114,242)
Net funds at start of year	–	708,607	187,918
Net funds at end of year	<u>708,607</u>	<u>187,918</u>	<u>73,676</u>

17. Commitments

Under the terms of the agreements with Heritage Oil and Gas Limited in relation to the Ugandan licence, the Company is committed to paying 10 per cent. of the annual budgeted exploration costs.

At 31 December 1999, the Group's share of the budgeted cost for the year 2000 exploration programme was US\$20,000 and at 31 December 1998 the budgeted cost for year 1999 exploration programme was US\$20,000.

18. Risk management

The Group's financial instruments comprise cash balances and various items such as trade debtors and trade creditors which arise directly from trading operations. The main purpose of these financial instruments is to provide working capital to finance Group operations.

The Group does not enter into any derivative transactions, and it is the Group's policy that no trading in financial instruments shall be undertaken.

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

The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged under the three year period under review.

Interest Rate Risk

The Group finances its operations through its issue of equity shares, and has no fixed interest rate agreements. The Group has no significant exposures to interest rate risk.

Liquidity Risk

As regards liquidity, the Group's exposure is confined to meeting obligations under short term trade creditor agreements. This exposure is not considered to be significant, and is fully financed from operating cashflow, or where this is insufficient during the development stage, through additional issues of ordinary equity shares.

Foreign Currency Risk

Although the Group is based in the Republic of Ireland, amounts held as deferred development expenditure were, in the main, originally expended in currencies other than Euro aligned currencies. However, this expenditure is not considered to be a monetary asset, and has been translated to the reporting currency at the rates of exchange ruling at the dates of the original transactions. The Group at present does not hold significant foreign currency monetary assets or liabilities.

The Group also has transactional currency exposures. Such exposures arise from expenses incurred by the Group in currencies other than the functional currency. It is expected that almost all future revenue will arise in US dollars. The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates, and restricting the buying and selling of currencies to predetermined exchange rates within specified bands.

The Group does not currently utilise swaps or forward contracts to manage its currency exposures, although such facilities are considered and may be used where appropriate in the future.

19. Related party transactions

In accordance with the basis of an agreement entered into in the year ended 31 December 1998, the Company holds a 10 per cent. interest in the licence in Uganda with Heritage Oil and Gas Limited (Heritage) holding the remaining 90 per cent. The Company paid Heritage IR£7,167 in respect of the year ended 31 December 1999 and IR£145,121 in respect of the year ended 31 December 1998 representing its 10 per cent. share of exploration and related expenditure incurred during those years on the project.

Mr Tony Buckingham, who was a director of the Company during the period from 15 May 1998 to 3 July 2000, is chairman and principal shareholder in Heritage.

20. Material non cash transactions

The material non cash transaction is outlined in Note 11 on share capital and relates to the issue of 5.5 million shares in part consideration for the acquisition of assets in Namibia and Uganda.

21. Subsequent events

Subsequent to 31 December 1999:

1. The Company issued 3,574,000 Ordinary Shares in August 2000 at a price of Stg10p following a share placing and raised Stg£339,000 net of expenses (IR£424,000);
2. The Company terminated its agreement with Heritage Oil and Gas Limited and (subject to the consent of the Ugandan Minister for Energy) disposed of its Ugandan interests. In consideration, the Company received Stg£427,500 net of expenses (IR£534,000) at a net profit to the Company of c IR£300,000;
3. Mr Tony Buckingham ceased to be a Director on 3 July 2000; and
4. The Directors approved the making of an application for admission of the Ordinary Shares to listing on the Alternative Investment Market.

22. Subsidiary undertakings

Petrel Resources plc has the following wholly owned subsidiary as at 31 December 1999:

<i>Company Name</i>	<i>Registered Office</i>	<i>Shareholding %</i>	<i>Nature of business</i>
The Ireland Iraqi Trading Company Limited (formerly Roundcroft Enterprises Limited)	162 Clontarf Road Dublin 3	100%	Dormant

Yours faithfully

DELOITTE & TOUCHE

PART III

ADDITIONAL INFORMATION

1. Incorporation and Registration

The Company was incorporated in Ireland on 24 December 1982 as Kish Developments Limited (with registered number 92622) under the Companies Acts 1963-1982. The Company was re-registered as a public limited company on 2 July 1997 and subsequently changed its name to Petrel Resources Plc on 16 July 1997. The Company's registered office and principal place of business is at 162 Clontarf Road, Dublin 3, Ireland. The principal legislation under which the Company operates is the Acts and regulations made thereunder. The liability of the members of the Company is limited.

