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This document is an admission document in relation to AIM. It has been drawn up in accordance with the requirements of the AIM Rules. No offer of securities to the public (for the purposes of Section 102B of the Financial Services and Markets Act 2000) is being made in connection with the Placing. This document does not constitute a prospectus for the purposes of the Prospectus Rules 2005 and a copy of it has not been, and will not be, examined or approved by or filed with the Financial Services Authority, or by any other authority which could be a competent authority for purposes of the EU Prospectus Directive.

If you have sold or transferred all of your Ordinary Shares in the Company, please forward this document at once, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. If you have sold or transferred some of your Ordinary Shares in the Company, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 13 July 2006. It is emphasised that no application is being made for admission of these securities to the Official List of the United Kingdom Listing Authority or to trading on the London Stock Exchange's market for listed securities. The Ordinary Shares are not dealt in on any other recognised investment exchange and no applications to any other recognised investment exchange have been or are intended to be made.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. The AIM Rules are less demanding than those of the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under the Financial Services and Markets Act 2000. London Stock Exchange plc has not itself examined or approved the contents of this document.**

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# Sound Oil plc

(Incorporated in England and Wales with registered number 5344804)

## Proposed Acquisition of Mitra Energia Limited Proposed waiver of Rule 9 of the Takeover Code Proposed Placing and Re-admission to trading on AIM

*Nominated Adviser*  
**Smith & Williamson**  
Corporate Finance Limited

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

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### Share capital immediately following Admission

Authorised Ordinary Shares		Issued and fully paid Ordinary Shares	
Number	Amount	Number	Amount
3,000,000,000	£3,000,000	692,427,348	£692,427

The Placing is conditional, *inter alia*, on Admission taking place on or before 14 July 2006. The Ordinary Shares now being placed will, following allotment, rank *pari passu* in all respects with the issued ordinary share capital of the Company on Admission including the right to received all dividends and other distributions declared on the ordinary shares after Admission.

Smith & Williamson Corporate Finance Limited and Hichens, Harrison & Co. plc, which are each authorised and regulated by the Financial Services Authority, are the Company's nominated adviser and broker (respectively) for the purposes of the AIM Rules. Smith & Williamson's responsibilities as the Company's nominated adviser will be owed solely to the London Stock Exchange and will not be owed to the Company or to any Existing Director or Proposed Director or to any other person in respect of his reliance on any part of this document. No representation or warranty, express or implied, is made by Smith & Williamson or Hichens as to any of the contents of this document for which the Company, the Existing Directors and the Proposed Directors are solely responsible and without limiting the statutory rights of any person to whom this document is sent, no liability is accepted by Smith & Williamson or Hichens for the accuracy of any information or opinions contained in this document or for any omission of any material information for which they are not responsible. Smith & Williamson and Hichens are acting for the Company and no one else and will not be responsible to any other person for providing the protections afforded to customers of Smith & Williamson or Hichens nor for providing advice in relation to the contents of this document or any matter referred to herein.

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

A notice convening an extraordinary general meeting of the Company to be held at the offices of Smith & Williamson, 25 Moorgate, London EC2R 6AY at 10.30 a.m. on 12 July 2006 is set out at the end of this document. To be valid the Form of Proxy accompanying this document must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars as soon as possible, but in any event, not later than 48 hours before the time fixed for the meeting. Completion of a Form of Proxy will not preclude a member from attending the meeting and voting in person.

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## EXPECTED TIMETABLE OF EVENTS

Publication of this document	24 June 2006
Trading resumes in Existing Shares	26 June 2006
Last time and date for receipt of Forms of Proxy for the Extraordinary General Meeting	10.30 a.m., 10 July 2006
Extraordinary General Meeting	10.30 a.m., 12 July 2006
Admission and commencement of dealings in Enlarged Share Capital on AIM	13 July 2006
Settlement of Consideration Shares and Placing Shares through CREST	13 July 2006
Despatch of definitive share certificates in respect of the Consideration Shares to Consideration Shareholders and Placing Shares to Placees by no later than	23 July 2006

## PLACING AND ACQUISITION STATISTICS

Number of Existing Shares in issue before the Acquisition and Placing	300,272,309
Number of Consideration Shares	223,376,623
Number of Placing Shares	161,500,000
Placing Price	7.25p
Estimated gross proceeds of the Placing	£11.7m
Estimated net proceeds of the Placing	£10.7m
Number of Ordinary Shares in issue on Admission	692,427,348
Consideration Shares as a percentage of Enlarged Share Capital	32.26%
Placing Shares as a percentage of Enlarged Share Capital	23.32%
Market capitalisation at the Placing Price on Admission	£50.2m

## DIRECTORS, SECRETARY AND ADVISERS

### Existing Directors

Gerry Orbell – *Chairman and Chief Executive*  
Tony Heath – *Finance Director*  
Simon Davies – *Non-executive Director*  
Michael Nobbs – *Non-executive Director*

All of:  
55 Gower Street  
London WC1E 6HQ

**Company Secretary**  
Stephen Ronaldson

**Nominated Adviser**  
Smith & Williamson Corporate Finance Limited  
25 Moorgate  
London EC2R 6AY

### Solicitors to the Company

*United Kingdom*  
Ronaldsons  
55 Gower Street  
London WC1E 6HQ

### Proposed Directors

Jusuf (Jossy) Rachmantio – *Executive Director*  
Patrick Alexander – *Non-executive Director*  
Ilham Habibie – *Non-executive Director*

All of:  
608 St James Court  
St. Denis Street  
Port Louis  
Mauritius

**Registered office**  
55 Gower Street  
London WC1E 6HQ

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

### Legal Opinion Providers

*Mauritius*  
Mardemootoo  
Attorneys-at-Law  
Les Jamalacs  
Vieux Conseil Street  
Port Louis  
Mauritius

*Malaysia*  
Wong & Partners  
Level 41 – Suite B  
Menara Maxis  
Kuala Lumpur City Centre  
50088 Kuala Lumpur  
Malaysia

*Indonesia*  
Hadiputranto, Hadinoto & Partners  
The Jakarta Stock Exchange Building  
Tower 11, 21st Floor  
Central Business District  
Sudirman  
Jl. Jendral Sudirman Kow 52 – 53  
Jakarta 12196  
Indonesia

*Singapore*  
Baker & McKenzie. Wong & Leow  
No 27-01 Millenia Tower  
1 Temasek Avenue  
Singapore 039192

## **Solicitors to Mitra**

*United Kingdom*  
Stephenson Harwood  
1 St Paul's Churchyard  
London EC4M 8SH

*Hong Kong*  
Stephenson Harwood & Lo  
18/F Edinburgh Tower, The Landmark  
5 Queen's Road, Central  
Hong Kong

### **Auditors and Reporting Accountants**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

**Competent Person**  
Senergy Limited  
15/16 Bon Accord Crescent  
Aberdeen AB11 6DE

### **Solicitors to the Placing**

Eversheds LLP  
Senator House  
85 Queen Victoria Street  
London EC4V 4JL

**Registrars**  
Share Registrars Limited  
Craven House, West Street  
Farnham  
Surrey GU9 7EN

## DEFINITIONS

In this document, unless the context requires otherwise, the words and expressions set out below shall bear the following meanings:

“Act”	the Companies Act 1985, as amended
“Acquisition”	the proposed acquisition of the entire issued share capital of Mitra from the Vendors by the Company pursuant to the Acquisition Agreement
“Acquisition Agreement”	the share purchase agreement for the entire issued share capital of Mitra dated 23 June 2006 between: (1) the Vendors; (2) Mitra; (3) SOIL and (4) the Company as described in paragraph 10.1.3 of Part VII of this document
“Admission”	the re-admission of the Existing Shares and the admission of the New Shares to trading on AIM becoming effective in accordance with the AIM Rules following completion of the Acquisition and the Placing
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules”	the rules governing the operation of AIM as published by the London Stock Exchange from time to time
“Bangkanai PSC”	the Production Sharing Contract dated 30 December 2003 in respect of the Bangkanai Block East Kalimantan entered into by BPMIGAS and EBE
“Bangladesh PSC”	the Production Sharing Contract dated 16 February 1997 relating to Bangladesh Block 22 (Chittagong Hill Tracts) entered into between OBC, the Government of the People’s Republic of Bangladesh and Bangladesh Oil, Gas and Mineral Corporation
“Board” or “Directors”	the Existing Directors and the Proposed Directors
“BPE”	PT. Bumi Parahyangan Energi
“BPMIGAS”	Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi
“BPREC”	PT. Bumi Parahyangan Ranhill Energia Citarum, a company incorporated under the laws of Indonesia
“BPREC Pte”	Bumi Parahyangan Ranhill Energia Citarum Pte. Ltd, a company incorporated under the laws of Singapore, with registered number 200600938R
“Citarum PSC”	the Production Sharing Contract dated 7 October 2005 in respect of the Citarum Block West Java entered into by BPMIGAS and BPREC
“Code” or “Takeover Code”	the City Code on Takeovers and Mergers
“Company” or “Sound Oil”	Sound Oil plc, a company incorporated under the laws of England and Wales, with registered no. 5344804
“Competent Person” or “Senergy”	Senergy Limited
“Concert Party”	those persons deemed to be acting in concert whose names are set out in paragraph 8 of Part VII of this document

“Consideration Shares”	the 223,376,623 new Ordinary Shares to be allotted to the Vendors on completion of the Acquisition in accordance with the terms of the Acquisition Agreement
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CRESTCo”	CRESTCo Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 20001/3755) including (i) any enactment or subordinate legislation which amends or supersedes those regulations and (ii) any applicable rules made under those regulations or such enactment or subordinate legislation for the time being in force
“EBE”	Elnusa Bangkanai Energy Ltd
“Enlarged Group”	the Company and its subsidiaries, associated companies and investments as enlarged by the Acquisition
“Enlarged Share Capital”	the issued share capital of the Company at Admission comprising the Existing Shares and the New Shares
“Existing Directors”	the existing directors of the Company, whose names are set out on page 4 of this document
“Existing Shares”	the existing 300,272,309 Ordinary Shares in issue as at the date of this document
“Extraordinary General Meeting” or “EGM”	the extraordinary meeting of the Company convened for 10.30 a.m. on 12 July 2006, or any adjournment thereof, a notice which is set out on page 99 of this document
“Form of Proxy”	the form of proxy accompanying this document to be used by holders of Existing Shares in respect of the EGM
“Further Lock-In Period”	the period of twelve calendar months commencing on the expiry of the Lock-In Period
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000
“Hichens”	Hichens, Harrison & Co. plc
“London Stock Exchange”	London Stock Exchange plc
“Lock-In Period”	the period of twelve calendar months commencing on the date of Admission
“Majority Vendor”	the Vendors except the Minority Vendor
“MEB”	Mitra Energia Bangkanai Limited, a company incorporated under the laws of Mauritius, with Registered No. 53167/C2/GBL and wholly owned by Mitra
“MEB Farm-In”	the farm-in agreement between EBE and MEB dated 1 October 2004

“MEC”	Mitra Energia Citarum Limited, a company incorporated under the laws of Mauritius with Registered No. 58947/C2/GBL and wholly owned by Mitra
“Medco”	PT Medco E&P Bangkanai
“Medco Farm-In”	the share sale and purchase agreement entered into by Medco, MEB, Mitra and PT Medco Energi International TBK dated 14 March 2006, further details of which are set out in paragraph 10.2.4 of Part VII of this document
“Minority Vendor”	Hichens as legal owner of those Sale Shares (amounting in aggregate to approximately 6.25 per cent. of the issued share capital of Mitra) held in trust by Hichens for and on behalf of the beneficial owners of such Sale Shares
“Mitra”	Mitra Energia Limited, a company incorporated under the laws of Mauritius, with Registered No. 53116/C2/GBL
“Mitra Group”	Mitra and its subsidiaries, associated companies and investments
“New Shares”	the 392,155,039 new Ordinary Shares to be issued by the Company pursuant to the Acquisition (223,376,623 Ordinary Shares) and the Placing (161,500,000 Ordinary Shares) and including certain Ordinary Shares being issued to professional advisers and Existing Directors (7,278,416 Ordinary Shares)
“Notice of EGM”	the notice of EGM set out on page 99 of this document
“Official List”	the Official List of the UK Listing Authority
“OBC”	Ocean Bangladesh Corporation (previously called UMC Bangladesh Corporation), a company organised under the laws of the State of Delaware
“Ordinary Shares”	ordinary shares of 0.1p each in the capital of the Company
“Panel”	the Panel on Takeovers and Mergers
“Pershing”	Pershing Securities Limited, a company registered in England and Wales with registered number 2474912
“Pertamina”	PT Pertamina (Persero)
“Placees”	the subscribers for Placing Shares pursuant to the Placing
“Placing”	the placing of the Placing Shares at the Placing Price
“Placing Agreement”	the conditional agreement dated 23 June 2006, between (1) the Company, (2) the Existing Directors, (3) the Proposed Directors (4) Hichens and (5) Smith & Williamson relating to the Placing as described in paragraph 10.1.2 of Part VII of this document
“Placing Price”	7.25p per Ordinary Share
“Placing Shares”	the 161,500,000 new Ordinary Shares to be issued by the Company pursuant to the Placing
“Proposals”	the Acquisition, Waiver, Placing and Admission



“Proposed Directors”	the proposed additional directors of the Company following Admission whose names are set out on page 4 of this document
“Prospectus Rules”	the prospectus rules issued by the FSA pursuant to Section 84 of FSMA
“Ranhill Energy”	Ranhill Energy SDN BHD
“Regulations”	the Uncertificated Securities Regulations (SI 1995 No. 95/3272) 1995 including modification thereof or any regulations in substitution thereof made under Section 207 of the Companies Act 1989 and for the time being in force
“Resolutions”	the resolutions set out in the Notice of EGM
“Sale Shares”	the 1,600,000 ordinary shares in the share capital of Mitra, being the entire issued share capital of Mitra
“Shareholder”	holder of Ordinary Shares
“Smith & Williamson”	Smith & Williamson Corporate Finance Limited
“Subsidiary” or “SOIL”	Sound Oil International Limited, a company incorporated in the British Virgin Islands with registered number 1000828
“Statutes”	the Act, the Regulations and every other statute for the time being in force including every statutory modification or re-enactment thereof concerning companies and affecting the Company
“UK Listing Authority”	the Financial Services Authority in its capacity as the competent authority for the purposes of the admission of securities to the Official List
“uncertificated form”	shares recorded in the Company’s register of Shareholders as being held in uncertificated form, title to which may be transferred by means of an instruction issued in accordance with the rules of CREST
“US Person”	a US person as defined in Regulation S under the United States Securities Act of 1933 (as amended)
“Vendors”	Patrick Alexander, Jusuf Rachmantio, Ilham Habibie and Thareq Habibie, who through intermediate holding companies, together own approximately 93.75 per cent. of the issued share capital of Mitra, together with the Minority Vendor
“Waiver”	the waiver by the Panel of the obligation of the Concert Party to make a general offer under Rule 9 of the Code.
“West Java Energy”	West Java Energy Pte Ltd, a company incorporated under the laws of Singapore

## GLOSSARY

“bbl”	US barrels
“bcf”	billions of cubic feet
“boe”	Barrels of oil equivalent (gas converted using 6Mcf/bbl)
“bpd”	Barrels per day
“EMV”	Expected Monetary Value
“GEF”	Gas Expansion Factor (ratio of surface to reservoir volumes)
“GIIP”	Gas Initially In Place
“GRV”	Gross Rock Volume
“GWC”	Gas-Water Contact
“HOA”	Heads of Agreement
“IDGOG”	Indonesian Directorate General of Oil and Gas
“IMME”	Indonesian Ministry of Mining and Energy
“LAPI-ITB”	Lembaga Afiliasi Penelitian dan Industri-Institut Teknologi Bandung. Indonesian technical institute appointed by the government to advise on reservoir development issues.
“M”	Thousand
“MD”	Permeability in millidarcies
“miocene”	the era, or geological strata formed during the period from approximately 23.8 to 5.3 million years before present
“MM”	Millions
“MMcf/d”	Millions of cubic feet per day
“MOU”	Memorandum of Understanding
“NPV10”	Net Present Value of cashflow at a discount rate of 10%
“NTG”	Net to Gross ratio
“oligocene”	the era, or geological strata formed during period from approximately 34 to 23 million years before present
“POD”	Plan of Development
“PSC”	Production Sharing Contract
“stb”	stock tank barrel equal to one barrel (42 US gallons) of oil at surface conditions after separation from its dissolved gas
“vuggy”	having large scale porosity due to cavities named vugs

Reserves and Resources have been estimated in accordance with the joint definitions of the Society of Petroleum Engineers, the World Petroleum Congress and the American Association of Petroleum Geologists.

## PART I

### LETTER FROM THE CHAIRMAN OF SOUND OIL

# SOUND OIL PLC

*(Incorporated in England & Wales under the Companies Act 1985 with Registered No. 5344804)*

#### *Directors*

Gerald Orbell (*Chairman and Chief Executive*)  
Tony Heath (*Finance Director*)  
Simon Davies (*Non-executive Director*)  
Michael Nobbs (*Non-executive Director*)

*Registered Office:*  
55 Gower Street  
London WC1E 6HQ

24 June 2006

*To holders of Existing Shares*

Dear Shareholder

### **Proposed Acquisition of Mitra Proposed Waiver of Rule 9 of the Takeover Code Proposed Placing and Re-admission to trading on AIM**

#### **Introduction**

On 20 March 2006, Sound Oil announced that it had reached agreement in principle for the acquisition of certain energy resource assets in Asia. As the Acquisition will constitute a reverse takeover under the AIM Rules, trading in the Ordinary Shares was suspended pending publication of an AIM admission document in respect of the proposed Enlarged Group and is expected to resume on 26 June 2006.

Having completed its due diligence, the Company has now entered into a formal agreement to acquire the whole of the issued share capital of Mitra. The consideration under the Acquisition values Mitra at £16.2 million (at the Placing Price) and will be satisfied by the allotment of the Consideration Shares.

The Company is proposing to raise £11.7 million (before expenses) through the Placing. The net proceeds of the Placing will be used to provide working capital to support the growth and development of the Enlarged Group.

#### **Information on Sound Oil**

Sound Oil was incorporated on 27 January 2005 and first admitted to trading on AIM on 29 June 2005 when it raised £10.8 million (after expenses) with the then stated intention of evaluating and making investments in energy resource business opportunities in North and West Africa.

#### **Background to and reasons for the Acquisition**

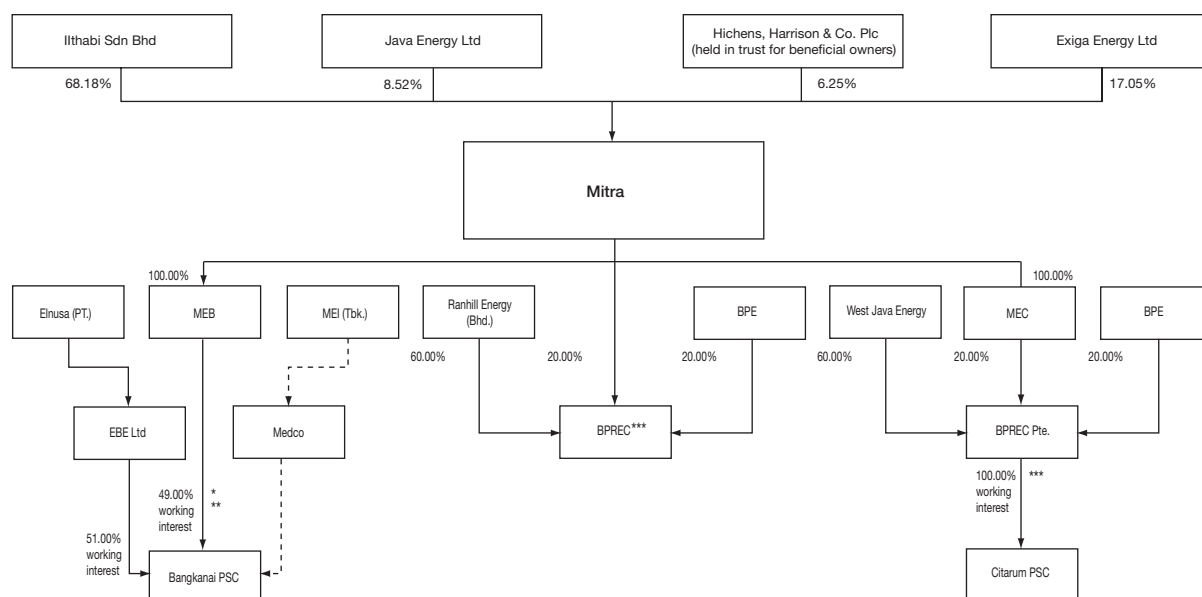
The Company has evaluated a number of investments since it was first admitted to trading on AIM. Initially the Company focused its efforts on offshore areas of West Africa, but towards the end of 2005 the Company began to extend the area of evaluation outside Africa to decide whether there was better value elsewhere, while also continuing to review opportunities in that region. The Company subsequently entered into discussions with the directors of Mitra with a view to acquiring Mitra.