2. Share Capital

The Company was incorporated with an authorised share capital of IR£60,000,000 divided into 20,000,000 ordinary shares of IR£1 each, 20,000,000 cumulative redeemable participating preference shares of IR£1 each and 20,000,000 convertible cumulative redeemable participating preference shares of IR£1 each. Two of such ordinary shares were issued and fully paid.

Since the date of incorporation up to the date of this document there have been the following changes in the authorised and issued share capital of the Company:

- (a) On 29 August 1983, 998 ordinary shares of IR£1 each were allotted.
- (b) On 26 June 1997 the existing issued share capital of 1,000 ordinary shares of IR£1 each was subdivided into 100,000 ordinary shares of IR1p each.
- (c) On 26 June 1997 the unissued share capital of the Company was altered as follows:
 - (i) 999,000 of the authorised but unissued ordinary shares of IR£1 each were subdivided and converted into and designated as 99,900,000 ordinary shares of IR1p each; and
 - (ii) the remaining 19,000,000 ordinary shares of IR£1 each, the authorised 20,000,000 cumulative redeemable participating preference shares of IR£1 each and 20,000,000 convertible cumulative redeemable participating preference shares of IR£1 each were cancelled.
- (d) On 30 June 1997, 14,855,194 ordinary shares of IR1p each were allotted.
- (e) On 1 August 1997, 12,183,714 ordinary shares of IR1p each were allotted.
- (f) Between 4 September 1997 and 1 October 1997, 2,771,480 ordinary shares of IR1p each were allotted.
- (g) On 12 May 1998, 5,500,000 ordinary shares of IR1p each were allotted.
- (h) On 3 July 2000, the authorised issued share capital of the Company was increased from IR£1,000,000 to IR£2,000,000 by the creation of 100,000,000 new ordinary shares of IR1p each.
- (i) On 8 August 2000, 3,574,000 ordinary shares of IR1p each were allotted.
- (j) The authorised and issued share capital of the Company as at the date of this document is set out below.

<i>Authorised</i>		<i>Issued and fully paid up</i>	
<i>IR£</i>	<i>Number</i>	<i>IR£</i>	<i>Number</i>
2,000,000	200,000,000	389,843.88	38,984,388

The Directors are authorised pursuant to Section 20 of the Companies (Amendment) Act, 1983 to allot all the authorised but unissued share capital of the Company at the date of this document, such authority expiring on 3 July 2005. Section 23 (1) of the same Act (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are or are to be paid up in cash) was disapplied by a special resolution passed at the Annual General Meeting on 3 July 2000, such disapplication also expiring on 3 July 2005.

3. Memorandum and Articles of Association

- (a) The principal objects of the Company which are set out in Clause 3(i)(a) of the Memorandum of Association are, *inter alia*, to carry on the business of exploration and prospecting for oil, gas hydro-carbons and mineral deposits of every kind and to apply for and hold all necessary licences for that purpose.
- (b) Set out below is a summary of the main provisions of the Articles of Association:

(b) *Share Capital*

The share capital of the Company is IR£2,000,000 divided into 200,000,000 Ordinary Shares of IR1p each ranking *pari passu* in all respects.

If at any time the share capital is divided into different classes of shares the rights attached to any class may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares in that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

Subject to the provisions of the Articles of Association relating to new shares, the shares shall be at the disposal of the Directors, and they may (subject to the provisions of the Acts) allot, grant options over or otherwise dispose of them to such persons, on such terms and conditions and at such times as they may consider to be in the best interests of the Company and its shareholders.

The Directors are generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities within the meaning of Section 20 of the Companies (Amendment) Act 1983. The maximum amount of relevant securities which may be allotted under the authority conferred shall be the number of authorised but unissued relevant securities in the capital of the Company from time to time and for the time being. This authority expires on 3 July 2005. The Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offer or agreement, notwithstanding that such authority has expired.

The Directors are empowered pursuant to Sections 23 and 24(1) of the Companies (Amendment) Act, 1983 to allot equity securities within the meaning of the said section 23 for cash pursuant to the authority conferred by the Articles as if section 23 (1) of the said Act did not apply to any such allotment. This power expires on 3 July 2005. The Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred by the Articles had not expired.

Every person whose name is entered as a holder of any share in the register (except a Stock Exchange nominee in respect of whom the Company is not by law required to complete and have ready for delivery a certificate) shall be entitled without payment to receive within two months after allotment or lodgement of a transfer to him of the shares in respect of which he is so registered (or within such other period as the conditions of issue shall provide) one certificate for all such shares or several certificates each for one or more of such shares upon payment of 10 pence for every certificate after the first or such lesser sum as the Directors shall from time to time determine, so however, that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and the delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.

The Company may issue share warrants to bearer in respect of any fully paid-up shares of the Company stating that the bearer of the warrant is entitled to the shares therein specified.

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice hereto) any equitable, contingent, further or partial interest in any share or any interest in any fractional part of a share or (except only as by the Articles or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder. This shall not preclude the Company from requiring the members or a transferee of shares to furnish the Company with information as to the beneficial ownership of any share when such information is reasonably required by the Company.

The Company may by ordinary resolution:

- (A) convert any paid up shares into stock, and reconvert any stock paid up shares of any denomination;
- (B) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;
- (C) subdivide its existing shares, or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject, nevertheless, to section 68(1)(d) of the Act;
- (D) cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person; and

- (E) increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with and subject to any incident authorised, and consent required by law.

(c) *Transfer of Shares*

The instrument of transfer of any share shall be executed by or on behalf of the transferor and, in cases where the share is not fully paid, by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered on the register in respect thereof.

Subject to such of the restrictions of the Articles as may be applicable, the shares of any member may be transferred by instrument in writing in any usual or common form or any other form which the Directors may approve.

The Directors in their absolute discretion and without assigning any reason therefore may decline to register any transfer of a share which is not fully paid. The Directors may also decline to register the transfer of any share where such transfer, in their opinion, may imperil or prejudicially affect the status of the Company in the State or which may give rise to any loss of or diminution in value of any of the rights or property of the Company.

The Directors may decline to recognise any instrument of transfer unless:

- (A) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; and
- (B) the instrument of transfer is in respect of one class of share only.

(d) *Forfeiture of shares*

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued.

(e) *Conversion of shares into stock*

The Company may by ordinary resolution convert any paid up shares into stock and reconvert any stock into paid up shares of any denomination.

(f) *Votes of members*

Subject to any special rights or restrictions as to voting for the time being attached by or in accordance with the Articles to any class of shares, on a show of hands every member present in person and every proxy shall have one vote, but so that no one member shall on a show of hands have more than one vote in respect of the aggregate number of shares of which he is a holder, and on a poll every member who is present in person or by proxy shall have one vote for each share of which he is a holder.

When there are joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose, seniority shall be determined by the order in which the names stand in the register.

(g) *Directors*

The number of directors shall not be less than two. The Company may by ordinary resolution from time to time increase the minimum number and likewise may by ordinary resolution fix and from time to time vary the maximum number of Directors.

The remuneration of the Directors shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled to rank in such division for a proportion of the remuneration related to the period during which he has held office. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in

attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company.

If any Director shall be called upon to perform extra services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, the Company may remunerate such Director either by a fixed sum or by a percentage of profits or otherwise as may be determined by a resolution passed at a meeting of the Directors and such remuneration may be either in addition to or in substitution for any other remuneration to which he may be entitled to as Director.

(h) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property, assets, and uncalled capital or any part thereof and to issue debentures, debenture stock and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(i) *Powers and duties of the Directors*

The business of the Company shall be managed by the Directors.

Save as provided in the Articles, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution from which he is debarred from voting.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolutions concerning any of the following matters, namely:

- (A) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (B) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its Subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (C) any proposal concerning an offer of shares or debentures or other securities of or by the Company for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (D) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in one per cent, or more of the issued shares of any class of the equity share capital of such a company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant companies (any such interest being deemed for the purposes of the Articles to be a material interest in all circumstances);
- (E) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Revenue Commissioners for taxation purposes.

(j) *Dividends*

The Company in general meeting may declare dividends, but no dividends shall exceed the amount recommended by the Directors.

Subject to the rights of a person, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of the Articles as paid on the share. All dividends shall be apportioned and paid proportionally to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

No dividend shall bear interest against the Company.

(k) *Winding up*

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Acts divide among the members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be decided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

4. Directors' Interests

- (a) As at 15 August 2000 (being the latest practicable date prior to publication of this document), the interests (all of which are beneficial) of the Directors, their families and persons connected with the Directors within the meaning of Section 26 of the Companies Act, 1990 in the share capital of the Company, in the case of the Directors and their families, as required to be notified to the Company pursuant to Sections 53 and 64 of the Companies Act, 1990 to be entered in the register referred to therein and, in the case of persons connected with the Directors, as would be required to be so notified or entered in such register if any such connected person were a director of the Company, and the existence of which is known to or could with reasonable diligence be ascertained by the Directors, are as follows:

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares</i>
John Teeling	2,100,000	5.4
David Horgan	1,100,000	2.8
Harry Wilson	Nil	Nil
Guy Delbes	Nil	Nil

Interests under options are not included in this sub-paragraph and are disclosed under sub-paragraph 4(b) below.