The Existing Directors believe that the Acquisition will be in the best interests of both companies and their shareholders. Through the Acquisition the Company will obtain through the Mitra Group:

- a 34.99 per cent. working interest in the Bangkanai PSC
- a 20.00 per cent. working interest in the Citarum PSC

## Information on Mitra

The diagram below illustrates the Mitra group structure at the time of the Acquisition:



\*MEB's interest will reduce to 34 per cent. on completion of the Medco Farm-In, after which Medco will have an interest of 15 per cent.

\*\*MEB's interest will increase by 0.99 per cent. to 34.99 per cent. on 30 December 2006 pursuant to the MEB Farm-In.

\*\*\*The liquidation of BPREC was commenced pursuant to a shareholders' and directors' resolution dated 10 May 2006 and Deed No. 11 dated 15 June 2006. BPREC (acting by its liquidator) has assigned its 100 per cent. working interest in the Citarum PSC to BPREC Pte pursuant to a deed of assignment dated 21 June 2006 in June 2006.

Java Energy Limited is wholly owned by Patrick Alexander, one of the Proposed Directors. Ilthabi Sdn Bhd is wholly owned by Ilthabi Limited, which is owned by Ilham Habibie, one of the Proposed Directors, and his brother Thareq Habibie, as to 50 per cent. each. Exiga Energy Limited is wholly owned by Bumi Energy Limited, which is owned by Jusuf Rachmantio, also a Proposed Director. Java Energy Limited, Bumi Energy Limited and Exiga Energy Limited are non-trading entities. Ilthabi Sdn Bhd also has an investment in Aviation Support Limited, an aviation services company which has not commenced trading.

Through companies within the Mitra Group, Mitra will have a resulting 34.00 per cent. working interest in the Bangkanai PSC on completion of the Medco Farm-In, to increase to 34.99 per cent. on 30 December 2006, and a 20.00 per cent. working interest in the Citarum PSC.

## Bangkanai Production Sharing Contract

The Bangkanai PSC encompasses an area of 6,976 km<sup>2</sup>, located approximately 200 kilometres west of Balikpapan and 330 kilometres north of Banjarmasin, the provincial capitals of East and West Kalimantan respectively. The block is situated on the west side of the Kutei Basin and the northern edge of the stable Barito Shelf.

The area was previously part of a larger PSC awarded to Unocal in 1972. During this period Unocal shot two 2D seismic surveys in 1975 and 1985/1986 and drilled ten exploration wells and two appraisal wells. The only discovery to date is the Kerendan gas field made in 1982. Although Unocal's plan of production for Kerendan was approved in 1997, they were unable to secure a gas sales agreement for the gas, and relinquished the PSC in 2000. The Bangkanai PSC, covering a large area in which only six wells have been drilled, including three Kerendan wells, was awarded to Elnusa Bangkanai Energy Limited on 30 December 2003 for a 30 year period, including an exploration period of 10 years. In September 2004 MEB (a subsidiary of Mitra) farmed in to the licence (49 per cent.) (the "MEB Farm-In"). It has recently signed a sale and purchase agreement for the sale of part of its farm-in interest to Medco (the "Medco Farm-In"). This sale is not yet complete, but at completion the resulting interests will be:

EBE	51.00% operator
MEB	34.00%
Medco	15.00%

Under the terms of the MEB Farm-In, after the first three Bangkanai PSC contract years, the MEB interest will increase to 34.99 per cent. and the EBE interest will reduce to 50.01 per cent.

It is intended that gas produced under the Bangkanai PSC will be supplied to a power plant which is to be constructed by Medco close to the field. A heads of terms agreement covering the terms of such supply has been entered into by EBE and PT Medco Power.

A subsidiary of PT. Elnusa, EBE was formed to develop the Bangkanai Oil Block in East Kalimantan. PT. Elnusa is controlled by PT Pertamina (Persero). PT Medco E&P Bangkanai is a wholly-owned subsidiary of PT. Medco Energi International Tbk, an Indonesian oil and gas exploration and production business which is listed on the Jakarta Stock Exchange.

Further information on the Bangkanai PSC is set out in paragraph 10.2.1 of Part VII of this document.

### **Citarum Production Sharing Contract**

The Citarum PSC covers an area of 4,440 km<sup>2</sup> in Central West Java. The northern margin of the block is characterised by hilly terrain which is moderately populated. The southern block is generally more mountainous and in part covered by volcanic rock. The block is situated on the southern margin of the active oil and gas producing areas of the North West Java Basin and includes fields such as Subang, Jatibarang, Tambun and Pondok Tengah. Consequently the northern margin of the block is located close to PT Pertamina (Persero)'s well-developed oil and gas pipeline network. The PSC was awarded to BPREC on 7 October 2005 and no wells have yet been drilled in the block. BPREC is a legal entity consisting of the following shareholdings:

Ranhill Energy	60.00% operator
BPE	20.00%
MEC	20.00%

On 21 June 2006 BPREC (acting by its liquidator) entered into a Deed of Assignment and Disclaimer whereby BPREC assigned its 100 per cent. working interest in the Citarum PSC to BPREC Pte. BPREC Pte. is a legal entity consisting of the following shareholdings:

West Java Energy	60.00% operator
BPE	20.00%
MEC	20.00%

Ranhill Energy is a wholly owned subsidiary of Ranhill Berhad, an engineering company listed on the Kuala Lumpur Stock Exchange. BPE is a privately owned Indonesian company. West Java Energy is a wholly owned subsidiary of Ranhill Energy.

Further information on the Citarum PSC is set out in the Competent Person's Report in Part III of this document and in paragraph 10.2.5 of Part VII of this document.

### **Bangladesh Production Sharing Contract**

The Company has also entered into an agreement under which it may acquire an interest in a production sharing agreement relating to an exploration area in Bangladesh.

The Bangladesh production sharing contract (the "Bangladesh PSC") relates to Block 22 which covers approximately 1,250 km<sup>2</sup> in the Chittagong Hills area in eastern Bangladesh. Block 22 lies to the south of gas producing fields in India and is to the east of nearby gas discoveries and the producing Sangu field operated by Cairn energy. The operator of the PSC is Ocean Bangladesh Corporation ("OBC").

Sound Oil Bangladesh Limited ("SOB"), has entered an agreement with OBC under which OBC will assign to SOB 50 per cent. of its interest in the PSC. This assignment is subject to the extension of the PSC and the approval of both the government of Bangladesh and the Bangladesh Oil, Gas and Mineral Corporation. Sound Oil has entered into an option agreement under which Sound Oil may acquire SOB for a consideration of 14,634,813 new Sound Oil shares (or cash of US\$2.0 million if agreed by both parties). The exercise price of the option is reduced to 2,195,222 new Sound Oil shares

(or cash of US\$0.3 million) if the option is exercised before the assignment of OBC's interest in the PSC has become effective. Sound Oil may exercise its call option to acquire SOB at any time in the four months from 19 May 2006 and a put option may be exercised to require Sound Oil to acquire SOB at any time after four months have elapsed from the date of the agreement, until 19 May 2086.

Further information on the Bangladesh PSC is set out in paragraph 10.1.4 of Part VII of this document.

### **Intentions regarding the Enlarged Group**

The purpose of the Enlarged Group will be the exploration and production of hydrocarbons, either as a joint venture partner with a direct ownership in a licence or as a shareholder. The Enlarged Group may be either a non-operating party or an operator depending on the circumstances.

The Enlarged Group intends to acquire discoveries at the appraisal stage and take the properties to production. Exploration properties will be acquired which have a potentially high positive impact on the worth of the company (such as Citarum), but with the risk mitigated, for example by farm out. Other exploration and production companies may be acquired which have a strategic fit with the Enlarged Group. The Enlarged Group will be geographically unrestricted but will focus on Asia and Africa in the first instance. No redeployment of the Company's fixed assets is anticipated.

Save for the Existing Directors, Sound Oil does not have any employees. Following Admission, it is intended that the Existing Directors will continue to be directors of the Company, and it is proposed that three new directors, who are currently shareholders (through their shareholdings in the three companies which prior to the Acquisition own 93.75 per cent. of Mitra) and directors of Mitra, will also be appointed to the Board.

It is intended that the Board following Admission will comprise the following directors:

### **Existing Directors**

#### *Gerry Orbell, Chairman and Chief Executive (Aged 59)*

Gerry Orbell is a petroleum geologist with over 30 years of technical, managerial and director level experience in the hydrocarbon and utilities sectors. Gerry has previously held the position of executive director of Fina Exploration and Fina Development, in charge of all Fina's hydrocarbon exploration and production activities for the UK. He was subsequently director of exploration and production at Premier Oil plc and was responsible for that company's investments in areas including Pakistan, the North Sea and the Mediterranean. After Premier Oil, he became managing director of North West Water International, in charge of all water and waste water operations and businesses around the world.

Gerry is currently the chairman of Antrim Energy Inc. (quoted on AIM) where he oversees business development and hydrocarbon exploration in the North Sea. He is also a member of the board, and chairman of the audit committee, at the compliance company Valpak Limited.

Gerry has been a director of Sound Oil since 4 April 2005.

#### *Tony Heath, Finance Director (Aged 69)*

Tony Heath has over thirty years financial and general management experience in a variety of roles. Qualifying as a chartered accountant in 1964, Tony joined Burmah Oil's motor fuels development business in 1968. He then spent four years as finance manager for Burmah Oil's North Sea oil exploration activity which was followed by a further four years as finance director of Halford's retailing group which included managing its Dutch and factoring businesses. He then became group controller of Burmah Oil and was responsible for all financial information and control of the international oil group covering operations in thirty-five countries.

Tony joined the board of Premier Oil plc as group finance director in 1990 where he had overall responsibility for all financial matters in the oil exploration and production business in many countries around the world. He managed a £400 million financing in the UK and USA, the financial aspects of a major takeover and the trading of Premier Oil's oil production.



Tony left Premier at the age of 60 in 1997 and is currently chairman of a pension fund and adviser to a charity. He has been a director of Sound Oil since 17 May 2005.

*Simon Davies, Non-executive Director (Aged 47)*

Simon Davies is chief executive of Threadneedle Asset Management, which manages over £62 billion in equities, bonds, property and hedge funds for individual and corporate investors. Simon began his career in 1981 with Rothschild Asset Management, where he worked as an analyst and fund manager. In 1986 he moved to Gartmore Investment Management as a pension fund manager and was subsequently appointed to the board of Gartmore Pension Fund Managers. In 1990 he transferred to the international side of Gartmore's investment management business, becoming head of global funds and then head of international equities. In 1995 he joined Threadneedle as chief investment officer and was appointed chief executive in January 1999.

Outside Threadneedle, Simon is a director of the Investment Management Association and JP Morgan Fleming Overseas Investment Trust and is also on the investment committee of Westminster Abbey. Simon has been a director of Sound Oil since 26 April 2005.

*Michael Nobbs, Non-executive Director (Aged 57)*

Michael Nobbs has a thirty year track record in investment banking, with a focus on corporate and project finance. He was a managing director and senior credit officer for Citigroup/Citibank and was the group finance director for Tishman International Companies, a major global real estate development and investment business. He is currently a non-executive director of GTL Resources Plc and Ithaca Energy plc, both of which are quoted on AIM. In his career, Michael has participated in many capital raisings, both debt and equity, and in the areas of securitisation and initial public offerings. He has held positions in London, New York and Los Angeles. He has been a director of Sound Oil since 21 April 2005.

## **Proposed Directors**

*Jusuf (Jossy) Rachmantio, Proposed Executive Director (Aged 45)*

Jossy Rachmantio obtained a BSc in Material Engineering in 1985 from the Case Western Reserve University USA and subsequently received his Masters in International Management in 1987. From February 1990 to July 1994 Jossy was head of marketing at PT. Karya Titan in Jakarta. Jossy was a director of Repindo Info Media in Jakarta from January 1999 to September 2000. From 1999 to 2000 Jossy was also president director of Repindo Nusa Jaya, a company which developed power projects in Indonesia with the national state utility company. After this he joined Flotec as managing director, where his responsibilities included setting up the Indonesian market for bandwidth optimisation software. From September 2001 to September 2004 Jossy was a managing partner at Profescipta Wahana, where he acted as adviser to a number of clients on company restructuring and other strategic issues.

Jossy co-founded Mitra with Patrick Alexander and Ilham Habibie in 2004.

*Patrick Alexander, Proposed Non-executive Director (Aged 53)*

Patrick Alexander has over 25 years of investment banking experience and is currently managing director of Batavia Investment Management Ltd (previously Peregrine Batavia Investment Management Ltd), where he has worked since 1993.

Patrick began his career at the Australian Department of Foreign Affairs, where he worked for four years. He moved on to work at Chase Manhattan from 1980 to 1988 in New York, Indonesia and finally Hong Kong, where he rose to position of director. He was subsequently appointed Chief Executive Officer of Robina Investments Hong Kong, and thereafter worked at Morningside Asia Investment in Hong Kong, from 1989. From 1991 Patrick was executive director of Lippo Asia Investment Management Ltd, before moving to Peregrine Batavia Investment Management Ltd in 1993. Patrick is currently an Independent Commissioner of PT Astra International, one of Indonesia's largest listed companies and a dominant company in Indonesia's automotive industry.

Patrick co-founded Mitra in 2004, together with Jossy Rachmantio and Ilham Habibie.

*Ilham Habibie, Proposed Non-executive Director (Aged 43)*

After qualifying as an engineer in Germany in 1987, Ilham worked as a scientist and lecturer at the Technical University of Munich for seven years. He went on to work as an engineer at the Boeing Commercial Airplane Group in the United States, from 1994 to 1996. While working in the United States, Ilham also assisted the President Director of Industri Pesawat Terbang Nusantara (“IPTN”) the state-owned aerospace company in Indonesia, on the N2130 Regional Jet Program. This project eventually evolved into leading engineers and technicians in the design of a new and highly technologically advanced regional jet. In 1996 Ilham advanced to become the Executive Vice President/Program Manager for the Regional Jet Division at IPTN, subsequently the Executive Vice President of the Airplane Business Unit and then the Operation & Commercial Executive Vice President there, a position he held until 2000. During the year 2000, IPTN changed its name to Pt. Dirgantara Indonesia (Indonesian Aerospace). Ilham left PT. Dirgantara Indonesia in June 2001 to pursue his career in the private sector. From 1996 to 1998 Ilham was also the assistant to the Chairman of Badan Pengkajian dan Penerapan Teknologi (“BPPT”) for Aeronautics and Advanced Technology.

Since 2002 Ilham has held senior positions at a number of Indonesian companies in the private sector, including CEO/President Director of PT. Ilthabi Rekatama and Commissioner of PT. Citra Tubindo tbk, a company listed on the Jakarta stock exchange. He has also been CEO/President of a number of aerospace and other companies which he founded.

Ilham owns 50 per cent. of Ilthabi Ltd, a company which owns 100 per cent. of Ilthabi Sdn Bhd. As well as its stake in Mitra (prior to Mitra’s acquisition by the Company), Ilthabi Sdn Bhd also has an investment in Aviation Support Ltd, a start up company which is to provide aviation services.

Ilham holds a PhD in aeronautical engineering from the Technical University of Munich and a MBA from the University of Chicago.

Ilham co-founded Mitra in 2004, together with Jossy Rachmantio and Patrick Alexander.

### **The Acquisition**

Under the terms of the Acquisition Agreement, Sound Oil is, subject to the satisfaction of certain conditions, to acquire the entire issued share capital of Mitra in consideration of the allotment and issue of the Consideration Shares. The value of the Consideration Shares at the Placing Price is approximately £16.2 million.

The Acquisition is conditional, *inter alia*, on:

- (i) the passing of Resolutions 1 and 2 at the EGM;
- (ii) the Placing having become unconditional in all respects save as regards completion of the Acquisition and Admission; and
- (iii) Admission becoming effective.

### **The Special Dividend**

The Acquisition Agreement provides that a dividend of US\$1,500,000 (the “Special Dividend”) shall be declared by Mitra prior to completion of the Acquisition. Payment of the Special Dividend is conditional on completion of the Medco Farm-In and receipt by MEB of the payments due in respect of the Medco Farm-In, including the specified contingent payment of US\$2,250,000. The Special Dividend will be reduced on a dollar for dollar basis for any reduction in the latter payment.

### **The Placing**

The Company proposes to raise approximately £10.7 million (net of expenses) through the Placing. Pursuant to the Placing Agreement, Hichens has agreed to act as the Company’s agent in relation to the Placing. However, Hichens will not be underwriting the issue of the Placing Shares. The Placing is conditional upon the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms by Hichens or Smith & Williamson. The Placing Agreement is conditional, *inter alia*, upon the passing of Resolutions 1 and 2 at the EGM, the completion (subject



only to Admission) of the Acquisition and the Admission of the Placing Shares no later than 14 July 2006. Further particulars of the Placing Agreement are set out in paragraph 10.1.2 of Part VII of this document.

The net proceeds of the Placing will be used principally to fund the development and exploration programmes at Bangkanai and Citarum during the remainder of 2006 and 2007. It is expected that during this period four development wells (including two re-entry wells) and two exploration wells will be completed at Bangkanai and one exploration well will be completed at Citarum. The Company expects production to commence at Bangkanai in 2008 and to fund further exploration and development work after 2007 at Citarum and potentially in Bangladesh from trading cash inflows, debt funding, farm-in(s) and/or the issue of further Ordinary Shares as appropriate in the circumstances.

The proceeds of the Placing will be received as to £6,916,428 in Pounds Sterling and US\$ 8,997,039 in US Dollars (equivalent in total to £11,708,750 at an exchange rate of £1/US\$1.87). The Company's development expenditure programme will be incurred principally in US Dollars and accordingly the Company does not intend to convert the funds received in US Dollars into Pounds Sterling.

#### **Details of the Consideration Shares and Placing Shares**

The Consideration Shares will be issued credited as fully paid and will, in aggregate, represent approximately 32 per cent. of the Enlarged Share Capital.

The Placing Shares will be issued credited as fully paid and will, in aggregate, represent approximately 23 per cent. of the Enlarged Share Capital.

#### **Financial Effects of the Acquisition and the Placing**

An unaudited pro forma statement of consolidated net assets of the Enlarged Group, prepared for illustrative purposes only, showing the impact of the Acquisition and the Placing, is set out in Part VI of this document.

#### **The Takeover Code**

The terms of the Acquisition give rise to certain considerations under the Code. Brief details of the Panel, the Code and the protections they afford are described below.

##### *The Code*

The Code is issued and administered by the Panel. Sound Oil plc is a company to which the Code applies and its shareholders are accordingly entitled to the protections afforded by the Code.

The Code and the Panel operate principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment by an offeror. The Code also provides an orderly framework within which takeovers are conducted. In addition, it is designed to promote, in conjunction with other regulatory regimes, the integrity of the financial markets.

Pursuant to Rule 9 of the Code, any person who acquires an interest in shares which, when taken together with interests in shares already held by him or interests in shares held by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the Code, is normally required to make a general offer to all shareholders in that company to acquire their shares.

Similarly, when any person together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in shares is acquired.

An offer under Rule 9 must be in cash and at the highest price paid, within the 12 months prior to the announcement of the offer, for any interest in shares of the company by the person required to make the offer or any person acting in concert with him.

For the purposes of the Code, a concert party arises where persons acting in concert pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. A person and each of its affiliated persons will be deemed to be acting in concert all with each other. Control means an interest or interests in shares carrying in aggregate 30 per cent. or more of the voting rights of the company, irrespective of whether such interest or interests give *de facto* control.

The vendors of a private company generally will be deemed to be acting in concert. The members of the Concert Party, who are Patrick Alexander, Ilham Habibie, Jusuf Rachmantio and Thareq Habibie, are deemed to be acting in concert given that they formed Mitra. Information on the members of the Concert Party is set out in paragraph 8 of Part VII of this document.

Following completion of the Acquisition, the members of the Concert Party will between them be interested in 209,415,584 Ordinary Shares representing approximately 30 per cent. of the Enlarged Share Capital. The Panel has agreed, however, to waive the obligation to make a general offer under Rule 9 of the Code that would otherwise arise on completion of the Acquisition, subject to the approval of the independent Shareholders at the Extraordinary General Meeting voting on a poll. Accordingly, Resolution 2 set out in the Notice of EGM is being proposed at the Extraordinary General Meeting. To be passed, it will require the approval of a simple majority of votes cast on the poll.

**Shareholders should note that, following completion of the transaction, if Resolution 2 is passed and assuming no further Ordinary Shares are issued, the Concert Party will between them be interested in shares carrying 30 or more per cent. of the Company's voting share capital and for so long as they continue to be treated as acting in Concert, any further increase in the number of Ordinary Shares in which they are interested will be subject to the provisions of Rule 9.**

#### **Management incentive arrangements**

The Directors believe that it is important that executive directors and key personnel are appropriately motivated and rewarded and accordingly, the Company intends in due course to adopt a share option scheme in which qualifying personnel and directors of the Company will be eligible to participate. The Directors intend that a total of no more than 10 per cent. of the issued share capital of the Company from time to time will be available under any such share option arrangements for directors and employees. On publication of this document, the Company has agreed to issue Gerry Orbell and Tony Heath with share options over 1,400,000 and 700,000 Ordinary Shares respectively. Further details of these options can be found in paragraph 3.4 of Part VII of this document.

#### **Corporate Governance**

The Directors recognise the importance of sound corporate governance commensurate with the size of the Company and the interests of Shareholders. As the Company grows, the Directors intend that it should develop policies and procedures which reflect the Principles of Good Governance and Code of Best Practice as published by the Committee on Corporate Governance (commonly known as the "Combined Code"). So far as is practicable, taking into account the size and nature of the Company, the Directors will comply with the Combined Code.

The Directors have established an audit committee comprising the two existing non-executive directors and chaired by Michael Nobbs. The audit committee receives and reviews reports from management and from the auditors relating to the interim and annual accounts and to the system of internal financial control. The Directors have also established a remuneration committee, also comprised of the two existing non-executive directors, and chaired by Simon Davies. The remuneration committee determines the terms and conditions of service of the executive directors.

The Company takes all proper and reasonable steps to ensure compliance by the directors and applicable employees of the Enlarged Group with the requirements of the AIM Rules restricting dealings in Ordinary Shares during a close period.

### **Dealings and trading**

Application will be made by the Company for the Enlarged Share Capital to be admitted to AIM following publication of this document. It is expected that Admission will take place and trading in the New Shares will commence on the first dealing day following that on which the Resolutions are passed at the Extraordinary General Meeting. All Ordinary Shares, including the Consideration Shares, may be held in either certificated or uncertificated form (i.e. in CREST).

### **CREST**

CREST is a paperless security transfer system, which enables securities to be held otherwise than by a certificate and transferred otherwise than by written instrument. The articles of association of the Company permit the Company to issue shares in uncertificated form in accordance with the CREST Regulations. The Ordinary Shares will be made eligible for settlement in CREST with effect from Admission.

Accordingly, settlement of transactions in the Ordinary Shares may take place within the CREST system if the relevant holders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain certificates will be able to do so.

### **Lock-ins and orderly market arrangements**

The Directors (whose interests in the Company will amount to approximately 32 per cent. of the issued Ordinary Shares on Admission) have undertaken not to dispose of any interest in their Ordinary Shares for a minimum period of twelve months following Admission except in the very limited circumstances allowed by the AIM Rules and excepting that they will retain the ability to accept an offer and provide an irrevocable undertaking to accept an offer (where “offer” has the same meaning as given in the Takeover Code).

### **Dividends**

The nature of the Company’s business means that it is unlikely that the Directors will recommend a dividend in the early years following Admission. The Directors believe the Company should seek to generate capital growth for its Shareholders but may recommend distributions at some future date, depending upon the generation of sustainable profits, when it becomes commercially prudent to do so.

### **Extraordinary General Meeting**

On page 99 of this document, you will find a notice convening an Extraordinary General Meeting of the Company, which is to be held at 10.30 a.m. on 12 July 2006 at the offices of Smith & Williamson, 25 Moorgate, London, EC2R 6AY. The resolutions to be proposed at the EGM will be as follows:

- (1) to approve the Acquisition for the purposes of Rule 14 of the AIM Rules; and
- (2) to approve the Waiver.

As required by the Panel, Resolution 2 will be decided on a poll. Resolutions 1 and 2 will be proposed as ordinary resolutions and are conditions of the Acquisition, which will only proceed if both the Resolutions are carried.

### **Taxation**

Certain general information relating to United Kingdom taxation with regard to Admission is set out in paragraph 14 of Part VII of this document. **If you are in any doubt as to your tax position you are advised to contact an appropriate professional adviser immediately.**

**Further information**

Your attention is drawn to the further information set out in the remainder of this document and, in particular, to the risk factors set out in Part II of this document.

**Action to be taken**

You will find enclosed a Form of Proxy, for use in connection with the EGM. Whether or not you intend to be present at the EGM, you are asked to complete and return the Form of Proxy in accordance with the instructions printed on it so as to be received by Share Registrars Limited, Craven House, West Street, Farnham, Surrey GU9 7EN as soon as possible but in any event not later than 10.30 a.m. on 10 July 2006. Completion and return of the Form of Proxy will not preclude you from attending and voting at the meeting in person should you so wish.

**Recommendation and voting intentions**

The Existing Directors, who have been so advised by Smith & Williamson, believe that the Proposals are fair and reasonable and are in the best interests of the Company and its Shareholders. In providing advice to the Existing Directors, Smith & Williamson has taken into account the Existing Directors' and Proposed Directors' commercial assessments.

Accordingly, the Existing Directors unanimously recommend that you vote in favour of the resolutions to be proposed at the Extraordinary General Meeting as the Existing Directors and their connected parties have irrevocably undertaken to do in respect of their own beneficial holdings amounting in aggregate to 9,891,848 Ordinary Shares representing approximately 3.19 per cent. of the Existing Shares (based on the shareholdings they are expected to have at the date of the Extraordinary General Meeting). The Company has also received irrevocable undertakings to vote in favour of the resolutions in respect of a further 25,077,181 Ordinary Shares, representing approximately 8.08 per cent. of the Existing Shares. Accordingly, the Company has received irrevocable undertakings to vote in favour of the resolutions in respect of a total of 34,969,029 Ordinary Shares representing in aggregate approximately 11.27 per cent. of the Existing Shares. Hichens will be disenfranchised from voting at the Extraordinary General Meeting due to their involvement in the transaction.

Yours faithfully

Gerald Orbell  
*Chairman and Chief Executive*

## PART II

### RISK FACTORS

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company or whether to approve the Acquisition at the EGM. An investment in the Company may not be suitable for all recipients of this document.

**If you are in any doubt about the action you should take, you should consult a person authorised under FSMA if you are resident in the United Kingdom or, if you are not resident in the United Kingdom, an appropriate independent adviser who specialises in advising on the acquisition of shares and other securities.**

A prospective investor ought not to infer any relative importance in relation to the risk factors by reference to the order in which they appear. It should be noted that the risks described below are not the only risks faced by the Company. There may be additional risks that the Existing Directors and the Proposed Directors currently consider not to be material or of which they are unaware. The information below does not purport to be an exhaustive list or summary of the risks affecting the Enlarged Group. Shareholders and investors should consider carefully whether they wish to approve the Acquisition or whether an investment in the Company is suitable for them, in light of the matters referred to in this document, their personal circumstances and the financial resources available to them.

#### **Short operating history**

The Enlarged Group's business operations are at an early stage of development and its success will depend largely upon the outcome of the projects that the Mitra Group is undertaking and the Enlarged Group proposes to undertake.

#### **Dependence on key personnel**

The success of the Enlarged Group is, and will continue to be to a significant extent, dependent on the expertise and experience of the Directors and the loss of one or more could have a materially adverse effect on the Enlarged Group.

#### **Identification of suitable investment opportunities**

The performance of the Enlarged Group is dependent upon the ability of the Directors to identify suitable investment opportunities for the Enlarged Group. Even where such opportunities are identified, it may not be possible to conclude a transaction on terms favourable to the Enlarged Group, in which case the Enlarged Group might have incurred investigative and due diligence costs and expended management effort for no return.

#### **Development and operational risks**

The Enlarged Group's main strategic focus for investment will be in the energy resource sector and therefore the Enlarged Group will be exposed to general exploration and hydrocarbon appraisal and development risks. These include unusual and unexpected geological formations, high formation pressures and other conditions involved in the exploration for and extraction of hydrocarbons, any of which could result in the damage to, or even destruction of, wells and or other production facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimise risk will be taken, operations are subject to hazards which may result in environmental pollution and consequent liability which could have an adverse impact on the business, operations and financial performance of the Enlarged Group.

Development of hydrocarbons is subject to governmental regulation and, onshore, to the rights and regulations relevant to use and ownership of land. Development costs may be linked to dependent construction of facilities and markets, may involve complex machinery and may be difficult to predict and control.

The production phase by its nature also involves significant risks and hazards, including environmental hazards, industrial incidents, labour disputes, discharge of toxic chemicals, fire, drought, flooding and other occurrences outside the Enlarged Group's control. The occurrence of any of these hazards can delay, interrupt or prevent production, increase production costs and result in liability to the Enlarged Group. The Enlarged Group could become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible.

### **Oil and gas drilling is speculative**

Drilling oil and gas wells is by its nature highly speculative, may be unprofitable and may result in a total loss of the investments made by the Enlarged Group. Also, the Enlarged Group may not succeed whether in any particular case or generally in identifying commercially exploitable deposits or in drilling, completing or developing commercially viable oil and gas reserves. In particular, completed wells may never produce oil or gas, or may not produce sufficient quantities or qualities of oil and gas to be profitable or commercially viable. An investment in the Ordinary Shares is suitable only for individuals who are financially able to withstand a complete loss of their investment.

### **Reserve and resource estimates**

The Enlarged Group has derived the oil and gas reserves and resource figures presented in this document from the estimates prepared by management and/or reported in the Competent Person's Report set out in Part III of this document and which are subject to the qualifications in the Competent Person's Report. Reserve figures are estimates and there can be no assurances that they will be recovered or that they can be brought into profitable production. Reserves and resources estimates may require revisions based on actual production experience. Furthermore, a decline in the market price of oil and gas that the Enlarged Group may discover could result in smaller reserves becoming uneconomic to recover and may ultimately result in a restatement of reserves.

### **Technical risk**

Return on investment is dependent upon successful oil and gas production from the Enlarged Group's projects. The Enlarged Group may experience a revenue decrease due to overestimation of reserves and oil or gas production profiles or higher capital costs or operating costs. The Enlarged Group may also suffer reduced revenues because of product transportation difficulties, or project delays.

The reserve data set forth in this document and the Competent Person's Report are believed to represent only the most reliable estimates currently available. Estimation of reserves is inherently inexact and the accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation, judgment, production projections, maintenance and development capital, and other uncertainties inherent in estimating quantities of recoverable oil and gas. Thus, there can be no guarantee that estimates of quantities of oil and gas disclosed in the Competent Person's Report will be produced.

### **Requirements for permits and licences**

The operations of the Enlarged Group require licences, permits and in some cases renewals of existing licences and permits from various governmental authorities. The Board believes that the Enlarged Group has the benefit of all necessary licences and permits to carry on the activities which it conducts under applicable laws and that the Enlarged Group is complying in all material respects with the terms of such licences and permits. However, the Enlarged Group's ability to obtain, sustain or renew such licences and permits on acceptable terms is subject to change in regulations and policies and to the discretion of the applicable governments.

### **Increase in drilling costs and the availability of drilling equipment**

The oil and gas industry historically has experienced periods of rapid cost increases. Increases in the cost of exploration and development would affect the Enlarged Group's ability to invest in prospects and to purchase or hire equipment, supplies and services. In addition, the availability of drilling rigs and other



equipment and services is affected by the level and location of drilling activity around the world. An increase in drilling operations inside and/or outside Indonesia may reduce the availability of equipment and services to the Enlarged Group. The reduced availability of equipment and services may delay or prevent its ability to exploit reserves and adversely affect the Enlarged Group's operations and profitability.

### **Delays in production, marketing and transportation**

Various production, marketing and transportation conditions may cause delays in oil and gas production and adversely affect the Enlarged Group's business. Drilling wells in areas remote from distribution and production facilities may delay production from those wells until sufficient reserves are established to justify construction of the necessary transportation and production facilities. The Enlarged Group's inability to complete wells in a timely manner would result in production delays.

In addition, market demand, which tends to be seasonal, may reduce or delay production from wells. The marketability and price of oil and natural gas that may be produced or discovered by the Enlarged Group will be affected by numerous factors beyond the control of the Enlarged Group. The ability of the Enlarged Group to market its natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. The Enlarged Group is also subject to market fluctuations in the prices of oil and natural gas, deliverability uncertainties related to the proximity of its reserves to adequate pipeline and processing facilities and extensive government regulation relating to price, taxes, royalties, licences, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. Moreover, weather conditions may impede the transportation and delivery of oil by sea.

### **Environmental risks**

The Enlarged Group's operations are subject to the environmental risks inherent in the exploration and production industry. The Enlarged Group is subject to environmental laws and regulations in connection with all of its operations. Although the Enlarged Group intends to be in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other circumstances, that could subject the Enlarged Group to extensive liability.

Part of the Enlarged Group's licensed acreage was at one time part of a larger licence that has been terminated, as a result of which there are existing plugged and abandoned wells located in the licence area. Whilst the general thrust of licence obligations, laws and regulations deal with environmental liability in relation to an entity's own operations, the Enlarged Group may bear potential liability for future environmental risk and site remediation obligations in respect of those wells notwithstanding that they were drilled by predecessors.

Further, the Enlarged Group may require approval from the relevant authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals will prevent the Enlarged Group from undertaking its desired activities. The Enlarged Group is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Enlarged Group's cost of doing business or affect its operations in any area.

### **Political and legal factors**

Projects in which the Enlarged Group invests are likely to be in jurisdictions where political, legal and economic uncertainties, ambiguities, inconsistencies and anomalies might arise which would not necessarily exist in the UK. In particular, difficulties may arise in seeking to obtain redress through the legal courts in the relevant overseas jurisdictions. In the event of a dispute arising in connection with its foreign operations, the Enlarged Group may be subject to the exclusive jurisdiction of the courts in the Enlarged Group's home jurisdictions or enforcing judgments obtained in its home jurisdictions in such other jurisdictions. In addition, jurisdictions in which the Enlarged Group will operate have relatively less developed legal systems than in more established economies. Local business, judicial or regulatory customs and practice may not favour strict adherence to legal requirements or the

negotiated contractual agreements. As a result, the Enlarged Group's operations may be subject to a higher degree of uncertainty, and legal redress, if needed may be limited or uncertain. Civil unrest, the actions of pressure groups and other political problems could adversely affect the ability of the Enlarged Group to operate in these jurisdictions.

### **Uninsured risks**

Some forms of insurance protection used in western countries may be unavailable in jurisdictions in which the Enlarged Group may invest. Furthermore, projects in which the Enlarged Group may invest may become subject to liability for hazards that cannot be insured against or against which the Enlarged Group may elect not to become so insured because of high premium costs. The Enlarged Group may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

### **Prices for oil and gas**

The price of and demand for oil and gas is highly dependent on a number of factors, including worldwide supply and demand levels, energy policies, weather, competitiveness of alternative energy sources, global economic and political developments and the volatile trading patterns of the commodity futures markets. Natural gas prices also continue to be highly volatile. Changes in oil and gas prices can impact on the valuation of the Enlarged Group's reserves. International oil and gas prices continually fluctuate with wide fluctuations being experienced in recent years such wide fluctuations may continue in future and rising price trends may be reversed. Lower oil and gas prices will adversely affect the Group's revenues, business or financial condition and its valuation of its reserves. In periods of sharply lower commodity prices, the Enlarged Group may curtail production and capital spending projects and may defer or delay drilling wells because of lower cash flows. The Enlarged Group may not have access to the highest available oil and gas prices for all or part of its production due to restraints within its production sharing arrangements and/or the location of its production. In addition, the demand for and supply of oil and gas worldwide may affect the Enlarged Group's level of production.

### **Market risk and market availability**

In the event of successful development of additional oil and gas reserves, the marketing of the Enlarged Group's production of oil and gas from such reserves may be dependent on market fluctuations and the availability of processing and refining facilities and transportation infrastructure, including access to shipping facilities, pipelines and pipeline capacity at economic tariff rates over which the Enlarged Group may have limited or no control. Pipelines may be inadequately maintained and subject to capacity constraints and economic tariff rates may be increased with little or no notice and without taking into account producer concerns and there may be an inability to agree commercial terms. Although the Enlarged Group currently does not sell for export, the ability to export oil and gas may depend on obtaining licences and quotas, the granting of which may be at the discretion of the relevant regulatory authorities. There may be delays in obtaining such export licences and quotas leading to the income receivable by the Enlarged Group from the export of oil and gas being adversely affected, and it is possible that from time to time export licences may be refused.

Although a heads of terms agreement has been entered by EBE and PT Medco Power pursuant to which the gas produced under the Bangkanai PSC will be supplied to a power plant which is to be constructed by Medco, it cannot be guaranteed that a gas sales agreement will be signed between these parties and there is a risk therefore that the Enlarged Group may not therefore have a market to which they can sell the gas produced.

### **Competition**

The Enlarged Group's competitors include the major oil and gas companies and independent oil and gas companies. The oil and gas business is highly competitive in the search for and acquisition of reserves and in the gathering and marketing of oil and gas production and in the recruitment and employment of qualified personnel. In addition the Enlarged Group will compete with oil and gas companies in the bidding for exploration and production licences. The Enlarged Group's competitors



may have significantly greater financial, technical and other resources than the Enlarged Group and are able to devote greater resources to the development of their businesses. If the Enlarged Group is unable to successfully compete, its business will suffer.

#### **Decommissioning costs**

The Enlarged Group may become responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines which it may use for production of oil and gas. Abandonment and reclamation of facilities and the costs associated therewith is often referred to as “decommissioning”. There are no immediate plans to establish a reserve account for these potential costs, rather, the costs of decommissioning are expected to be paid from the proceeds of production in accordance with the practice generally employed in onshore and offshore oilfield operations. Should decommissioning be required, the costs of decommissioning may exceed the value of reserves remaining at any particular time to cover such decommissioning costs. The Enlarged Group may have to draw on funds from other sources to satisfy such costs. The use of other funds to satisfy such decommissioning costs could have a materially adverse effect on the Enlarged Group’s financial position and future results of operations.

#### **Limited diversification**

Generally, risk is reduced through diversification. Diversification is maximised by drilling a large number of wells over a large area of prospects having different geological characteristics. The drilling and development programme, therefore, will have only a limited amount of diversification with a correspondingly higher degree of financial risk for investors.

#### **Financing and need for additional capital**

The successful extraction of any natural resources may require very significant capital investment. In addition, delays in the construction and commissioning of any of the Enlarged Group’s projects or other technical difficulties may result in projected target dates for related production being delayed and/or further capital expenditure being required. The Enlarged Group’s ability to raise further funds will depend to some extent on the success of existing and acquired operations.

Additional equity financing is likely to be dilutive to holders of the Enlarged Group’s then-existing Ordinary Shares and could contain rights and preferences superior to the Ordinary Shares. Debt financing may involve restrictions on the Enlarged Group’s financing and operating activities. In either case, additional financing may not be available to the Enlarged Group on acceptable terms. If the Enlarged Group is unable to raise additional funds as needed, the scope of its operations may be reduced and, as a result, the Company may be unable to fulfil its long-term expansion programme.

#### **Share price volatility and trading basis**

The Ordinary Shares are not listed on the Official List and although the Ordinary Shares are traded on AIM, this should not be taken as implying that there will be a liquid market in the Ordinary Shares. A return on investment in the Ordinary Shares may, therefore, in certain circumstances be difficult to realise. The price at which the Ordinary Shares may trade and the price which Shareholders may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Enlarged Group and some which may affect quoted companies generally. These factors could include the performance of the Enlarged Group’s operations, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. The value of the Ordinary Shares is liable therefore to fluctuate and may not reflect the underlying asset value of the Enlarged Group.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. Neither London Stock Exchange nor the UK Listing Authority has itself examined this document for the purposes of Admission.