- (b) The following share options have been granted by the Company to the Directors:

	<i>Number of of Ordinary Shares under option</i>	<i>Exercise price per share</i>	<i>Date from which exercisable</i>	<i>Expiry Date</i>
John Teeling	1,000,000	1p	30 June 1997	30 June 2004
	750,000	5p	1 August 1997	1 August 2004
	300,000	5p	30 June 1998	30 June 2005
	150,000	10p	31 July 2000	31 July 2007
David Horgan	1,000,000	1p	30 June 1997	30 June 2004
	750,000	5p	1 August 1997	1 August 2004
	300,000	5p	30 June 1998	30 June 2005
	150,000	10p	31 July 2000	31 July 2007
Harry Wilson	100,000	10p	31 July 2000	31 July 2007
Guy Delbes	100,000	10p	31 July 2000	31 July 2007

- (c) Save as disclosed in this document, no Director has any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by any member of the Group during the current or immediately preceding financial period or which was effected by any member of the Group during any earlier financial period and remains in any respect outstanding or unperformed.
- (d) Save as disclosed in this document, there are no outstanding loans, guarantees or other securities or indemnities granted or provided by any member of the Group to or for any Director.
- (e) Save as disclosed above, none of the Directors has any interest in the share capital or loan capital of the Company or any of its subsidiaries nor does any person connected with the Directors (under the meaning of section 26 of the Companies Act 1990) have such interests, whether beneficial or non beneficial.

5. Current and Prior Directorships and Partnerships of the Directors

- (a) The Directors currently hold the following directorships and partnerships in addition to that of the Company and have held the following directorships within the five years prior to the publication of this document

	<i>Current directorships and partnerships</i>	<i>Prior directorships and partnerships</i>
John Teeling	A.A. Watt & Co PLC Adam Miller & Company Limited African Gold Plc African Gold Ireland Limited Andrew A Watt & Company Limited Brosna Whiskey PLC Carlingford Whiskey PLC Cooley Distillery PLC Cooley Irish Whiskey Limited Innishowen Distilleries PLC Ireland Iraqi Trading Company Limited Irish Base Metals Limited Irish Marine Oil Limited John Locke & Company Limited Kilbeggan Whiskey Limited Lockes Distillery PLC Miller Products Limited Minco Ireland Limited Minco Plc Old Tyrconnell Whiskey Company Limited Pan Andean Oil & Gas Limited Pan Andean Resources PLC Riverstown Animal Feeds PLC Tyconnell Distillery PLC Whiskey Manufacturing (N.I.) Limited Whiskey Manufacturing PLC Zambezi Gold PLC Zinquest PLC	Kenmare Resources PLC Pan Andean (Bolivia) Ltd
David Horgan	African Gold Plc Pan Andean Oil & Gas Limited Pan Andean Resources PLC	Congdone Heavy Minerals Limited International Bloodstock Finance Limited Kenmare C.I. Limited Kenmare Graphite Co. Limited Kenmare Minerals Limited Kenmare Resources PLC Kenmore UK Co. Limited Pan Andean (Bolivia) Ltd
Guy Delbes	Capital Guidance SAL (Lebanon) Drilling Labour Service (Singapore) INA – LIBAN MEDRIL SA (Oil Drilling Operations) SAI 26 Champs Elysées SC1 19 rue de Ponthieu	Chantiers du Nord et de la Méditerranée Chantiers Navals de la Ciotat PARDIOR SA (Turkey)

	<i>Current directorships and partnerships</i>	<i>Prior directorships and partnerships</i>
Harry Wilson	Endeavour Energy Ltd Endeavour Oil & Gas Ltd Endeavour Oil & Gas, Inc. Endeavour Production, Inc. Fairplay Securities Ltd Impulse Entertainment Ltd Liberty Bishop Ltd Liberty Bishop (Director) Ltd Liberty Bishop (Nominee) Ltd Mardall Securities Ltd Mardall Securities A Ltd Mardall Securities B Ltd M.O.P.S. Ltd Park Holdings (Partnership) Park Securities Ltd Roselea Developments Ltd Roselea Ltd Sterling Oil & Gas Ltd	44 Calibre Web Design Ltd 999 Consulting Ltd Celtic Petroleum Ltd D.N. Consulting Ltd E.A.J. Consultancy Ltd Finewood Consulting Ltd Galleyplot Ltd Goldenboost Ltd Graphicboost Ltd Greenwood Contracting Ltd GS Consulting Ltd Keniry Contracts Ltd Liberty Bishop (32) Ltd to Liberty Bishop (33) Ltd Liberty Bishop (36) Ltd to Liberty Bishop (41) Ltd Liberty Bishop (43) Ltd to Liberty Bishop (44) Ltd Liberty Bishop (46) Ltd to Liberty Bishop (47) Ltd Liberty Bishop (51) Ltd to Liberty Bishop (59) Ltd Liberty Bishop (61) Ltd to Liberty Bishop (64) Ltd Liberty Bishop (66) Ltd to Liberty Bishop (67) Ltd Liberty Bishop (69) Ltd to Liberty Bishop (73) Ltd Liberty Bishop (75) Ltd to Liberty Bishop (84) Ltd Liberty Bishop (131) Ltd Liberty Bishop (1505) Ltd Ocean Recognition Ltd Park Resources Ltd Quality Software Components Ltd Redwood Contracting Ltd Soquas Consulting Ltd Tesla Systems Ltd

- (b) John Teeling is a former director of CountyGlen PLC. After his departure, an inspector was appointed pursuant to section 8 of the Companies Act 1990 to investigate the affairs of CountyGlen PLC. In a subsequent report dated July 1994, it was stated that John Teeling was “open to some criticism” for failing to exercise due care as an outgoing director. It was stated that he should have paid greater attention to the qualifications of the incoming directors and their suitability for their positions.
- (c) From 29 August 1996 until 20 May 1999, Harry Wilson was a director of Ocean Recognition Limited, having made a financial investment in the company. As a result of trading difficulties and following legal advice, Ocean Recognition Limited was put into liquidation on 4 August 1999.
- (d) Save as disclosed in paragraphs 5(b) and 5(c) above, none of the Directors has:
- (i) any unspent convictions in relation to indictable offences;
 - (ii) ever been declared bankrupt or been the subject of an individual voluntary arrangement;
 - (iii) ever been a director of a company which, while he was a director or within 12 months of his ceasing to be a director, had a receiver appointed, entered into liquidation, entered into administration, entered into a voluntary arrangement or made any composition or arrangements with its creditors generally or with any class of its creditors;
 - (iv) ever been a partner in a partnership which while he was a partner or within 12 months of his ceasing to be a partner entered into compulsory liquidation, administration or a partnership voluntary arrangement;
 - (v) owned any asset or been a partner in a partnership which while he owned that asset or was a partner or within 12 months after his ceasing to own that asset or be a partner entered into receivership;

- (vi) been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies); or
- (vii) 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.

6. Service Agreements of the Directors

The following are particulars of the Directors' letters of appointment with the Company:

- (a) John Teeling is the Executive Chairman. Pursuant to a letter of appointment dated 16 August 2000, he is entitled to a fee to be determined by the Board from time to time. The appointment is terminable at any time upon 3 months' written notice by either party;
- (b) David Horgan is the Group Chief Executive Officer. Pursuant to a letter of appointment dated 16 August 2000, he is entitled to a fee to be determined by the Board from time to time. The appointment is terminable at any time upon 3 months' written notice by either party;
- (c) Harry Wilson is a Non-Executive Director. Pursuant to a letter of appointment dated 16 August 2000, he is entitled to a fee to be determined by the Board from time to time. The appointment is terminable at any time upon 3 months' written notice by either party; and
- (d) Guy Delbes is a Non-Executive Director. Pursuant to a letter of appointment dated 16 August 2000, he is entitled to a fee to be determined by the Board from time to time. The appointment is terminable at any time upon 3 months' written notice by either party.

The current annual payments to the Directors are as follows:

<i>Director</i>	<i>Salary/Fees</i>	
John Teeling	IR£20,000	(salary)
David Horgan	IR£37,000	(salary)
Guy Delbes	US\$20,000	(consultancy fees)
Harry Wilson	Nil	

7. Share Option Scheme

The Company has adopted a share option scheme ("the Scheme") the principal provisions of which are summarised below.

(a) *Eligibility*

The Board may grant an option to any employee, officer or Director of the Company or any subsidiary of the Company.

(b) *Limits*

The number of options which may be granted pursuant to the Scheme shall not exceed an aggregate of 15 per cent. of the number of issued Ordinary Shares from time to time. The maximum number of Ordinary Shares issued on the exercise of options acquired under the Scheme must not during the period of 10 years from 26 June 1997 exceed 15 per cent. of the number of issued Ordinary Shares from time to time. The limitations may be adjusted by the Company's auditors following the issue of additional Ordinary Shares by way of rights or capitalisation of profits or reserves or any sub division or reduction or consolidation of the capital of the Company.