#### **Currency exchange risk**

As an international operator, the Enlarged Group’s business transactions may not be denominated in the same currencies. To the extent that the Enlarged Group’s business transactions are not denominated

in the same currency, the Enlarged Group is exposed to foreign currency exchange rate risk. In addition, holders of the Enlarged Group's shares are subject to foreign currency exchange rate risk to the extent its business transactions are denominated in currencies other than the US Dollar. Fluctuations in foreign currency exchange rates may adversely affect the Enlarged Group's profitability.

#### **Tax rates**

Any change in the Enlarged Group's tax status or in taxation legislation in any of the jurisdictions in which the Enlarged Group operates could affect the value of the investments held by the Enlarged Group, the Enlarged Group's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of the Company and its investors are based upon the Company's interpretation of current tax law and practice which is subject to change. If this interpretation is incorrect, tax liabilities may be understated.

#### **Force majeure**

The economics of the Enlarged Group's projects may be adversely affected by risks outside the control of the Enlarged Group including labour unrest, civil disorder, war, including civil war, subversive activities, sabotage or other terrorist acts, fires, floods, acts of God, explosions or other catastrophes, or epidemics.

#### **General economic conditions**

Changes in the general economic climate in which the Enlarged Group operates may adversely affect the financial performance of the Enlarged Group. Factors, which may contribute to that general economic climate, include the level of direct and industrial disruption, the rate of growth of gross domestic product in the areas of operation interest rates and the rate of inflation.

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

**PART III**  
**COMPETENT PERSON'S REPORT**



The Directors  
Sound Oil plc  
1 Berkeley Street  
London W1J 8DJ

The Directors  
Smith & Williamson Corporate Finance Limited  
25 Moorgate  
London EC2R 6AY

31 March 2006

Dear Sirs,

In accordance with your instructions, RML (a division of Senergy Limited) has reviewed the interests that Mitra Energia Limited (Mitra) holds in the Bangkanai Licence, Kalimantan and the Citarum Licence, Java.

We were requested to provide an independent evaluation of the recoverable hydrocarbons expected for each asset categorised in accordance with the joint reserves/resource definitions of the Society of Petroleum Engineers, the World Petroleum Congress and the American Association of Petroleum Geologists. The results of this work have been presented in accordance with the requirements of the AIM market of the London Stock Exchange, in particular as described in the "Guidance Note for Mining, Oil and Gas Companies", March 2006.

Recoverable volumes are expressed as gross and/or net technical reserves or resources. Gross reserves or resources are defined as the total estimated petroleum to be produced from the fields evaluated from 1 July 2006. Net reserves or resources are defined as that portion of the gross reserves or resources attributable to the interests owned by Mitra and its subsidiaries.

In conducting this review we have utilised information supplied directly or indirectly by the Field Operators and by Mitra, comprising basic engineering data and technical reports. We have reviewed the information provided and modified assumptions where we considered appropriate. Site visits were not considered necessary for the purposes of this report. We have not verified the entitlement of Mitra to the interests stated in this report as this is outside the remit of the evaluation.

Standard geological and engineering techniques accepted by the petroleum industry were used in estimating recoverable hydrocarbons. These techniques rely on engineering and geo-scientific interpretation and judgement; hence the resources included in this evaluation are estimates only and should not be construed to be exact quantities. It should be recognised that such estimates of hydrocarbon resources may increase or decrease in future if there are changes to the technical interpretation, economic criteria or regulatory requirements. As far as RML is aware there are no special factors that would affect the operation of the assets and which would require additional information for their proper appraisal.



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## SUMMARY

RML was requested to provide an assessment of the interests that Mitra Energia (Mitra) holds in the Bangkanai Licence, Kalimantan and the Citarum Licence, Java. The Bangkanai Licence contains the Kerendan discovery, and some exploration potential. The Citarum Licence has three exploration prospects and a large unevaluated region.

We were requested to provide an independent evaluation of the recoverable hydrocarbons expected for each asset categorised in accordance with the joint reserves/resource definitions of the Society of Petroleum Engineers, the World Petroleum Congress and the American Association of Petroleum Geologists. Under these definitions only the Kerendan Field has recoverable volumes that can be classified as reserves and hence can be valued.

The technically recoverable volumes presented in this report are based on a review of interpretation of the assets prepared by the licence operators and third parties. The economic model prepared by Mitra for the Kerendan Field was audited and revised for the estimation of Net Present Value for Proved and Proved plus Probable reserves.

The gross recoverable volumes, the net reserves and NPV10 of the Kerendan Field are shown in the following table. Note that the reserves are only valid once the gas sales agreement is signed. Recoverable volumes of condensate are estimated as 10 bbl/MMscf of raw gas recovery (gas volume measured prior to fuel and other losses), note that the terms of condensate sale are not yet confirmed as only a Memorandum of Understanding is in place.

		<i>Recoverable Volumes Calculated by RML</i>			
<i>Gross</i>			<i>P(90)</i>	<i>P(50)</i>	<i>P(10)</i>
		bcf	195.8	250.0	317.6
		MMstb	1.96	2.50	3.18
	1	MMboe	34.59	44.17	56.11
		<i>Recoverable Volumes Calculated by RML</i>			
<i>Net</i>			<i>P(90)</i>	<i>P(50)</i>	<i>P(10)</i>
Equity 34.99%	4	bcf	68.5	87.5	111.1
		MMstb	0.69	0.87	1.11
	1	MMboe	12.10	15.45	19.63
			<i>Equity</i>	<i>Proved</i>	<i>Proved plus Probable</i>
Reserves	2	bcf	100.00%	133.0	137.5
		MMstb	100.00%	1.39	1.44
	3	MMboe	100.00%	23.56	24.37
	4	bcf	34.99%	46.5	48.1
	4	MMstb	34.99%	0.49	0.50
	4	MMboe	34.99%	8.24	8.53
Net Present Value 10%		\$MM	100.00%	28.0	28.8
	4	\$MM	34.99%	9.8	10.1

### Notes:

- 1 Includes Raw Gas volumes prior to shrinkage, fuel and losses converted using 6 Mcf/boe
- 2 Contracted gas 135.5 TBTU, approximately equivalent to 133 bcf.
- 3 Includes Sales Gas volumes converted using 6 Mcf/boe
- 4 Equity of Mitra Energia Bangkanai after the first three contract years

The above valuation is limited by the terms of the gas sales contract (approximately 133 bcf). A significant volume of gas remains in the ground at the end of the contract period in the Proved case (54 bcf sales gas). In the Proved plus Probable case this residual volume is even greater (101 bcf sales gas). Clearly these residual volumes could have incremental value if production were not constrained by the sales contract.

An alternative “unconstrained” case was run, based on the Proved plus Probable recoverable volume, with a peak rate of 30 MMscf/d (recovering 178.3 bcf of raw gas after 20 years), in order to demonstrate the potential value of the asset if a larger capacity plant was installed and additional gas sales could be achieved. Costs were increased to represent the increase in capacity and it was also assumed that horizontal wells would be drilled to meet the deliverability requirements. The NPV10 for the gross contractor share in this case was \$38.0 MM, equating to \$13.3 MM for an equity share of 34.99%

The exploration potential in the Bangkanai Licence is immature. Although there is potential for future gas and possibly oil discoveries most of these leads currently belong in the speculative resources category. An imminent 2D seismic program has been designed by the Operator to firm up several leads. The West Kerendan prospect up-dip of Kerendan-2 is considered to be the most mature opportunity but carries a major risk on reservoir quality.

The Citarum PSC has three prospects identified within the area covered by seismic, the volumetric analysis is considered to be robust, but they are of high risk. The northern margin of the block possesses unquantified potential for further hydrocarbon discoveries but requires a significant seismic acquisition programme to test and verify a variety of play concepts; some of the thrust anticlines north of the island arc volcanic belt may also hold potential for hydrocarbon discoveries. A \$7.5MM 2D seismic program is to be acquired this year to identify further prospects.

An EMV calculation was prepared to assist in ranking the Citarum block. This does not constitute a valuation, but is intended to allow the asset to be ranked against other exploration opportunities.

### ***PROFESSIONAL QUALIFICATIONS***

RML is a privately owned independent consulting company established in 1990, with offices in Aberdeen, London, Stavanger and Kuala Lumpur. The company specialises in petroleum reservoir engineering, geology and geophysics and petroleum economics. All of these services are supplied under an accredited ISO9001 quality assurance system. Except for the provision of professional services on a fee basis, RML has no commercial arrangement with any person or company involved in the interest that is the subject of this report.

Andrew John Evans is the Manager of Reserves and Asset Evaluation for RML and was responsible for supervising this evaluation. He is a professional petroleum engineer with over 20 years of oil industry experience gained in major international companies and within RML. He is a member of the Energy Institute and of the Society of Petroleum Engineers.

Yours faithfully,



Andrew J. Evans  
Manager, Reserves and Asset Evaluation  
For and on behalf of RML

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## 1 Introduction

RML was requested to provide an assessment of the interests that Mitra holds in the Bangkanai Licence, Kalimantan and the Citarum Licence, Java. The Bangkanai Licence contains the Kerendan discovery, and some exploration potential. The Citarum Licence has three exploration prospects and a large unevaluated region. The assets are summarised in the following table.

Asset	Operator	Interest	Status	Licence Expiry Date	Licence Area	Comments
Kalimantan, Bangkanai PSC	Elnusa Bangkanai Energy Limited	34.99% <sup>1</sup>	Development	30 December 2033	6976 km <sup>2</sup>	Development of the Kerendan Field is waiting approval of the POD by the IDGOG and IMME. Acquisition of additional seismic data is due to start before mid 2006.
Java, Citarum PSC	Bumi Parahyangan Ranhill Energia Citarum	20.00%	Exploration	7 October 2035	4440 km <sup>2</sup>	Planning for the first exploration well is underway, with the intention of spudding before year end 2006.

<sup>1</sup> Following closure of an equity purchase by Medco and expiry of the first three contract years

We were requested to provide an independent evaluation of the recoverable hydrocarbons expected for each asset categorised in accordance with the joint reserves/resource definitions of the Society of Petroleum Engineers, the World Petroleum Congress and the American Association of Petroleum Geologists. Under these definitions only the Kerendan Field has recoverable volumes that can be classified as reserves and hence can be valued.

The technically recoverable volumes presented in this report are based on a review of interpretations of the assets prepared by the block operators and third parties (as described in Section 2.5 below) and interviews with personnel from Mitra. The economic model prepared by Mitra for the Kerendan Field was audited and revised for the estimation of Net Present Value for Proved and Proved plus Probable reserves. An Expected Monetary Value (EMV) was calculated for the Prospective Resources of the Citarum Licence using the volumes and risk factors estimated in this study and using prices for undiscovered hydrocarbons provided by Sound Oil and their advisers. Note that the EMV is provided to enable assets to be ranked relative to other Prospective Resources and does not constitute a valuation of the licence.

## 2 Bangkanai PSC

### 2.1 Block Location and Area

The Bangkanai PSC, which encompasses an area of 6976 km<sup>2</sup>, is located some 200 km west of Balikpapan and 330 km north of Banjarmasin, the provincial capitals of East and West Kalimantan respectively. The block is situated on the west side of the Kutei Basin and the northern edge of the stable Barito Shelf, and is located just northwest of the Meratus Mountains, see Figure 2.1.

### 2.2 Exploration History and Kerendan Discovery

The area was previously part of a larger PSC awarded to Unocal in 1972 when it was known as the Teweh PSC. During this period Unocal shot two 2D seismic surveys, in 1975 and 1985/86 and drilled 10 exploration wells and 2 appraisal wells. The only discovery to date is the Kerendan gas field made in 1982 which flowed 15.5 MMscf/d gas and 330 bpd of condensate from the Oligocene Berai Limestone at a depth below 9000ft. The initial reservoir pressure was 6719 psia at a temperature of 277 °F. The well was subsequently placed on long term production test for 42 days during which 0.5 bcf was produced with no depletion in reservoir pressure observed. The discovery was appraised by Kerendan-2 and Kerendan-3 in 1988 and 1989 respectively. Kerendan-2 located 9 km to the southwest of Kerendan-1 was a dry hole, failing to encounter reservoir quality facies within the Berai Limestone. Kerendan-3 located 6.2 km to the northwest of Kerendan-1 flowed at 5.9 MMscf/d gas and also confirmed the gas water contact (GWC).

Pertamina approved Unocal's Plan of Production (POD) for Kerendan in 1997 but development of the field did not proceed as they were unable to secure a Gas Sales Agreement (GSA) for the gas. Unocal relinquished the PSC in 2000.



The Bangkanai PSC was awarded to Elnusa Bangkanai Energy Limited (EBE) on 30th December 2003 for a 30 year period including an exploration period of 10 years. In September 2004 Mitra Energia Bangkanai Limited (MEB) farmed in to the licence. The current interests are:

Elnusa Bangkanai Energy Limited (EBE)	51% operator
Mitra Energia Bangkanai Limited (MEB)	34%
PT Medco E&P Bangkanai (Medco)	15%

Under the terms of the farm-in agreement, after the first three contract years, the MEB interest will increase to 34.99%.

The above interests reflect the completion of a share purchase by Medco to acquire a 15% share in the licence from MEB.

The PSC work commitment for the first 3 years consists of:

	<i>Costs-US \$</i>
<b>Year 1</b>	
Geological and Reservoir Study	500,000
Seismic Reprocessing and Attribute/Inversion Analysis	800,000
<b>Year 2</b>	
Seismic Reprocessing	300,000
2D seismic Acquisition and Processing	3,000,000
<b>Year 3</b>	
Two Exploration Wells	10,500,000
<b>TOTAL</b>	<b><u>15,100,000</u></b>

To date, studies and the reprocessing of the existing seismic data have been undertaken. The shooting of approximately 205 km of new 2D lines is planned to commence in April 2006.

Elnusa Bangkanai Energy Limited submitted a plan of development (POD) for the development of the Kerendan field in December 2005.

### 2.3 Structure and Seismic

The Kerendan structure is an Oligocene carbonate reefal build up encompassing a gross area of approximately 270 km<sup>2</sup>. It is defined by a relatively sparse 2.5 x 4 km 2D seismic grid consisting of poor to moderate quality seismic data shot in 1975 and 1985/86. The 1985/86 data was reprocessed by EBE in 2004 which has resulted in an improvement to the seismic image. Some additional infill lines over the structure are planned as part of the up and coming 2006 seismic acquisition programme. The top of the Berai Limestone generates a strong seismic event which can be mapped with fair confidence over the structure on most of the 1985/86 reprocessed 2D lines. The structure is a semi-circular four way dip closure with northeastern and southwestern culminations and steep flanks. The shooting of additional lines is strongly supported to reduce areas of uncertainty in the interpretation and to mature development drilling locations.

Depth conversion of the two way time (TWT) structure has been undertaken using an average velocity grid generated from the results of the Kerendan -1,-2 and -3 wells. As the three wells are all crestally located on the structure there is no control of the velocities on the flanks or off-structure. Consequently this method is likely to result in a slightly optimistic view of the gross rock volume (GRV). In the POD case, EBE have used one GRV case for the Proved plus Probable GIIP based on the average velocity depth conversion method.

The Kerendan Field is the northeastern culmination of the structure with the crest mapped at 8800 ftss just south of Kerendan-1. The area of closure for the field is constrained by the interpreted GWC at 9396 ftss, penetrated in Kerendan-3, a top Berai limestone depth map is shown in Figure 2.1.



On the reprocessed 1985/86 seismic data Lembaga Afiliasi Penelitian dan Industri-Institut Teknologi Bandung (LAPI-ITB) have suggested that there is evidence of internal architecture within the reefal build-up. A chaotic seismic character can be seen around the periphery of the build up while in the central area a more laminated seismic character can be observed on some lines. LAPI-ITB have interpreted the more chaotic seismic facies to be an indicator of better reservoir quality reef and fore-reef facies and the more laminar facies to be poorer reservoir quality lagoonal facies. While there is some evidence for the two seismic facies on some of the northeast-southwest seismic lines, a definite relationship between chaotic seismic facies and enhanced reservoir quality at the periphery of the structure is not directly supported by the existing well control, and consequently remains only one possible model.

#### *2.4 Reservoir Description*

The Berai Limestone reservoir was extensively cored in Kerendan-2 and Kerendan-3 with a single 30 ft core taken in the hydrocarbon bearing section in Kerendan-1.

Descriptions of the cores in Kerendan-3 show that the Berai Limestone contains several depositional facies associated with reef development including; coral boundstones, interbedded bioclastic wackestones, packstones, and grainstones, and coralline algal grainstones. Core descriptions from the Kerendan-2 well, which was drilled approximately 3 km northeast of the southwest margin of the build-up, shows that the carbonate buildup is shaly limestone with branching coral and tight lime wackestones and packstones, indicative of a low energy lagoonal environment. Core analysis shows that this platform interior facies does not have any significant porosity.

Almost all porosity in the Kerendan -3 well is diagenetic (secondary). The two main diagenetic processes which created porosity were interpreted by Unocal to be non-fabric-selective (vuggy) dissolution and fabric-selective (moldic and micro-porosity) dissolution. Both types of dissolution apparently occurred after substantial burial. The vuggy porosity would be expected to occur around the margin of the buildup, while the moldic porosity and micro-porosity occurs within partially dissolved grains in grainstone facies.

Core analysis results from Kerendan-3 indicate average porosity and permeability values of 5.4% and 4.6 mD respectively. Porosity permeability cross-plots show a relatively poor correlation coefficient.

The description of the single core taken in Kerendan-1 suggests much of the observed porosity is related to micro-fractures. In Kerendan-1 porosity streaks in excess of 10% are identifiable from the logs. The permeability estimated for the test interval based on the analysis of the long term production test was 2.92 mD.

Porosity has been reduced greatly by compaction and cementation, both of which occurred during moderate to deep burial. Most existing porosity is believed to have been created by dissolution associated with acidic basinal fluids expelled from adjacent shales.

Based on the assumptions from the core descriptions, dissolution and hence porosity is expected to increase toward the margin of the Kerendan buildup. This assumption in combination with the seismic facies analysis has been utilised in a deterministic way by EBE to populate the reservoir model from which the GIIP and reserves estimates have been derived.

Given the well control and seismic quality, significant uncertainty remains regarding the precise areal distribution of the key depositional facies (i.e. reefal, lagoonal) within the Kerendan structure although it is logical that better reefal facies would be expected at the periphery. However the porosity development is almost entirely secondary and therefore not directly related to primary depositional facies resulting in significant uncertainty in its vertical and lateral distribution. This is demonstrated by comparing the distribution of the porous intervals in Kerendan-1 and Kerendan-3. In Kerendan-1 the porous layers are relatively thin and occur throughout the hydrocarbon column while in Kerendan-3 most of the reservoir quality rock is confined predominantly to a single thick interval.

#### *2.5 Hydrocarbon in Place Estimates*

We have reviewed the three previous estimates of GIIP that were made available. These had been undertaken by DeGolyer and MacNaughton (D&M) (1992) for Unocal, Elnusa Bangkanai Energy

Limited (EBE) (April 2005), and Lembaga Afiliasi Penelitian dan Industri-Institut Teknologi Bandung (LAPI-ITB) (2005) in support of the POD.

The petrophysical evaluations show a surprisingly wide range in estimates for net pay and hydrocarbon pore feet (HPF) in the Kerendan-1 well but there is fair agreement for Kerendan-3. From the data provided we were able to account for some but not all of these discrepancies. Consequently an independent formation evaluation was undertaken by RML.

The GIIP estimates of the three previous studies are summarised below:

	<i>Proved GIIP Bcf</i>	<i>probable GIIP Bcf</i>	<i>Proved plus probable GIIP BCF</i>	<i>possible GIIP BCF</i>
D&M	244	336	580	327
EBE	340	384	724	286
LAPI-ITB	40	305	345	37
POD*	40	152	192	

\*GIIP used for POD simulation model = LAPI-ITB (P1+0.5 P2)

The variation in these estimates can be attributed primarily to the variations in the estimates of hydrocarbon pore footage (HPF) in the Kerendan-1 well and the geological assumptions made to influence the way hydrocarbon pore volume (HPV) is subsequently isopached between Kerendan-1 and Kerendan-3 within the defined field area. There is fair agreement for the HPF estimate in Kerendan-3. All volumetric estimates are based on a single case deterministic mapping approach constrained by two wells containing the gas bearing reservoir (Kerendan-1,-3) and one where the reservoir is tight (Kerendan-2).