(c) *Grant of Options*

The Board in its discretion after the adoption of the Scheme may at any time offer to Scheme members an option under the Scheme at the option price on terms that the offer will lapse unless acceptance from the Scheme member is received by the Company together with the option price within 10 days of the date of the offer. Within 10 days of receipt of the acceptance and the option price, the Board shall issue the Scheme member with an option certificate. The Board shall determine whether such option may be assigned or transferred and impose such conditions as they see fit. No option shall be granted on a date more than 10 years from 26 June 1997.

(d) *Exercise of Options*

The options may be exercised at any time within a seven year period from their date of grant. An option not exercised within that period shall lapse.

Notice of exercise of the option shall be in writing accompanied by the relevant option certificate and payment of the subscription price for the Ordinary Shares in respect of which the option is exercised. As soon as is practicable after receipt by the Company of the above, Ordinary Shares for which the option has been exercised shall be issued by the Company to the option holder. The shares issued pursuant to the option shall rank *pari passu* with the Ordinary Shares then in issue.

(e) *Termination of the right to exercise the Option*

The right to exercise an option shall terminate on the option holder ceasing to be an employee, officer or Director of the Company or its subsidiary, subject to certain exceptions.

(f) *Takeover*

If an offer is made to the holders of the entire issued share capital of the Company to acquire the shares held by them and such offer is, becomes or is declared unconditional, the option holder may within sixty days of being notified that the offer is, becomes or is declared unconditional, exercise all or any of those options which are unexercised. All share options which have not been exercised at the expiration of such period will lapse.

(i) *Winding Up*

If an order is made or a resolution is passed for the winding up of the Company on the basis of insolvency all unexercised options at the date of the order will lapse.

If the Company is wound up by reason of amalgamation or reconstruction, all options still unexercised shall endure for the benefit of the option holders in the amalgamated or reconstructed Company on the same terms and conditions. In the event of a members voluntary winding up, the holders shall be entitled within 90 days of the commencement of the winding up (but not after the expiration of seven years from the date of the grant) to exercise in full the unexercised options.

8. Substantial Interests

Save as set out below, the Directors are not aware of any person who is or will be interested (directly or indirectly) in 3 per cent. or more of the issued share capital of the Company immediately following Admission:

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares</i>
Trivo AG	2,800,000	7.18
Warrants and Value Investment Trust	2,500,000	6.41
Karim Henien	2,250,000	5.77
Gartmore Growth Opportunities	1,960,000	5.03
Gartmore UK and Irish Smaller Companies	1,540,000	3.95
Dave Naylor	1,300,000	3.33

9. Working Capital

The Directors, having made due and careful enquiry, are of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months.

10. Material Contracts

The following contracts have been entered into or varied by the Group other than in the ordinary course of business in the two years immediately prior to the date of this document and are or may be material:

- (a) By agreement dated 19 May 1998 between Heritage Oil & Gas Limited, Heritage Oil & Gas (U) Limited and Petrel, Petrel acquired from Heritage Oil & Gas Limited interests in exploration and production rights over blocks of land in Namibia and Uganda in consideration for Stg£250,000 and 5,500,000 Ordinary Shares.
- (b) By Agreement dated 14 July 2000 between Petrel, Heritage Oil & Gas Limited and Pepper Canister Nominees Limited, Petrel agreed to sell the Ugandan interest purchased pursuant to the agreement of 19 May 1998, subject to the consent of the Ugandan Minister for Energy. As consideration for such sale, Heritage Oil & Gas Limited irrevocably authorised Pepper Canister Nominees Limited, as nominees for Heritage Oil & Gas Limited, to sell 4,500,000 Ordinary Shares and to remit the proceeds of such sale to Petrel. The shares were duly sold for Stg£450,000 which was paid to and received by Petrel.

11. Litigation

No member of the Group is, or has been, involved in any legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this document a significant effect on the financial position of the Group nor are any such proceedings pending or threatened by or against the Group.

12. Taxation

The following summary, which is intended as a general guide only, outlines certain aspects of legislation and Revenue practice in Ireland and the United Kingdom regarding the ownership and disposition of Ordinary Shares. It relates only to the position of Shareholders who are resident or ordinarily resident in Ireland or the United Kingdom for tax purposes and who hold Ordinary Shares as capital assets and not for the purpose of a trade. This summary does not address the position of certain classes of Shareholders such as dealers in securities, to whom special rules apply. This summary is not exhaustive and Shareholders are advised to consult their own tax advisers as to the taxation consequences of their purchase, ownership and disposition of Ordinary Shares. The summary is based on current Irish and United Kingdom tax legislation and on the current Double Taxation Agreement between Ireland and the United Kingdom. Shareholders should be aware that future legislative, administrative and judicial changes could affect the taxation consequences described below.

(a) *Taxation of the Company*

The Company is an Irish incorporated company and is managed and controlled in the Republic of Ireland (ROI) and accordingly it is resident in ROI for tax purposes.

(b) *Withholding Tax*

Withholding tax at the standard rate of income tax (currently 22 per cent.) applies to dividend payments and other profit distributions by an Irish resident company. The following categories of shareholders can receive the dividends free of dividend withholding tax provided they supply relevant declarations or certificates.

- (i) An Irish resident company.
- (ii) An Irish pension fund or Irish charity approved by the Irish Revenue Commissioners.
- (iii) An individual who is neither resident nor ordinarily resident in the ROI and is resident for tax purposes in another Member State of the European Union or in a territory with which ROI has a tax treaty (a "treaty country").
- (iv) A company resident outside the ROI, ultimately controlled by shareholders resident in another EU Member State or in a treaty country.
- (v) A company, or a 75 per cent. subsidiary of a company, the principal class of share of which is substantially and regularly traded on a recognised stock exchange located in an EU Member State (other than ROI), or in a country with which ROI has a double tax treaty or another approved stock exchange.
- (vi) A company resident in a treaty country or another EU Member State that is not controlled by Irish residents.
- (vii) A company resident in another EU Member State and holding 25 per cent. of the share capital of the paying company.
- (viii) Companies wholly owned directly or indirectly by two or more companies the principle class of shares of each of which is substantially and regularly traded on a recognised stock exchange in a treaty country, another EU Member State or an approved stock exchange.

Dividends paid to a UK company that does not fall within the above exemptions, will be subject to withholding tax. The Ireland/UK Tax Treaty reduces this withholding tax to:

- (i) 5 per cent. of the gross amount of the dividends if the beneficial owner is a company which controls directly or indirectly 10 per cent. or more of the voting power in the company paying the dividends;
- (ii) in all other cases 15 per cent. of the gross amount of the dividends.

This note does not address the position for intermediaries and qualifying intermediaries, as defined in the Finance Act, 1999.

(c) *Taxation of Dividends*

(i) Taxation of Irish Resident Shareholders

Irish resident Shareholders who are individuals will be subject to income tax and levies on the aggregate of the net dividend received and the withholding tax deducted. The withholding tax

deducted will be available for offset against the individual's income tax liability. A Shareholder may claim to have the withholding tax refunded to him to the extent it exceeds his income tax liability.

An Irish resident Shareholder, which is a company, will not be subject to Irish corporation tax on dividends received from the Company and tax will not be withheld at source by the Company provided the appropriate declaration is made. A Company, which is a close company, as defined under Irish legislation, may be subject to a corporation tax surcharge on such dividend income to the extent that it is not distributed.

Shareholders who are Irish approved pension funds or Irish approved charities are generally exempt from tax on their dividend income and will not have tax withheld at source by the Company from dividends received provided the appropriate declaration is made.

(ii) **Taxation of United Kingdom Resident Shareholders**

Dividends paid to a United Kingdom resident Shareholder will not be subject to Irish withholding tax on the understanding that the Shareholder satisfies the necessary legislative conditions described in 12(b) above.

United Kingdom resident Shareholders who are individuals will be subject to income tax in the United Kingdom on the amount of dividends received.

United Kingdom resident Shareholders that are companies controlling (either alone or together with one or more associated companies) directly or indirectly less than 10 per cent. of the voting power of the Company, will be subject to corporation tax in the United Kingdom on the amount of dividends received.

A United Kingdom resident Shareholder that is a company controlling (either alone or together with one or more associated companies) directly or indirectly 10 per cent. or more of the voting power of the Company will be liable to United Kingdom corporation tax on the aggregate of the dividend and the underlying Irish corporation tax. The underlying Irish corporation tax will be available for set off against the United Kingdom corporation tax liability on the aggregate amount.

A United Kingdom resident Shareholder which is not a company controlling directly or indirectly 10 per cent. or more of the voting power of the Company and which is not subject to tax in the United Kingdom by reason of the United Kingdom law affording relief to charities and certain superannuation schemes or to insurance companies in respect of their pension business should not be subject to tax in the United Kingdom on a dividend from the Company.

(d) ***Capital Gains Tax***

The Company's Ordinary Shares constitute chargeable assets for Irish capital gains tax purposes and, accordingly, Shareholders who are resident or ordinarily resident in Ireland, depending on their circumstances, may be liable to Irish tax on capital gains on a disposal of Ordinary Shares.

Shareholders of the Company who are neither resident nor ordinarily resident in ROI and who do not hold the Ordinary Shares as part of the assets of a trade carried on in ROI by them through a branch or agency are not subject to Irish tax on capital gains arising on the disposal of these Ordinary Shares. This is on the basis that the shares do not derive the greater part of their value from land and certain other assets in the State.