The DeGolyer and MacNaughton estimates were based on the unprocessed seismic data which gave rise to a slightly larger GRV than that estimated from the reprocessed seismic. Their estimate of HPF for Kerendan-1 is the highest of the three owing to their higher estimate of net pay and average porosity in this well. Their report does not define what constitutes the proven, probable or possible areas of the field.

The EBE report defines the proven area as the eastern part of the structure, to the east of where lagoonal facies is interpreted from the seismic lines. Their probable area consists of the area interpreted as lagoonal facies on the seismic and above the lowest known gas (LKG) at 9396 ftss. The possible area is defined as the western culmination of the greater Kerendan feature structurally up-dip of the Kerendan-2 well where the reservoir was found to be tight. The HPF estimate for Kerendan-1 is less than the D&M estimate but HPV has been isopached in a more optimistic manner and no reservoir quality differential is made between the proven area (rim margin facies) and probable area (lagoonal facies).

The LAPI-ITB HPF estimate for Kerendan-1 is the most pessimistic. The proven plus probable area is defined by the top reservoir structure and estimated GWC at 9396 ftss. Within the reservoir envelope porosity values have been enhanced along the eastern rim of the structure to reflect assumed improved reservoir quality and decreased over the western part of the field to reflect the assumed increase in poorer reservoir quality lagoonal facies in line with the seismic facies interpretation. The proven volume is based on the analysis of the long term production test on Kerendan-1 which is interpreted to have proved a contacted volume of 20 bcf. It has been assumed by LAPI-ITB that Kerendan-3 was in contact with a similar volume giving a proven GIIP of 2 x 20 bcf = 40 bcf. We believe that this approach is illogical and inappropriate. The possible volume is defined as the volume up-dip of the Kerendan-2 well but with a much smaller volume than that defined by EBE.

For the POD EBE have taken Proved + 0.5 Probable of the GIIP estimated by LAPI-ITB for the base case which we are led to believe is the normal Indonesian approach for reserves estimates. Note that the POD identifies both the GIIP and reserves as 40 bcf in the proven case.

Owing to the uncertainty in the petrophysical evaluation of the Kerendan-1 well and poor constraints on mapping reservoir facies and porosity (secondary) within the reservoir envelope, there is scope for a wide range of equally probable deterministic realisations of GIIP estimates for the Kerendan Field. Consequently we believe that adopting a probabilistic approach is more appropriate to capture the range of uncertainties in the reservoir parameters and hence the GIIP estimates.

The input parameters utilised by RML are listed in the table below.

	<i>Min</i>	<i>most likely</i>	<i>max</i>
GRV b cu.m	2.97	3.50	4.02
NTG	0.23	0.3	0.37
Avge Porosity	0.04	0.06	0.075
1-Sw	0.55	0.65	0.70
GEF		285	
	<i>P(90)</i>	<i>Mean</i>	<i>P(10)</i>
GIIP bcf	305	393	479

We believe that our probabilistic P(90), mean and P(10) values can be taken as realistic estimates of the “Proved”, “Proved plus Probable” and “Proved plus Probable plus Possible” GIIP estimates respectively for the Kerendan Field. Note that our “Proved plus Probable plus Possible” GIIP estimate does not include Kerendan West. We believe that the possible volumes up dip of Kerendan-2 assigned to the possible category by both EBE and LAPI-ITB belong in the resources category and are discussed in the “Resources” section.

## 2.6 Engineering Data Review

Little or no raw data were available for analysis and so a review of existing interpretations was conducted. The main comments arising are as follows:

- The extended well test conducted on Kerendan-1 confirms deliverability of a vertical well to be in the region of 10 MMscf/d. The connected volume was a minimum of 20 bcf with no evidence of depletion reported by Unocal or LAPI-ITB. The test data could indicate the presence of a dual porosity system, but this is not definitive. There was a loss in deliverability identified, which may be due to the formation of a condensate bank as reservoir pressure was depleted below dew-point.
- Very limited data were available for the Kerendan-3 test. There is a concern that the gas rates appeared to decline rapidly within each short flow period. The well produced water from the lower perforations throughout the test despite the offset from the GWC. This suggests rapid water movement through a fracture network. H<sub>2</sub>S was reported from onsite gas analysis during the DST.
- The reservoir fluid is a gas-condensate which is around 2400 psi overpressured. Based on the composition reported for samples from Kerendan-3 our estimates suggest a condensate yield of 10 bbl/MMscf and a Gross Heating Value in the range 1020-1070 MMBTU/MMscf, which is within the range required by the HOA for gas sales. Total inert components (N<sub>2</sub> and CO<sub>2</sub>) are under 5%. No H<sub>2</sub>S was measured in laboratory samples.

## 2.7 Field Development Plan

The POD for Kerendan is based on supplying gas for a power plant (to be constructed by Medco) located close to the field. The marketing plan calls for delivery of 20 MMscf/d of gas during the sales gas contract period which terminates at 31/5/2028 or on delivery of 135.5 trillion BTU, equivalent to about 133 bcf of gas, whichever occurs earlier. This information was obtained from the Heads of Agreement (HOA) of the sales contract between EBE and PT Medco Power, a final sales agreement has not yet been signed.

A central gas processing facility will be constructed adjacent to the Kerendan-1 well site and will have capacity to handle 25 MMcf/d of gas and 400 bpd of condensate. Gas will be processed to a quality suitable for the power plant feedstock and will be sold at the plant gate.

The development plan as proposed by EBE is that the two existing wells (Kerendan-1 and -3) will be re-entered and completed and five new development wells will be drilled to meet the deliverability requirement for the sales gas contract period. A Memorandum of Understanding has been signed with Petrofin for the sale of condensate from the field.

The technical work conducted in support of the POD by LAPI-ITB was reviewed and a number of issues were identified that undermined the credibility of the sub-surface studies. From the available information there is a concern that the proposed model for the DST match is not consistent with the continuity demonstrated by the long term test. The simulation model predicts less water production than that observed during the short term test of Kerendan-3. There is no evidence that alternative well designs were investigated to optimise the development.

In our opinion there are potentially significant risks associated with the re-use of the Kerendan-3 as, in addition to the operational risk in re-entering an old well, the risk that it would water-out faster than predicted by the modelling work. Re-entry of the Kerendan-1 carries operational risk but no outstanding reservoir risk.

### *2.8 Production Profiles and Recoverable Hydrocarbons*

Estimates of recoverable hydrocarbons were made by Monte Carlo analysis by applying a range of recovery factors to the GIIP distribution discussed above. Recovery factors of 55%, 65% and 75% were used for the Minimum, Most Likely and Maximum values respectively. These values were based on experience with analogue fields and material balance expectations.

The resulting recoverable volumes of raw gas and condensate were as follows:

P(90)	195.8 bcf	1.96 MMstb
P(50)	250.0 bcf	2.50 MMstb
Mean	254.6 bcf	2.55 MMstb
P(10)	317.6 bcf	2.18 MMstb

Note that even the P(90) is significantly higher than the contracted quantity of 132.8 bcf, derived from the HOA for the gas sales contract (135.5 TBTU) and the estimated GHV of the gas. In our view the maximum quantity that can be defined as reserves is limited by the gas sales agreement (subject to signature). Condensate volumes were based on an estimated yield of 10 bbl/MMcf of raw gas.

Note that a ratio of 95% is used to convert raw gas to sales gas to account for shrinkage, fuel and other losses.

Production profiles were generated for both the Proved and Proved plus Probable cases, limited by the restrictions of the gas sales contract; the Proved case restricted to the BTU limit specified in the contract and the Proved plus Probable case restricted by the contract duration. An unconstrained Proved plus Probable case was also run in order to demonstrate the potential value that could be accessed with a more favourable contract. The profiles are illustrated in Figure 2.3, note that in all three cases the nominal end of the profile is after 20 years of production.

### *2.9 Economic Model and Reserves*

The economic model provided by Mitra was audited and revised as required in light of our review of the PSC; note that the tax rates were accepted as defined by Mitra. The evaluation was based on an effective date of 1/7/2006.

It was assumed that the development would be carried out largely as defined in the POD. The main change in our assumption is that the Kerendan-3 would not be re-entered and that an additional new well would be drilled as a replacement. Development costs defined in the POD were reviewed and adopted with minor adjustments. It was noted that the Mitra model contained an allowance for an H2S removal plant; this was not included in the POD and hence was excluded from our valuation. Total Capex for the development was \$77MM with total Opex over the contract period of \$29MM. Note that abandonment costs were not included in the evaluation since the field could maintain production for several years beyond the end of the sales contract.

The development schedule was based on the POD with four wells available for first gas in 2008 and an additional well drilled in each of 2017, 2018 and 2020. It was assumed that compression would be provided in 2014.

The gas sales price was set at \$2.78/MMBTU for the first three years with an average of \$2.98/MMBTU over the contract.

Only a Memorandum of Understanding (MOU) is available for condensate sales and so the terms are not well defined; for the purposes of this assessment the scenario presented in the Mitra economic model was adopted. It was assumed that condensate would be shipped to Maura Teweh by pipeline for onward transportation by barge, the sales prices was assumed to be 92% of the West Texas oil price which was taken as \$45/bbl flat.

It was noted that both the economic model and the POD state that production bonuses of £100,000, \$250,000 and \$500,000 become payable when production passes 10 MMboe, 30 MMboe and 60 MMboe respectively. The PSC attributes these bonuses to production volumes of 25 MMboe, 50 MMboe and 75 MMboe respectively. We were not able to resolve this discrepancy, which does not significantly affect our conclusions.

Valuations were run for the expected Contracted Gas Proved case and Proved plus Probable case resulting in NPV<sub>10</sub> for the gross contractor share of \$28.0MM and \$28.8MM respectively. The similarity in the values is entirely due to the restrictions of the sales contract. Increasing the Capex by 25% in the Proved case reduced the gross NPV<sub>10</sub> to \$21MM. The reserves in the Proved plus Probable case were sufficient to allow the wells to produce at the full contract rate throughout the contract period, thus no further increment could be assumed for Possible reserves. Restricting production to the contract period creates the rather artificial situation that all three reserves classes are essentially the same. The reserves volumes are summarised in Appendix 1.

An alternative “unconstrained” case was run, based on the P(50) recoverable volumes, with a peak rate of 30 MMscf/d (recovering 178.3 bcf of raw gas after 20 years), in order to demonstrate the potential value if a larger capacity plant was installed and additional gas sales could be achieved. Costs were increased to represent the increase in capacity and it was also assumed that horizontal wells would be drilled to meet the deliverability requirements. The NPV<sub>10</sub> for the gross contractor share in this case was \$38MM.

Note that reserves for the field (once the gas sales contract is signed) would be estimated at 133 bcf in the Proved case due to the limit on the total BTU production specified in the gas sales contract HOA, this leaves a recoverable volume of 56 bcf of wet gas (54 bcf of sales gas) in the ground at the end of the contract. In the Proved plus Probable case the field is on plateau throughout the specified time period and the BTU limit is ignored. In this case a total of 137.5 bcf of sales gas is produced by the end of the contract period with 108 bcf of wet gas (101 bcf of sales gas) left in the ground. The contract and associated development plan do not optimise the value of the asset.

The sales gas volumes left unproduced at the end of the sales contract period have been classified as Contingent Resources, pending provision of a new sales agreement. The resource volumes are summarised in Appendix 1.

#### 2.10 Net Present Value Sensitivity Cases

Sensitivity cases were run for the above development scenarios at discount rates of 8%, 10% and 12%. The resulting Net Present Values for the gross contractor share are shown in the following table.

<i>Net Present Value (\$MM) Gross</i>	<i>NPV<sub>8</sub></i>	<i>NPV<sub>10</sub></i>	<i>NPV<sub>12</sub></i>
Proved	37.5	28.0	20.4
Proved +25% Capex	30.6	20.9	13.1
Proved plus Probable	38.6	28.8	21.0
P(50) Recoverable Unconstrained	50.7	38.0	27.8



## 2.11 Hydrocarbon Resources

The Bangkanai PSC covers a large area in which only six wells have been drilled including the three Kerendan wells. The area is covered by a very sparse grid of poor quality 1974 seismic lines. Using this seismic data and surface geological mapping EBE have generated several leads within the block targeted at Miocene deltaics, Oligocene Berai Limestone and Tanjung Sandstone reservoirs. RML would agree that the block holds potential for future gas and possibly oil discoveries but currently most of these leads can be mapped as no more than possible rollovers on single, poor quality seismic lines and consequently belong in the speculative resources category. The West Kerendan prospect up dip of Kerendan-2, referred to above by EBE and LAPI-ITB in the Kerendan Field possible GIIP category, is considered by RML to be the most mature opportunity but carries a major risk on reservoir quality.

The 2006 seismic programme is aimed at maturing some of these prospects and leads to drillable status but it is questionable whether or not the planned programme of 205 km will be sufficient to generate the two robust prospects required to meet the Year 3 work commitment for two exploration wells. With current level of maturity of the work on the exploration potential we have not allocated volumes to Prospective Resources.

## 3 Citarum PSC

### 3.1 Block Location and Area

The Citarum PSC covers an area of 4,440 km<sup>2</sup> in Central West Java. The northern margin of the block is characterised by hilly terrain which is moderately populated. The southern part of the block is generally more mountainous and in part covered by volcanics, see Figure 3.1.

The block is situated on the southern margin of the active oil and gas producing areas of the North West Java Basin and includes fields such as Subang, Jatibarang, Tambun and Pondok Tengah. Consequently the northern margin of the block is located close to Pertamina's well developed oil and gas pipeline network.

The PSC was awarded to the Bumi Parahyangan Ranhill Energia Citarum (BPREC) on 7th October 2005. BPREC is a limited legal entity consisting of the following shareholdings:

Ranhill Energy	60% operator
Bumi Parahyangan Energi (BPE)	20%
Mitra Energia Citarum Limited (MEL)	20%

On 21 June 2006 BPREC (acting by its liquidator) entered into a Deed of Assignment and Disclaimer whereby BPREC assigned its 100 per cent. working interest in the Citarum PSC to BPREC Pte. BPREC Pte. is a legal entity consisting of the following shareholdings:

West Java Energy	60.00%* operator
BPE	20.00%
MEC	20.00%

\*West Java Energy is a wholly owned subsidiary of Ranhill Energy

### 3.2 Work Programme

The firm work commitment for the first three years consists of;

	<i>Costs-US \$</i>
<b>Year 1</b>	
Geological and Reservoir Study	250,000
Exploration Well	5,000,000
<b>Year 2</b>	
Geological and Reservoir Study	250,000
750 km 2D Seismic Acquisition and Reprocessing	7,500,000
Exploration Well	5,000,000
<b>Year 3</b>	
Geological and Reservoir Study	250,000
Two Exploration Wells	10,000,000
<b>TOTAL</b>	<b><u>28,250,000</u></b>

Planning has commenced for the first exploration well.

### 3.3 Hydrocarbon Resources

Seismic coverage in the PSC and immediate area amounts to only 1092 km of 2D seismic data of various vintages and quality. In the Jonggol area there are 22 lines giving a 1.5 km by 2 km grid, see Figure 3.2.

No wells have been drilled in the block. Two Miocene plays are currently defined within the seismic grid; a reefal build-up in the Batu Raja Formation and a four-way dip closure at the Parigi and Cibulakan Formation levels.

Two separate four way dip closures were mapped by the operator at the Batu Raja level and are referred to as Prospects A and B. The available seismic data supports the model that these prospects represent reefal build-ups on the upthrown side of a major fault adjacent to the Ciputat Sub Basin. These prospects are located in an analogous position to the Jatinegara and Tambun oil and gas discoveries on trend to the north. These prospects were mapped and confirmed by Gaffney Cline and Associates (GCA) as valid structures. A review of the TWT mapping by RML confirmed that the time interpretation appears reasonable. BPE have recently undertaken a revised approach to depth conversion using stacking velocities as opposed to a time/depth relationship derived from the Jatirarangan Field to the north. The new depth conversion methodology indicates that Prospects A and B may be part of the same feature with the crestal area located further northwestwards.

GCA have estimated unrisks P(50) prospective recoverable resources for Prospect A of 115.8 MMbbls or 342.9 bcf and for prospect B of 30.7 MMbbls or 91.0 bcf. Clearly hydrocarbon type is a major uncertainty in the area. Based on a review of the basin history and location we believe that gas is the more likely or dominant phase, assigning a 60% chance that gas will be found if a successful discovery well is drilled. While the estimated volumes are considered reasonable, these prospects carry a significant geological risk factor primarily related to reservoir quality, seal and hydrocarbon charge. GCA estimate a chance of success of 26% but we feel 16% is a better reflection of the overall risk.

Prospect C is a stacked reservoir target involving the Parigi and Cibulakan Formations in a small pop-up structure along a northwest-southeast trending fault. Again this structure has been mapped and confirmed by GCA. A review of the seismic data by RML confirmed that the interpretation appears reasonable. GCA have estimated unrisks P(50) prospective recoverable resources for the two reservoir targets at 3.6 MMbbls oil or 7.3 bcf gas. These estimates are considered reasonable but again RML would consider gas the more likely phase. RML consider hydrocarbon charge and seal as being the major components of geological risk and would support the GCA estimated chance of success of 20%.

The prospective resources for the Citarum block are presented in Appendix 1. The table provides values for both the oil scenario and gas scenario. These scenarios are independent of each other, the prospects are not assumed to contain both oil and gas.

The whole of the northern margin of the block possesses unquantified potential for further hydrocarbon discoveries but requires a significant seismic acquisition programme to test and verify a variety of play concepts. The focal points for this programme would be in areas adjacent to where the various north-south trending sub basins of the prolific Northwest Java Basin (Ciputat, Arjuna and Jatibarang ) extend southwards into the northern part of the Citarum Block. In addition in the central part of the block, some of the thrust anticlines north of the island arc volcanic belt may hold potential for hydrocarbon discoveries also.

### *3.4 Expected Monetary Value*

There are no discovered hydrocarbons in the Citarum PSC and so there are no volumes that can be valued in terms of reserves definitions. However, in order to provide a tool to assist in ranking this opportunity relative to other exploration areas, an Expected Monetary Value (EMV) has been derived. This does not constitute a valuation of the PSC.

Given the limited data available for this block a wide range of assumptions could be considered; in this review we have assumed that prospectivity is limited to A and B only; C is too small to be economic. Note that these three prospects were identified on the current seismic coverage, it is hoped that the acquisition of additional seismic will result in the generation of additional prospectivity.

The decision tree and assumptions used are shown in Figure 3.3. For the purposes of this decision tree we have assumed that a total of four wells will be drilled if Prospects A and B are successful, with wells three and four being dry. However, if either Prospect A or B is dry then we have assumed that the operator will negotiate relief from drilling wells three and four.

It is assumed that seismic acquisition and subsequent studies will be conducted as specified in the work commitment.

The detail of the decision tree logic is summarised below:

- If A is successful then Prospect B will be drilled with a 60% chance of success. If Prospect B is successful the commitment to two further exploration wells will be confirmed (for the sake of this analysis they are both assumed to be unsuccessful).
- If A is unsuccessful it is assumed that Prospect B will not be drilled and an unsuccessful exploration well will be drilled elsewhere in the block.
- If either A or B are unsuccessful it is assumed that the operator will re-negotiate the terms of the work programme and drop the remaining two wells.
- In all cases the seismic and studies work programme is completed.

The costs given in the work commitment table above were assumed to apply. The net values (after development and operational investment) of undiscovered oil and gas used in the evaluation were \$2.50/bbl and \$0.21/Mscf for oil and gas respectively. These values were provided by Sound Oil and their advisers and are based on the cost to Sound Oil of gas reserves in Kerendan and their experience of current deals in Indonesia. Although we have not verified these values we consider them to be reasonable.

The EMV gross to the contractor for these assumptions is \$16.12MM, or \$3.22MM net to Mitra.

The key issues that arise from this assessment are:

- The EMV is significantly reduced if gas is the more likely phase.
- The EMV is highly dependent on the value assumed for undiscovered hydrocarbons.



As mentioned above, the EMV calculation does not constitute a valuation of the block, but does serve to illustrate that despite the high risks associated with the block there is potential to achieve commensurate high rewards with exploration success.

## **4 Conclusions**

### *4.1 Bangkanai PSC*

A valuation of the Kerendan Field was prepared based on the HOA of a gas sales agreement and the development plan proposed in the POD. The reserves attributed to the asset and the associated Net Present Value strictly will only apply once the sales agreement is signed. At present only a MOU has been signed with regard to sales of condensate.

In our view, the GIIP and recovery presented in the Kerendan POD is conservative and has led to the specification of facilities that do not allow the value of the asset to be optimised. In order for this to be achieved additional gas sales opportunities would have to be identified.

There is some uncertainty over the presence of H<sub>2</sub>S. Laboratory analysis of samples from Kerendan-3 did not indicate that H<sub>2</sub>S was present. However, onsite measurement did identify it. Mitra include Capex for an H<sub>2</sub>S plant in their economic model but it was not included in the POD.

The gas sales agreement specifies a sales quantity of 135 TBTU, around 133 bscf. In our assessment this leaves a considerable volume of recoverable gas in the ground at the end of the contract and hence limits the reserves and consequent value attributable to the field.

The Bangkanai PSC holds potential for future gas and possibly oil discoveries but currently the opportunities belong in the speculative resources category. The West Kerendan prospect up-dip of Kerendan-2 is considered to be the most mature opportunity but carries a major risk on reservoir quality. It is questionable whether or not the planned programme of 205 km of seismic in 2006 will be sufficient to generate the two robust prospects required to meet the Year 3 work commitment for two exploration wells.

### *4.2 Citarum PSC*

The Citarum PSC is situated on the southern margin of the active oil and gas producing areas, no wells have been drilled in the block to date and there is limited seismic coverage. Three prospects have been identified within the area covered by seismic, the volumetric analysis is considered to be robust, but they are of high risk.

Hydrocarbon type is a major uncertainty in the area, in our opinion gas is the more likely phase.

The northern margin of the block possesses unquantified potential for further hydrocarbon discoveries but requires a significant seismic acquisition programme to test and verify a variety of play concepts, some of the thrust anticlines north of the island arc volcanic belt may hold potential for hydrocarbon discoveries also.

An EMV calculation was prepared to assist in ranking the block. This does not constitute a valuation, but does serve to illustrate that despite the high risks associated with the block there is potential to achieve commensurate high rewards with exploration success.

**APPENDIX 1  
RESERVE AND RESOURCE SUMMARY**

**BANGKANAI PSC**

Probable and Possible reserves in the following table have been limited by the contract duration and rate capacity specified in the gas sales agreement.

	Gross			Net Attributable			Operator
	Proved	Proved & Probable	Proved, Probable & Possible	Proved	Proved & Probable	Proved, Probable & Possible	
<b>Oil &amp; Liquids Reserves (MMbbl)</b>							
Kerendan Field	1.39	1.44	1.44	0.49	0.50	0.50	Elnusa Bangkanai Energy Limited
<b>Gas Reserves (bcf)</b>							
Kerendan Field	133.0	137.5	137.5	46.5	48.1	48.1	Elnusa Bangkanai Energy Limited

Source: A J Evans, Senergy Limited  
The above volumes are sales gas converted from raw gas using a shrinkage of 95%. The above reserves are subject to signature of the gas sales agreement

	Gross			Net Attributable			Risk Factor
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	
<b>Oil &amp; Liquids Contingent Resources (MMbbl)</b>							
Kerendan Field	0.59	1.06	1.73	0.21	0.37	0.61	80%
<b>Gas Contingent Resources (bcf)</b>							
Kerendan Field	56.3	105.7	173.3	19.7	37.0	60.6	80%

Source: A J Evans, Senergy Limited  
Contingent resources presented in the above table represent the raw gas volumes of recoverable hydrocarbons left in the ground at the end of the sales contract. Classification of these resources as reserves is contingent upon provision of a revised gas sales agreement.

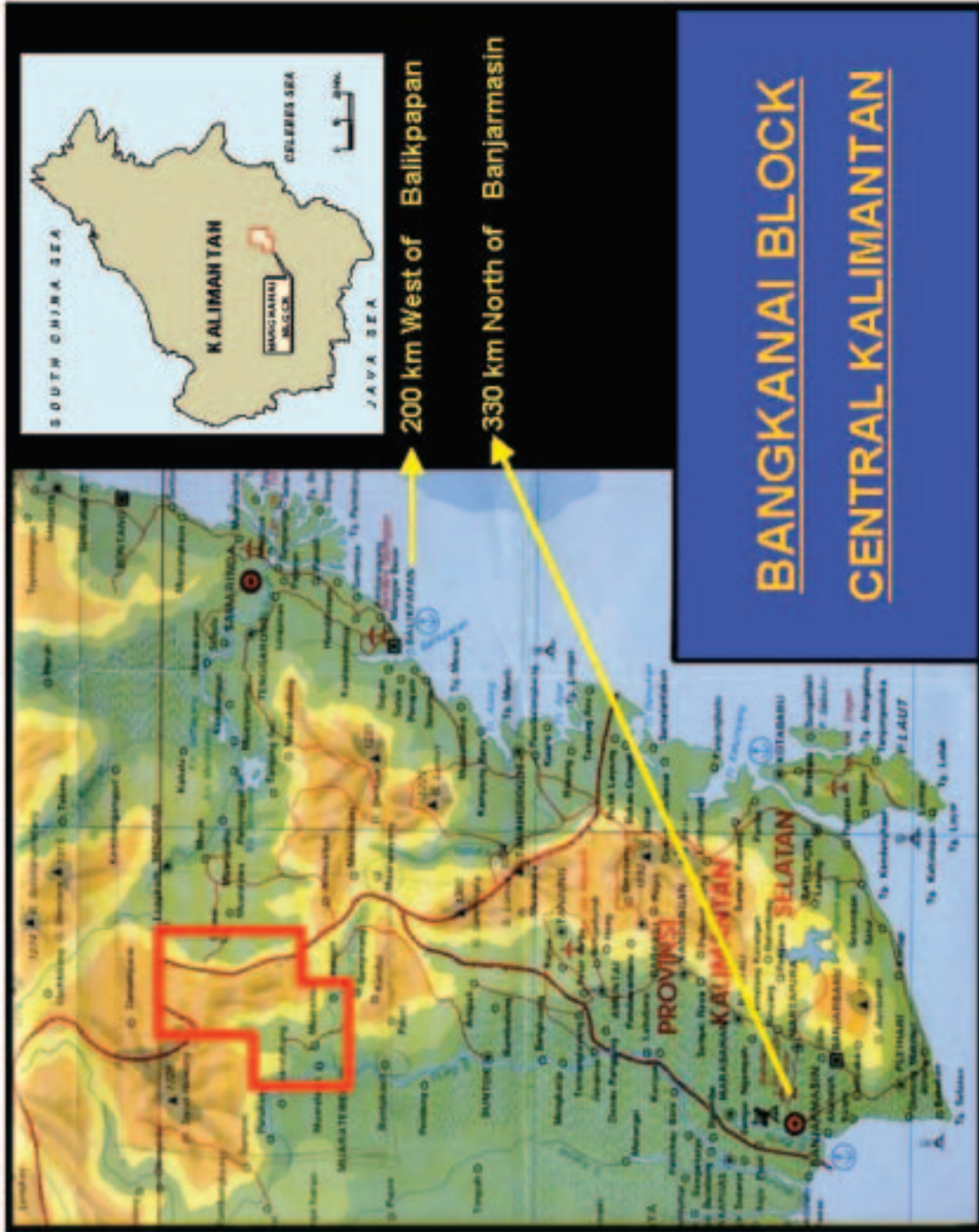
### **CITARUM PSC**

It is assumed that the Citarum prospects contain either oil or gas, the following table presents both scenarios. In our view gas is the more likely phase with a 60% chance of occurrence

	Gross			Net Attributable			Risk Factor	Operator
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate		
<b>Oil &amp; Liquids Prospective Resources (MMbbl)</b>								
Prospect A	56.10	115.80	236.40	11.22	23.16	47.28	16%	Bumi Parahyangan Ranhill Energia Citarum
Prospect B	9.20	30.70	99.50	1.84	6.14	19.90	16%	Bumi Parahyangan Ranhill Energia Citarum
Prospect C Parigi	0.80	1.40	2.40	0.16	0.28	0.48	20%	Bumi Parahyangan Ranhill Energia Citarum
Prospect C Upper Cibulakan	1.10	2.20	4.20	0.22	0.44	0.84	20%	Bumi Parahyangan Ranhill Energia Citarum
<b>Total Oil &amp; Liquids</b>	<b>67.20</b>	<b>150.10</b>	<b>342.50</b>	<b>13.44</b>	<b>30.02</b>	<b>68.5</b>		
<b>Gas Prospective Resources (bcf)</b>								
Prospect A	168.9	342.9	702.0	33.8	68.6	140.4	16%	Bumi Parahyangan Ranhill Energia Citarum
Prospect B	27.9	91.0	294.8	5.6	18.2	59.0	16%	Bumi Parahyangan Ranhill Energia Citarum
Prospect C Parigi	1.5	2.6	4.5	0.3	0.5	0.9	20%	Bumi Parahyangan Ranhill Energia Citarum
Prospect C Upper Cibulakan	2.5	4.7	9.2	0.5	0.9	1.8	20%	Bumi Parahyangan Ranhill Energia Citarum
<b>Total Gas</b>	<b>200.8</b>	<b>441.2</b>	<b>1010.5</b>	<b>40.2</b>	<b>88.2</b>	<b>202.1</b>		

Source: A J Evans, Senergy Limited

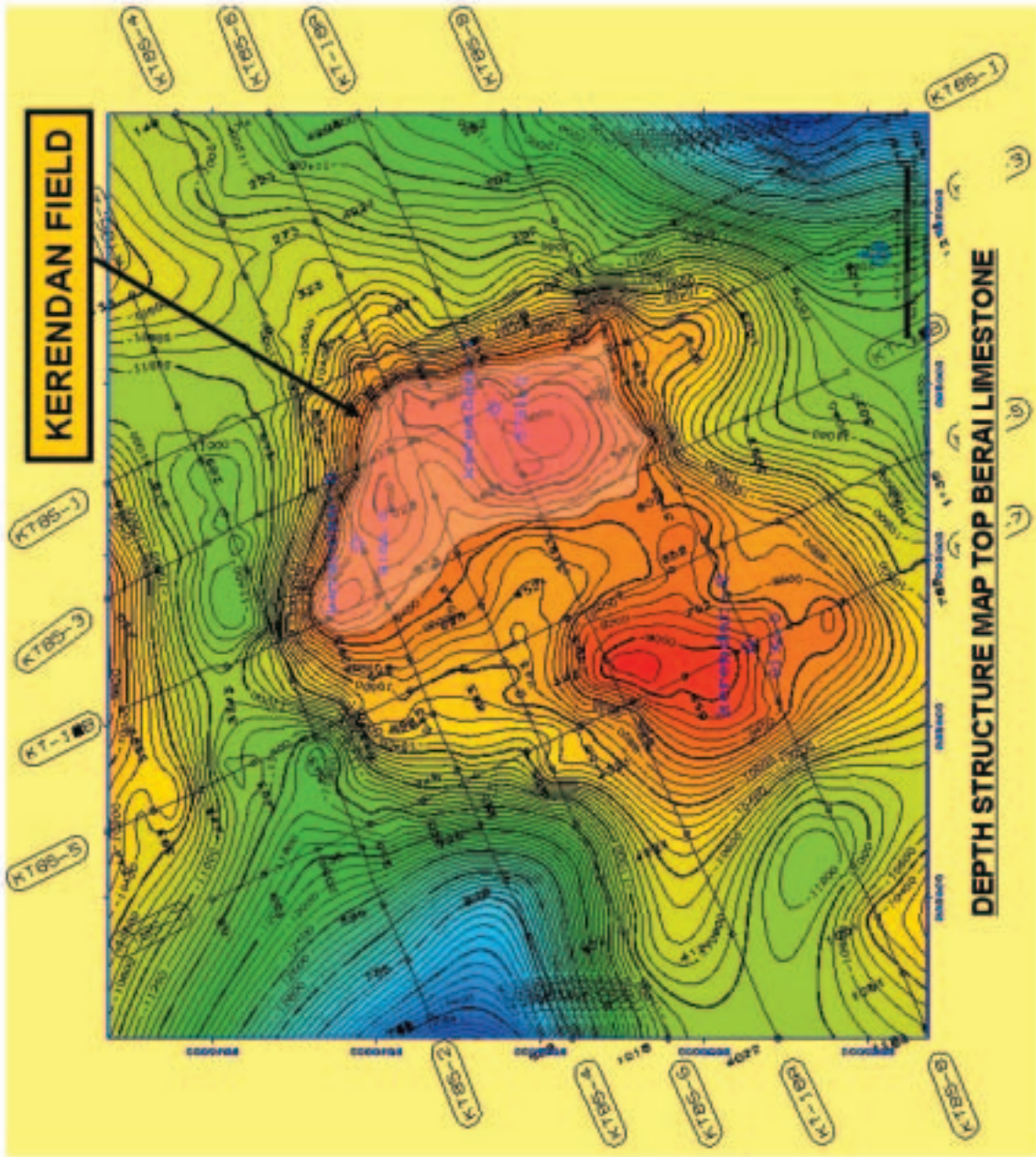
Note: The prospects are assumed to contain either oil or gas not both.