In most circumstances a disposal of Ordinary Shares by a Shareholder who is resident or ordinarily resident in the United Kingdom will constitute a disposal for the purposes of United Kingdom capital gains tax and, accordingly, may give rise to a tax liability. Gains arising to individuals who leave the UK for less than five years may also be taxed on their return. Gains arising to holders of Ordinary Shares taxed as dealers in securities may be treated as income and taxed as such.

(e) ***Stamp Duty***

Irish stamp duty will be charged at the rate of IR£1 for every IR£100 (or part thereof) of the amount or value of the consideration on any conveyance or transfer on sale or voluntary disposition of Ordinary Shares. In relation to a conveyance or transfer on sale or voluntary disposition of Ordinary Shares under the CREST System, Irish stamp duty at the rate of 1 per cent. will be payable on the amount or value of the consideration.

No United Kingdom stamp duty or stamp duty reserve tax will arise on the issue of Ordinary Shares. United Kingdom stamp duty (or stamp duty reserve tax if stamp duty is not payable on the transfer) should be payable by a transferee at a rate of Stg£0.50 per Stg£100 (or part thereof) of the amount or value of the

consideration paid on a transfer of Ordinary Shares executed within the United Kingdom with the balance of duty due under Irish stamp duty legislation being payable to the Irish Revenue Commissioners. This reflects an arrangement in force between the Irish and United Kingdom authorities whereby each recognises and gives credit for stamp duty paid in the other jurisdiction.

(f) ***Close Company Status***

The Company is not a close company for the purposes of Part 13 of the Taxes Consolidation Act, 1997.

13. Consents

Rowan Dartington has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

Deloitte & Touche have given and have not withdrawn their written consent to the inclusion in this document of references to their name in the form and context in which they appear.

14. Significant Changes

Since 31 December 1999, being the date to which the last financial statement for the year then ended was prepared, there have been no significant changes in either the financial or the trading positions of the Company save as disclosed in this document.

15. Miscellaneous

- (a) The Directors, whose names appear on page 4, accept responsibility for the financial information contained in this document.
- (b) The Ordinary Shares are in registered form and the liability of members is limited to the amount, if any, unpaid on their shares.
- (c) The Companies Act, 1990 (Uncertified Securities) Regulations, 1996 of Ireland (“the Regulations”) make provisions for the transfer without a written transfer, and the evidencing otherwise than by a share certificate, of title to shares, provided that such title is evidenced and transferred in accordance with certain computer-based systems and procedures.

The Ordinary Shares are currently transferable and evidenced in uncertificated form.

A Shareholder is not obliged to hold his Ordinary Shares in uncertificated form. Each holder of Ordinary Shares can choose whether or not to hold his Ordinary Shares in uncertificated form. The Company’s Registrars will continue to register written instructions of transfer and to issue share certificates in respect of shares held in certificated form, in accordance with the provisions of the Articles of Association.

- (d) Save as disclosed in this document and except for fees payable to professional advisers whose names appear on page 4 of this document and payments to trade suppliers, no person has received any fees, securities or other benefit to a value of Stg£10,000 (excluding VAT) or more, directly or indirectly, from the Group within the 12 months preceding the application for Admission, or has entered into any contractual arrangements to receive any such fees, securities or other benefit directly or indirectly, from the Group.
- (e) The Company has carried on business since it was incorporated on 24 December 1982.
- (f) There are no specific dates on which entitlement to dividends or interest thereon arises.

16. Documents Available for Inspection

Copies of the following documents may be inspected at the offices of Ivor Fitzpatrick & Co, 44-45 St Stephens Green, Dublin 2, Ireland, at the Company’s registered office, 162 Clontarf Road, Dublin 3, Ireland and at the offices of Osborne Clarke OWA, Hillgate House, 26 Old Bailey, London EC4M 7HW during normal business hours on any week day (Saturdays and public holidays excepted) for a period of 14 days following the date of this document:

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the Accountants’ Report set out in Part II of this document;
- (iii) the letters of appointment referred to in paragraph 6 of this Part III;
- (iv) the material contracts referred to in paragraph 10 of this Part III;
- (v) the written consents referred to in paragraph 13 of this Part III; and
- (vi) the rules of the Share Option Scheme referred to in paragraph 7 of this Part III.

17. Availability of this Document

Copies of this document will be available to the public, for collection only, free of charge from the Company's registered office at 162 Clontarf Road, Dublin 3, Ireland and at Rowan Dartington & Co. Limited, Colston Tower, Colston Street, Bristol BS1 4RD during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until the date falling 14 days after Admission.

16 August 2000