Bangkanai PSC Location Map

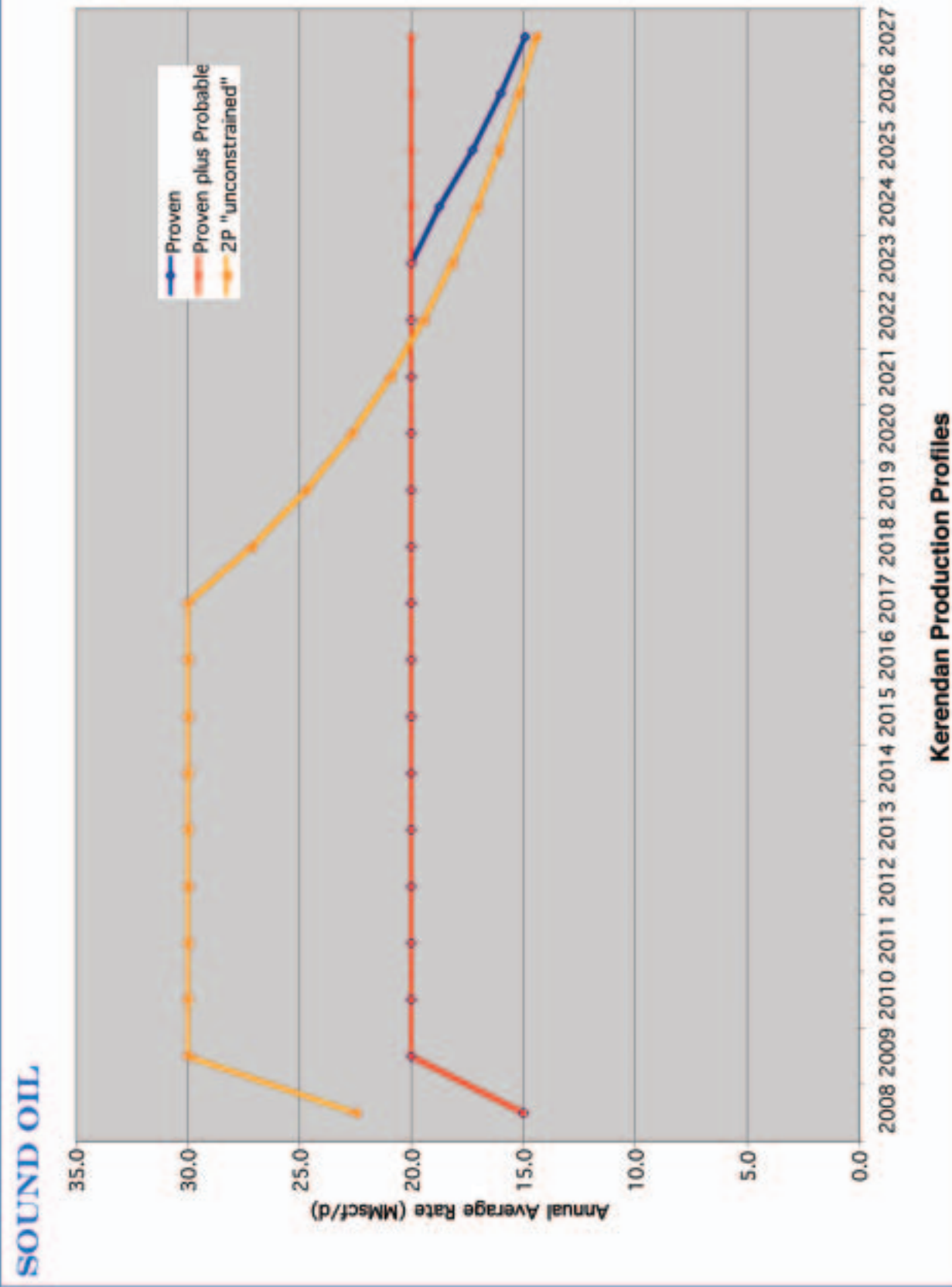
Figure 2.1





Top Berai Limestone Depth Structure Map

Figure 2.2



**Kerendan Production Profiles**

**Figure 2.3**



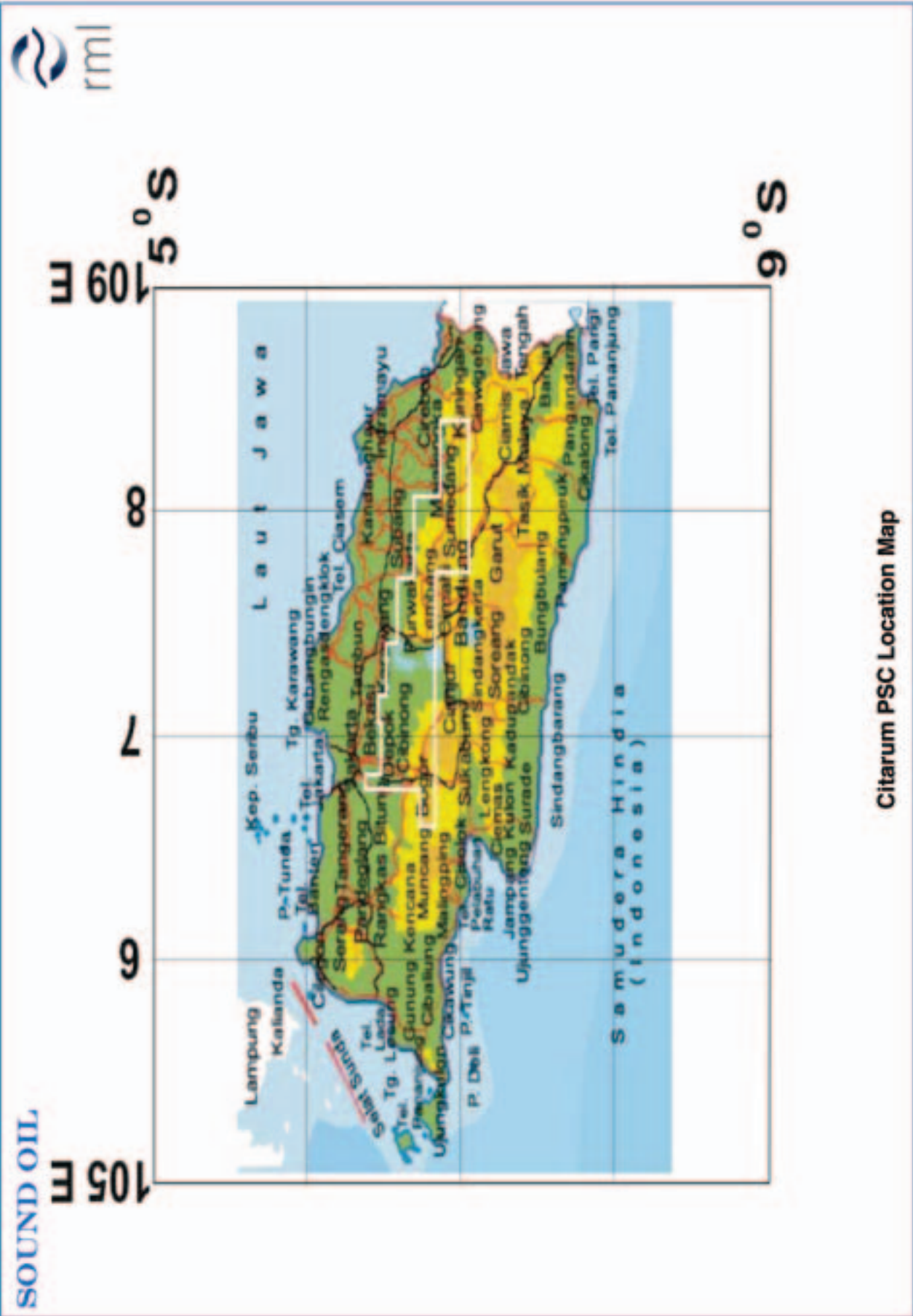
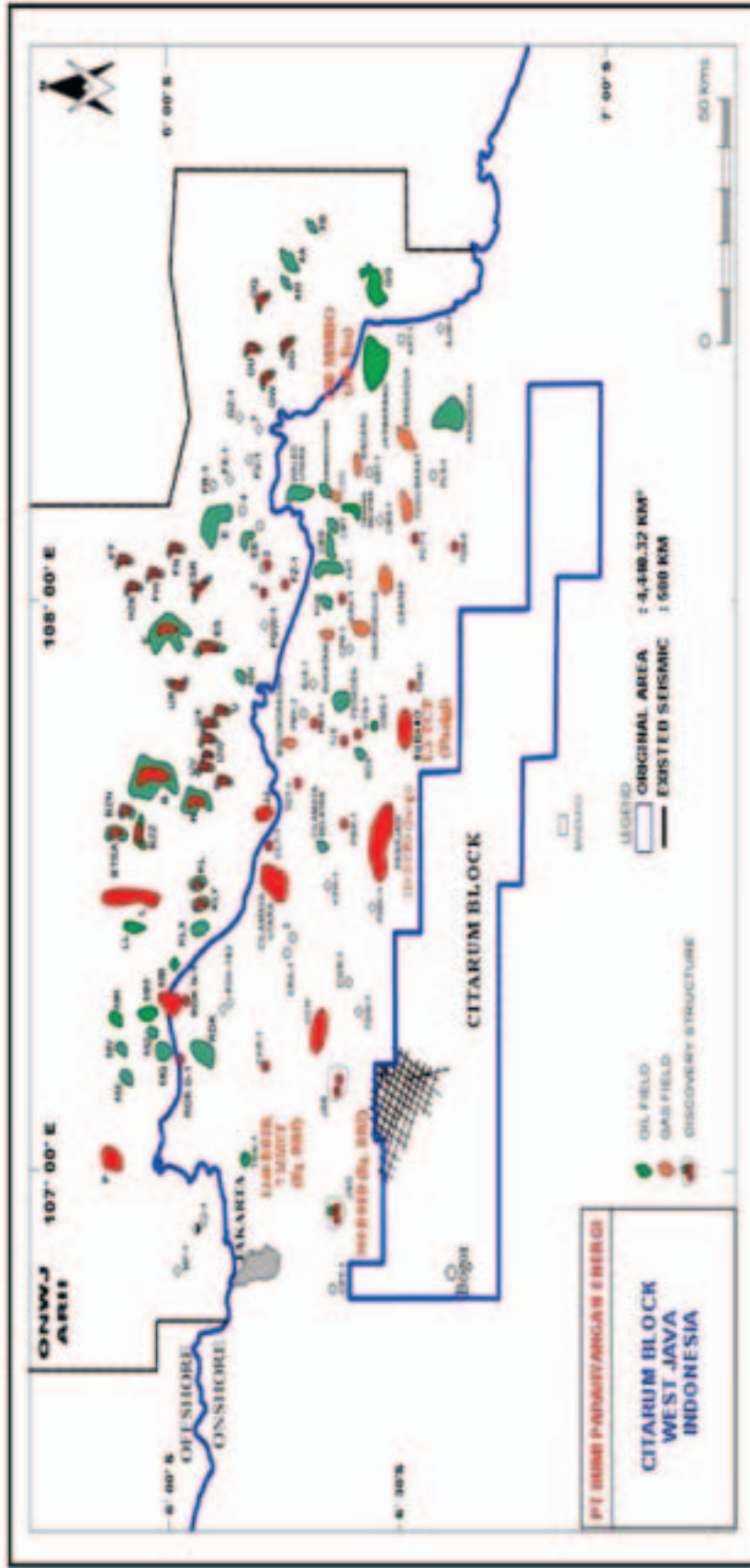
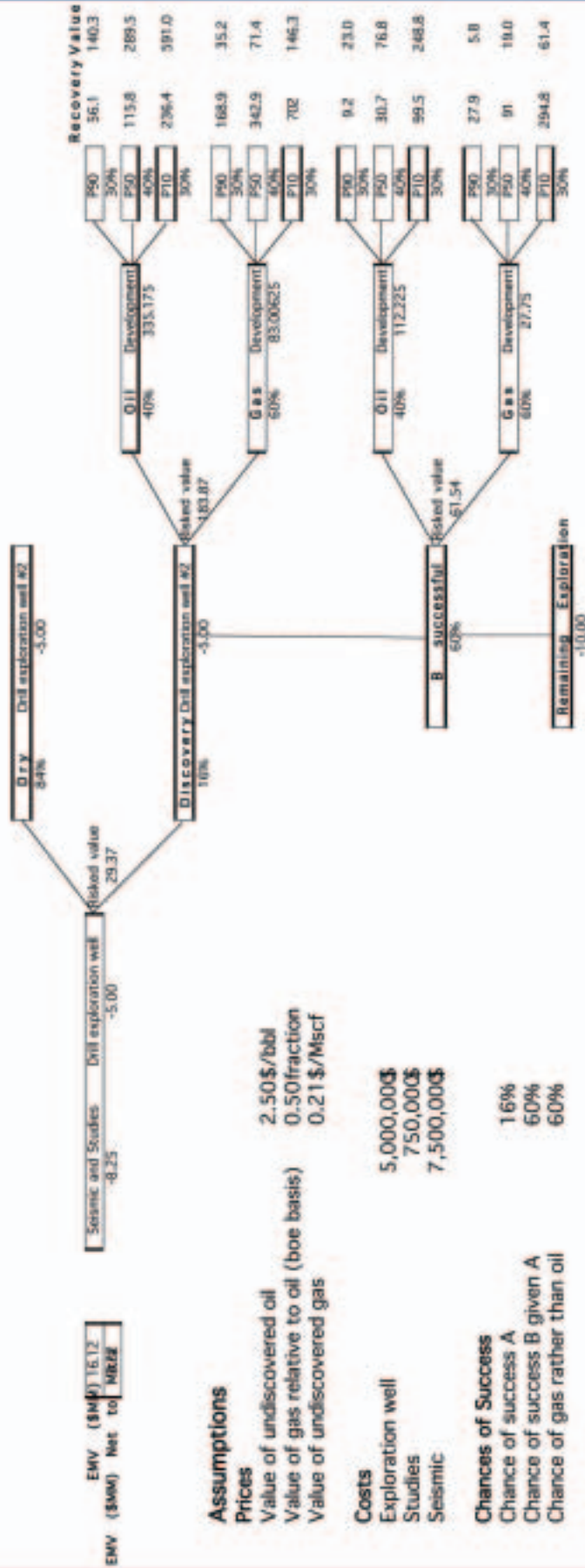


Figure 3.1



Seismic Coverage and Regional Discoveries

Figure 3.2



**EMV Decision Tree**

**Figure 3.3**

## PART IV

### FINANCIAL INFORMATION ON SOUND OIL

The following information has been extracted without material adjustment from the audited financial statements of Sound Oil for the financial period ended 31 December 2005.



Ernst & Young LLP  
1 More London Place  
London SE1 2AF

#### **INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF SOUND OIL PLC**

We have audited the Company's financial statements for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the statement of accounting policies and the related notes 2 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP  
Registered Auditors, London

29 March 2006

**PROFIT AND LOSS ACCOUNT**  
**for the period from 27 January to 31 December 2005**

	<i>Note</i>	<i>£'000's</i>
Exploration expenditure		(151)
Gross loss		(151)
Administrative costs	2, 3	(210)
Operating loss		(361)
Interest receivable	4	234
Loss on ordinary activities before tax		(127)
Tax	5	(66)
<b>Loss after tax</b>		<b>(193)</b>
<b>Loss per share (pence): basic</b>	6	<b>(0.12)</b>
<b>Loss per share (pence): diluted</b>	6	<b>(0.12)</b>

Results for the period reflect ongoing operations which are presently based in the UK.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**for the period to 31 December 2005**

	<i>£'000's</i>
Net loss for the period attributable to members of the Company	(193)
<b>Total recognised losses</b>	<b>(193)</b>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS**  
**for the period to 31 December 2005**

	<i>£'000's</i>
Total recognised losses relating to the period	(193)
New shares issued	11,115
Costs associated with raising capital	(174)
Total movements during the period	10,748
Shareholders' funds at 27 January	–
<b>Shareholders' funds at 31 December</b>	<b>10,748</b>

**BALANCE SHEET**  
as at 31 December 2005

	<i>Note</i>	<i>£'000's</i>
<b>Current assets</b>		
Debtors	7	24
Cash and short-term deposits		10,839
<b>Total current assets</b>		<u>10,863</u>
Creditors: amounts falling due within one year	8	115
<b>Net current assets</b>		<u>10,748</u>
<b>Total assets less current liabilities</b>		<u>10,748</u>
Creditors: amounts falling due after one year		–
Provisions for liabilities and charges		–
<b>Net assets</b>		<u>10,748</u>
<b>Capital and reserves</b>		
Share capital	9	300
Share premium account	10	10,641
Profit and loss account	10	(193)
<b>Total equity shareholders' funds</b>	10	<u>10,748</u>

Approved by the Board on 29 March 2006

**G Orbell**  
**J A Heath**

*Directors*

Notes 1 to 13 form part of these accounts.



**CASH FLOW STATEMENT**  
**for the period to 31 December 2005**

	<i>Note</i>	<i>£'000's</i>
<b>Net cash outflow from operating activities</b>	11	<u><u>(336)</u></u>
<b>Returns on investment and servicing of finance</b>		
Interest received		<u>234</u>
<b>Taxation</b>		<u><u>-</u></u>
<b>Cash outflow before management of liquid resources and financing</b>		<u><u>(102)</u></u>
<b>Financing</b>		
Issue of Ordinary Shares		11,115
Costs associated with raising capital		<u>(174)</u>
<b>Net cash from financing</b>		<u><u>10,941</u></u>
<b>Increase in cash</b>		<u><u>10,839</u></u>

**NOTES TO THE ACCOUNTS**  
**for the period to 31 December 2005**

**1. Accounting policies**

*Accounting convention*

The accounts are prepared under the historical cost convention and in accordance with the Oil Industry Accounting Committee Statement of Recommended Practice – ‘Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities’ and applicable accounting standards.

*Translation of foreign currencies*

Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

*Cash and liquid resources*

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources comprise funds held in term deposit accounts.

**2. Auditors’ remuneration**

	<i>£’000’s</i>
Audit services	11
Non-audit services	18
<b>Total</b>	<u>29</u>

The non-audit services were for reporting on the Admission Document on 29 June 2005.

Audit services relate entirely to the current auditors, Ernst & Young LLP. Non audit services relate to the Company’s previous auditors Chapman Davis LLP.

**3. Employee costs**

	<i>£’000’s</i>
Staff costs, including executive directors	
Wages and salaries	126
Social security costs	16
<b>Total</b>	<u>142</u>

**Average number of employees (including executive directors) during the year**

Technical and operations	1
Management and administration	1
<b>Total</b>	<u>2</u>

#### 4. Interest Receivable

	<i>£'000's</i>
Short-term deposits	234
<b>Total</b>	<u>234</u>

#### 5. Tax on profit on ordinary activities

##### *Analysis of tax charge*

	<i>£'000's</i>
Loss on ordinary activities before tax	(127)
Loss on ordinary activities at Standard Rate of UK Corporation Tax (30%)	38
Non-deductible expenditure at Standard Rate	(108)
Small companies relief	4
<b>Total tax – Current</b>	<u>(66)</u>

The most significant event to affect the tax charge in the future will be the establishment of exploration activities which will allow certain expenses to be deducted, and losses from the trade to be offset, in the calculation of the charge.

#### 6. Loss per share

The calculation of basic loss per Ordinary Share is based on the loss after tax and on the weighted average number of Ordinary Shares in issue during the period. Diluted earnings per Ordinary Share reflect the notional exercise of the weighted average number of dilutive Ordinary Share options outstanding during the period. Basic and diluted loss per share are calculated as follows:

	<i>Loss after tax £'000's</i>	<i>Weighted average number of shares million</i>	<i>Earnings per share Pence</i>
Basic	(193)	165	(0.12)
Diluted	(193)	166	(0.12)

#### 7. Debtors: amounts due within one year

	<i>£'000's</i>
Prepayments	24
<b>Total</b>	<u>24</u>

#### 8. Creditors: amounts falling due within one year

	<i>£'000's</i>
Trade creditors	11
Corporation Tax	66
Accruals	38
<b>Total</b>	<u>115</u>

## 9. Share capital

<i>Ordinary shares</i>	<i>0.1p shares</i>	<i>£</i>
Authorised	3,000,000,000	3,000,000
Called up, issued and fully paid	300,272,309	300,272

The Company was incorporated on 27 January 2005 with company Number 5344804 with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each, of which 2 shares were issued fully paid to the subscribers to the Memorandum of Association of the company. On 22 March 2005 the authorised share capital of the Company was sub-divided and increased to 3,000,000,000 ordinary shares of 0.1p each. As a result the 2 shares in issue were subsequently subdivided into 2,000 0.1p shares.

On 11 May 2005 the subscriber shares were transferred to the founders. On 11 May 2005 the founders subscribed for an aggregate of 90,247,999 ordinary shares of 0.1p each fully paid for cash at par. On 17 May 2005 the founders subscribed for an aggregate of 9,750,001 ordinary shares of 0.1p each for cash at par.

On 29 June 2005 the company raised £11 million (before expenses) through a placing of 199,817,764 new ordinary shares of 0.1p per share at a price of 5.5p per share. Expenses of £174,000 were debited to share premium.

On 29 June 2005 454,545 new ordinary shares of 0.1p per share with a fair value of £25,000 were issued to the company's stockbrokers Hichens Harrison & Co. plc in settlement of their placing fee.

Under an agreement dated 22 June 2005 the Company granted its brokers Hichens Harrison & Co. plc options to subscribe for 500,000 ordinary shares at 7.5p per share, exercisable on any date up to 29 June 2010.

## 10. Share capital and reserves

	Share capital	Share premium account	Profit and loss account	Total
	£'000's	£'000's	£'000's	£'000's
Shares issued	300	10,641	–	10,941
Loss for the year	–	–	(193)	(193)
<b>At 31 December 2005</b>	<u>300</u>	<u>10,641</u>	<u>(193)</u>	<u>10,748</u>

## 11. Cash flow statement analysis

### a) Reconciliation of operating loss to net cash flow from operating activities

	<i>£'000's</i>
Operating loss	(361)
Increase in debtors	(24)
Increase in creditors	49
<b>Net cash outflow from operating activities</b>	<u>(336)</u>

**b) Reconciliation of net cash flow to movement in net debt**

	<i>£'000's</i>
Increase in cash in the period	10,839
Cash flow from movement in liquid resources	–
Change in net cash resulting from cash flows	–
<b>Net cash at 31 December</b>	<u><u>10,839</u></u>

**c) Analysis of Net Cash**

	<i>At</i>	
	<i>31 December</i>	
	<i>Cash Flow</i>	<i>2005</i>
	<i>£'000's</i>	<i>£'000's</i>
Cash in hand and at bank	144	144
Short term deposits	10,695	10,695
<b>Total net cash</b>	<u><u>10,839</u></u>	<u><u>10,839</u></u>

**12. Financial Instruments**

The Company's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to finance the Company's operations. In addition the Company has various financial liabilities in the form of short term, non interest bearing sundry payables. The main risk arising from the Company's financial instruments included cash flow interested rate risk and liquidity risk. The board reviews and agrees policies for managing these risks. The Company's exposure to the risk from changes in market interest rates relates primarily to the Company's cash and term deposits subject to floating interest rates. Current policy is to retain these assets primarily in higher interest earning cash management facilities with the Bank of Scotland. The Company's objective regarding liquidity risk is to maintain a balance between continuity of funding through the use of sustainable debt and equity financing. The Company's exposure to foreign currency risk, commodity price risk and credit risk is considered minimal at this stage. The Company has taken advantage of the exemption in FRS13 "Derivatives and Other Financial Instruments" in respect of short-term debtors and creditors and consequently those items are not included in the relevant analysis within the following note.

**Fair Values**

	<i>Carrying</i>	<i>Fair</i>
	<i>amount</i>	<i>value</i>
	<i>£'000's</i>	<i>£'000's</i>
<b>Financial assets</b>		
<b>Cash</b>	<u><u>10,839</u></u>	<u><u>10,839</u></u>

The fair values are based on market values at the end of the year.

**Interest rate risk**

Financial instruments exposed to interest rate risk (eg LIBOR) were floating rate cash assets maturing within one year: £10,838,834.

**13. Capital Commitments and Guarantees**

At 31 December 2005 the Company had no capital commitments.

## PART V

### FINANCIAL INFORMATION ON MITRA



Ernst & Young LLP  
1 More London Place  
London SE1 2AF

The Directors  
Sound Oil PLC  
55 Gower Street  
London  
WC1E 6HQ

24 June 2006

Dear Sirs,

#### **Mitra Energia Limited (“Mitra”) and its subsidiaries (the “Mitra Group”)**

We report on the consolidated financial information of the Mitra Group for the year ended 31 December 2005 and the period ended 31 December 2004 (the ‘Audited Financial Information’) set out in sections A to D below. This financial information has been prepared for inclusion in the AIM admission document dated 24 June 2006 of Sound Oil PLC on the basis of the accounting policies set out in section D. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with Schedule Two and for no other purpose.

#### **Responsibilities**

The directors of Mitra are responsible for preparing the consolidated financial information on the basis of preparation set out in note 2 to the consolidated financial information and in accordance with United Kingdom generally accepted accounting principles.

It is our responsibility to form an opinion as to whether the consolidated financial information gives a true and fair view, for the purposes of the AIM admission document, and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the consolidated financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the consolidated 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 consolidated financial information is free from material misstatement whether caused by fraud or other irregularity or error.

#### **Opinion**

In our opinion, the consolidated financial information gives, for the purposes of the AIM admission document dated 24 June 2006, a true and fair view of the state of affairs of Mitra and its subsidiaries as at 31 December 2005 and 31 December 2004 and of its losses, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 2 and in accordance with United Kingdom generally accepted accounting principles as described in note 2 and has been prepared in a form that is consistent with the accounting policies (UK accounting standards) adopted in Mitra Energia Limited’s latest financial statements.

#### **Declaration**

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

Yours faithfully

Ernst & Young LLP



## HISTORICAL FINANCIAL INFORMATION ON MITRA ENERGIA LIMITED

Set out below is the financial information extracted with adjustment for conversion to UK accounting standards from the audited consolidated financial statements in respect of Mitra for the year ended 31 December 2005 and period ended 31 December 2004.

### A. Profit and loss account

		<i>Year ending</i> <i>31 December</i>	<i>Period ending</i> <i>31 December</i>
	<i>Note</i>	<i>2005</i> <i>US\$'000</i>	<i>2004</i> <i>US\$'000</i>
Sales		–	–
Cost of sales		–	–
		<hr/>	<hr/>
<b>Gross loss</b>		–	–
Operating expenses	3	(978)	(173)
Administrative expenses	3	(218)	(17)
Other income		37	8
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(1,158)	(182)
Tax on loss on ordinary activities	5	–	–
		<hr/>	<hr/>
<b>Loss for the financial period</b>		<u>(1,158)</u>	<u>(182)</u>

All of Mitra's activities relate to continuing operations.

Results for the period reflect ongoing operations which are presently based in Indonesia.

Mitra has no recognised gains or losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

The accompanying notes in section D form an integral part of the financial information.

**B. Balance sheet**

		<i>At 31 December</i>	
	<i>Note</i>	<i>2005</i>	<i>2004</i>
		<i>US\$'000</i>	<i>US\$'000</i>
<b>Fixed assets</b>			
Intangible fixed assets	6	873	371
Tangible fixed assets	7	43	41
Investment in associated undertaking	8	200	–
		<u>1,166</u>	<u>412</u>
<b>Current assets</b>			
Debtors			
Amount falling due within one year	9	86	1,012
Amount falling due after more than one year	10	10	8
Cash and cash equivalents		78	112
		<u>174</u>	<u>1,132</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(522)</u>	<u>(100)</u>
<b>Net current (liabilities)/assets</b>		<u>(348)</u>	<u>1,032</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>768</u>	<u>1,444</u>
<b>Creditors: amounts falling due after more than one year</b>	12	(78)	(125)
<b>Provisions for liabilities and charges</b>	13	<u>(30)</u>	<u>(3)</u>
<b>Net assets</b>		<u><u>660</u></u>	<u><u>1,316</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	2,000	–
Advance for future share capital subscription	15	–	1,498
Accumulated deficit	15	<u>(1,340)</u>	<u>(182)</u>
<b>Equity shareholders' funds</b>		<u><u>660</u></u>	<u><u>1,316</u></u>

The accompanying notes in section D form an integral part of the financial information.

### C. Cash Flow Statement

for the year ended 31 December 2005 and period ended 31 December 2004

	<i>Note</i>	<i>Year ending 31 December 2005 US\$'000</i>	<i>Period ending 31 December 2004 US\$'000</i>
<b>Net cash outflow from operating activities</b>	17	(205)	(967)
<b>Capital expenditure and financial investment</b>			
Acquisition of tangible fixed assets		(25)	(53)
Investment into associated undertaking		(200)	–
Capital expenditure		(502)	(371)
Net cash used in investing activities		<u>(727)</u>	<u>(424)</u>
Net cash outflow before use of management of liquid resources and financing		(932)	(1,391)
<b>Financing</b>			
Proceeds from issue of share capital		502	–
Proceeds from borrowings		396	5
Proceeds from advance for future share capital subscription		–	1,498
Net cash provided by financing activities		<u>898</u>	<u>1,503</u>
Net (decrease)/increase in cash and cash equivalents		<u>(34)</u>	<u>112</u>

#### Reconciliation of net cash flow to movement in net debt

	<i>Note</i>	<i>Year ending 31 December 2005 US\$'000</i>	<i>Period ending 31 December 2004 US\$'000</i>
(Decrease)/increase in cash in the period		(34)	112
Net cash at start of period		<u>112</u>	<u>–</u>
<b>Net cash at end of period</b>		<u>78</u>	<u>112</u>

The accompanying notes in section D form an integral part of the financial information.

## **D. Notes to the financial information**

### **1. Corporate information**

Mitra was incorporated on 22 October 2004 under Company Act 2001 No. 15 of Mauritius as a private company with limited liability. The certificate of incorporation number was 53116/C2/GBL and the constitution had been registered at the Registrar of Companies in Mauritius. Mitra was granted a Category 2 Global Business License under the Financial Services Development Act 2001.

Mitra's registered office is located at 608 St. James Court, St. Denis Street, Port Louis, Republic of Mauritius. Mitra's shareholders are Ilthabi Sdn. Bhd., Java Energy Ltd., Exiga Energy Ltd., and Hichens, Harrison & Co. plc., and its ultimate holding company is Ilthabi Sdn. Bhd.

At 31 December 2005 Mitra and its subsidiaries (the "Mitra Group") comprised three entities, Mitra, Mitra Energia Bangkanai Limited and Mitra Energia Citarum Limited.

Mitra Energia Bangkanai Limited ("MEB") was incorporated on 27 October 2005 under Company Act 2001 No. 15 of Mauritius. The certificate of incorporation number was 53167/C2/GBL and the constitution had been registered at the Registrar of Companies in Mauritius.

MEB is engaged in investing in a joint venture involving exploration, development and production of petroleum in East Kalimantan Indonesia, under the Bangkanai Production Sharing Contract ("PSC") with Elnusa Bangkanai Energy Ltd. ("EBE"), an Indonesian subsidiary of PT Elnusa, which has acquired the Bangkanai Block in December 2003. Based on the Farm-In agreement, MEB held a 49.00 per cent. participating interest in the joint venture at 31 December 2005. A further 0.99 per cent. participating interest in the joint venture will be transferred to MEB at the end of the third PSC contact year. On 14 March 2006, MEB established and farmed out a 15 per cent. participating interest in the Bangkanai PSC to a new subsidiary, Bangkanai Petroleum (L) Bhd. ("BPB"). Subsequently, on 14 March 2006 MEB entered into a Share Sale and Purchase Agreement with PT Medco E&P Bangkanai for the sale of BPB for an initial purchase price of US\$1,500,000, and a contingent consideration of US\$2,250,000 payable on the execution of the gas agreement with PT Medco Power Indonesia. An additional completion payment is required in respect of the Medco share of costs incurred for the interim period between the 14 March and completion.

On 25 April 2005, MEB entered into Joint Operating Agreement with EBE to establish the respective rights and obligations of both companies under the contract in conducting the petroleum operations, including without limitation the joint exploration, appraisal, development and production of hydrocarbon reserves from the contract area.

Mitra Energia Citarum Ltd. ("MEC") was incorporated on 10 October 2005 under Company Act 2001 No. 15 of Mauritius. The certificate of incorporation number was 58947/C2/GBL and the constitution had been registered at the Registrar of Companies in Mauritius. As at 31 December 2005 MEC has carried out limited activities.

MEC is engaged in a joint venture involving exploration, development and production of petroleum in West Java, Indonesia, under the Citarum PSC as a shareholder of BPREC Pte. The Citarum PSC is a joint venture including two other participants, West Java Energy Pte Limited (a wholly owned subsidiary of Ranhill Energy Sdn. Bhd.) and PT Bumi Parahyangan Energi Pte Limited as BPREC Pte shareholders. Based on the joint venture agreement dated 15 February 2006, MEC holds a 20 per cent. participating interest in the joint venture.

## **2. Statement of accounting policies**

The consolidated financial information for the Mitra Group has been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Practice, Mauritian law and the Statement of Recommended Practice “Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities”. The consolidated financial information has not been prepared for UK statutory reporting purposes.

This is the first year application of UK Generally Accepted Accounting Practice. Financial accounts have been prepared in accordance with Indonesian Generally Accepted Accounting Practice with balances converted into UK GAAP for the purposes of this report.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Mitra’s financial information.

### **Basis of preparation – going concern**

On completion of the Acquisition Sound Oil will assume full control over the Mitra Group.

This financial information has been prepared on the going concern basis which assumes that Mitra will continue in operational existence for the foreseeable future. This is dependent on Sound Oil raising £10.7 million of funds, after expenses, from the proposed placing. The net proceeds of the placing will be used principally to fund the development and committed exploration programmes of Bangkanai and Citarum.

Sound Oil is seeking to raise approximately £11.7 million, £10.7 million net of expenses, from a placing of ordinary shares on AIM on 13 July 2006, which is not underwritten, and on the basis that such placing is successful and the funds are made available from Sound Oil, the Mitra Directors are of the opinion that it is appropriate to use the going concern basis.

In the event that Sound Oil does not raise the £11.7 million, the fund raising and the acquisition of Mitra by Sound Oil will not take place and Mitra will need to seek alternative sources of finance to enable Mitra to provide continuing support to its subsidiaries, otherwise the going concern basis might no longer be applicable. Adjustments to Mitra’s consolidated profit and loss account and balance sheet would be required to record additional liabilities and write down assets to their recoverable amounts.

### **Basis of consolidation**

The historical consolidated financial information relating to the Mitra Group for the year ended 31 December 2005 and the period ended 31 December 2004 has been extracted from the audited non-statutory consolidated financial statements of Mitra for those periods, with material adjustments to reflect UK accounting standards.

The Mitra Group is engaged in oil and gas exploration, development and production through incorporated and unincorporated joint ventures. The Mitra Group accounts for its share of the results and net assets of these joint ventures using proportionate consolidation.

### **Production sharing contracts**

The Mitra Group has interests in various Production Sharing Contracts, the terms of which provide for the relevant Mitra subsidiary and its joint venture participants to recover all costs out of the proceeds of production. Where proceeds of production are insufficient in any one year to recover costs fully, they are carried forward. Production remaining after cost recovery is divided between joint venture participants and defined by BP Migas according to pre-agreed formulae.

Whilst under the form of a PSC the title of all property, equipment and inventories passes to BP Migas, the substance of each contract is that the participants have use of all assets and market all oil produced.

## **2. Statement of accounting policies (continued)**

### **Joint arrangements that are not entities**

The Mitra Group has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business on its own. The Mitra Group includes its share of assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro-rata to the Mitra Group's interest in the joint arrangement.

### **Investments in associated undertaking**

Investments in associates are included in the financial statements of the Group at cost less provisions for impairment. All other fixed asset investments are stated in the financial statements of Mitra and the Mitra Group at cost less provisions for permanent diminution in value. All current asset investments are stated at the lower of cost and net realisable value.

### **Exploration, appraisal and development costs**

Exploration, appraisal and development costs are accounted for under the successful efforts method.

All costs incurred prior to the acquisition of licences are written off to the profit and loss account when incurred.

Licence acquisition costs, geological and geophysical costs and other direct costs of exploration and appraisal are initially capitalised as intangible fixed assets, pending determination of the existence of commercial reserves in the licence area. If commercial reserves are believed to exist, then these costs are transferred to tangible assets, otherwise the costs are written off to the profit and loss account in the period in which the evaluation is made.

Development expenditure comprises all costs incurred in bringing a field to commercial production, including financing costs and exploration and appraisal expenditure. All development costs are capitalised as tangible fixed assets.

Once commercial production commences, tangible fixed assets are depleted field by field using the unit-of-production method, based on commercial proven and probable reserves. The carrying amount of fixed assets is reviewed for possible impairment whenever events or changes in circumstances indicate.

### **Depreciation, depletion and amortisation**

Depreciation is provided on fixtures and fittings at rates calculated to write off the cost, less any estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Plant and equipment	5 years
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### **Impairment**

The Mitra Group undertakes a review of impairment of a fixed asset or intangible asset if events or changes in circumstance indicate that the carrying amount of the fixed asset or intangible asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, the higher of the net realisable value and the value in use, the fixed asset or intangible asset is written down to its recoverable amount.

### **Reporting currency**

The financial information is presented in United States Dollars ("US\$"). The majority of costs are paid in US Dollars and not the local currency of operations, therefore the reporting and functional currency is the US Dollar.



## 2. Statement of accounting policies (continued)

### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

### Deferred tax

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future. In particular:

- Provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the replacement assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates enacted or substantively enacted at the balance sheet date.

### Provision for employee service entitlements

Provision for accrued employee service entitlements is calculated in accordance with Indonesian Law No.13 2003 dated 25 March 2004 on Labour (Labour Law). Based on the Labour Law, Mitra is required to pay severance, gratuity and compensation if certain conditions are fulfilled.

### Operating lease commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

## 3. Loss on ordinary activities before taxation

	<i>Year ending 31 December 2005 US\$'000</i>	<i>Period ending 31 December 2004 US\$'000</i>
Loss on ordinary activities before taxation is stated after charging the following:		
Depreciation	23	12
Operating lease rentals	92	30
Legal and professional fees	31	9
Auditor's remuneration – audit services	25	–
– non audit services	–	–
	<u>          </u>	<u>          </u>

#### 4. Staff costs

	<i>Year ending 31 December 2005 US\$'000</i>	<i>Period ending 31 December 2004 US\$'000</i>
Wages and salaries	507	204
Other employee benefits	207	5
Bonuses	21	—
	<u>735</u>	<u>209</u>

Mitra did not make pension contributions to money purchase or defined benefit pension schemes.

The weighted average number of employees (including Executive Directors) during the period was:

	<i>Year ending 31 December 2005</i>	<i>Period ending 31 December 2004</i>
Management	8	7
Technical staff	26	7
	<u>34</u>	<u>14</u>

#### Directors and their interests

The composition of the Company's Board of Directors as of 31 December 2005 was as follows:

Ilham A Habibie  
Jusuf Handri Rachmantio  
Patrick Morris Alexander

The remuneration of the members of the Board of Directors of Mitra for 2005 and 2004 amounted to US\$109,899 and US\$30,532, respectively.

The directors' interests in Mitra at 23 June 2006 are as follows:

Ilham A Habibie, via his 50 per cent. ownership of Ilthabi Sdn BHD, 37.5 per cent.  
Jusuf Handri Rachmantio, via his 100 per cent. ownership in Bumi Energy via its wholly owned subsidiary Exiga Energy, 9.375 per cent.  
Patrick Morris Alexander, via his 100 per cent. ownership in Java Energy Limited, 9.375 per cent.

#### 5. Taxation

The taxation charge is made up as follows:

	<i>Year ending 31 December 2005 US\$'000</i>	<i>Period ending 31 December 2004 US\$'000</i>
Mauritius corporation tax	—	—
Indonesian corporation tax	—	—
<b>Total Current Tax</b>	<u>—</u>	<u>—</u>
<b>Deferred taxation</b>	<u>—</u>	<u>—</u>

## 6. Intangible fixed assets

	<i>Acquisition US\$'000</i>	<i>Exploration US\$'000</i>	<i>Total US\$'000</i>
<b>Cost:</b>			
At 1 January 2005	125	246	371
Additions:	–	502	502
At 31 December 2005	<u>125</u>	<u>748</u>	<u>873</u>
<b>Amortisation:</b>			
At 1 January 2005	–	–	–
Provided during the year	–	–	–
At 31 December 2005	<u>–</u>	<u>–</u>	<u>–</u>
<b>Net Book Value at 31 December 2005</b>	<u>125</u>	<u>748</u>	<u>873</u>
	<i>Acquisition US\$'000</i>	<i>Exploration US\$'000</i>	<i>Total US\$'000</i>
<b>Cost:</b>			
At incorporation 2004	–	–	–
Additions:	125	246	371
At 31 December 2004	<u>125</u>	<u>246</u>	<u>371</u>
<b>Amortisation:</b>			
At incorporation 2004	–	–	–
Provided during the year	–	–	–
At 31 December 2004	<u>–</u>	<u>–</u>	<u>–</u>
<b>Net Book Value at 31 December 2004</b>	<u>125</u>	<u>246</u>	<u>371</u>

Acquisition costs represent a US\$100,000 signature bonus and a US\$25,000 equipment bonus which were paid by EBE upon the award of the Bangkanai PSC.

On 1 October 2004, MEB, a subsidiary, entered into Farm-In Agreement with EBE, whereby EBE agreed to transfer and assign to MEB, and MEB agreed to accept an initial 49 per cent. of 100 per cent. EBE's participating interest for the first three year contract and 49.99 per cent. at the commencement of the fourth year, subject to written approval of BP Migas, the Indonesian national oil and gas regulatory body, and/or the Government of Indonesia. Written approval of BP Migas was received on 6 December 2004. Based on this agreement, MEB will bear all expenses and also fulfill all exploration commitments in connection with operation of the Bangkanai PSC for the first three contract years. In addition, under the farm-in agreement, Mitra also agreed to reimburse EBE for all of the non-recoverable costs incurred by EBE prior to the signing of the Farm-in Agreement up to a capped amount of US\$125,000. The reimbursement of these costs shall be made within a month following the approval by BP Migas of the Plan of Development ("POD") of the Bangkanai PSC.

These exploration and non-recoverable costs are deemed to be recoverable upon commencement of production in accordance with the carrying agreement, therefore the costs have been capitalised.

## 7. Tangible fixed assets

	<i>As at 31 December</i>	
	<i>2005</i>	<i>2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
<b>At cost</b>		
At 1 January	53	–
Additions	25	53
<b>At 31 December</b>	<u>78</u>	<u>53</u>
<b>Depreciation</b>		
At 1 January	(12)	–
Additions	(23)	(12)
<b>At 31 December</b>	<u>(35)</u>	<u>(12)</u>
<b>Net book value</b>		
<b>At 31 December</b>	<u>43</u>	<u>41</u>

## 8. Investments

	<i>31 December</i>	
	<i>2005</i>	<i>2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Associated Undertaking (b)	200	–
	<u>200</u>	<u>–</u>

### (a) Subsidiaries

The details of Mitra's wholly owned subsidiary undertakings at 31 December 2005 are set out below:

<i>Company</i>	<i>Registered Office</i>	<i>Issued Share Capital</i>	<i>Nature of business</i>	<i>Proportion of shares held</i>
Mitra Energia Bangkanai Limited (MEB)	608 St. James Court, St. Denis Street, Port Louis, Mauritius US\$100	US\$100	Investment in joint venture	100%
Mitra Energia Citarum Limited (MEC)	608 St. James Court, St. Denis Street, Port Louis, Mauritius	US\$100	Investment in joint venture	100%

All subsidiaries are owned directly by Mitra.

At 31 December 2005, MEB's current assets totalled US\$93,924 (2004: \$nil), its estimated accrued liabilities totalled US\$97,245 (2004: \$nil) and amounts owed to Mitra totalled US\$nil (2004: \$nil).

As of 31 December 2005, Mitra Energia Citarum has not yet carried out any activities. At 31 December 2005, Mitra Energia Citarum Limited's current assets totalled US\$nil (2004: \$nil), its estimated accrued liabilities totalled US\$nil (2004: \$nil) and amounts owed by Mitra totalled US\$nil (2004: \$nil).

## 8. Investments (continued)

### (b) Associated Undertaking

	31 December	
	2005 US\$'000	2004 US\$'000
At 1 January/on incorporation	–	–
Investment	200	–
Share of profits/(losses) of associate undertaking	–	–
Dividends received	–	–
At 31 December	<u>200</u>	<u>–</u>

Details of the associated undertakings which are held by Mitra's wholly owned subsidiary, MEC, are as follows:

Name of company	Holding	% held	Nature of business	Country of registration or incorporation
Bumi Parahyangan Ranhill Energia Citarum Pte	Ordinary shares	20	Oil and gas exploration and development activities	Singapore

On 14 June 2005, Mitra entered into Joint Venture Agreement with Ranhill Energy Sdn. Bhd. (RE) and PT Bumi Parahyangan Energi (BPE), whereby Mitra, RE and BPE agreed to incorporate a limited legal entity namely PT Bumi Parahyangan Ranhill Energia Citarum (BPREC). BPREC was incorporated on 14 June 2005 in Indonesia and RE was appointed as the operator of the Citarum Block on 7 October 2005. The percentage of ownership amounts to 20 per cent. (BPE), 60 per cent. (RE) and 20 per cent. (Mitra). BPREC Pte was incorporated on 20 January 2006. The shareholders of BPREC Pte are: MEC (20 per cent.), West Java Energy Pte Limited (60 per cent.) and Bumi Parahyangan Energy Pte Limited (20 per cent.), all being related parties to the shareholders of BPREC. BPREC (through its liquidator) assigned its rights to the Citarum PSC to BPREC Pte pursuant to a Deed of Assignment and Disclaimer dated 21 June 2006 and hence MEC will be the Mitra subsidiary holding the Citarum interests.

## 9. Debtors

	As at 31 December	
	2005 US\$'000	2004 US\$'000
Due from related parties	2	980
Prepaid expenses	70	22
Advance payments	13	10
Due from a shareholder	1	–
	<u>86</u>	<u>1,012</u>

Advance payment at 31 December 2004 represents advance payments taken by the directors for operational expense payment purposes.

The balance of amounts due from a shareholder represents shortage of payments for shares subscription by Ilthabi Sdn. Bhd., a shareholder.

**10. Debtors: amounts receivable after more than one year**

	<i>As at 31 December</i>	
	<i>2005</i>	<i>2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Rent deposit	10	8
	<u>10</u>	<u>8</u>

**11. Creditors: Amounts falling due within one year**

	<i>As at 31 December</i>	
	<i>2005</i>	<i>2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Due to related parties	401	5
Accounts payable	33	50
Other taxes and social security	63	40
Accrued expenses	25	5
	<u>522</u>	<u>100</u>

**12. Creditors: Amounts falling due after more than one year**

	<i>As at 31 December</i>	
	<i>2005</i>	<i>2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Due to EBE	78	125
	<u>78</u>	<u>125</u>

Under the terms of a Farm-in agreement between EBE and MEB dated 1 October 2004, MEB agreed to reimburse EBE for all of the costs incurred by EBE prior to the signing of the Farm-in Agreement, which are recoverable under the PSC, subject to prior audit verification as to the recoverability, and any non-recoverable costs up to a capped amount of US\$125,000. The reimbursement of these costs shall be made within a month following the approval by BP-Migas of the Plan of Development (“POD”) of the Kerendan Field within the Bangkanai PSC Block.

**13. Employee benefits**

	<i>As at 31 December</i>	
	<i>2005</i>	<i>2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Provision for post retirement benefits		
Balance at the beginning of the year	3	–
Arising during the year	27	3
Balance at the end of the year	<u>30</u>	<u>3</u>

As at 31 December 2005 and 2004 accrual for employees’ benefits amounted to US\$26,985 and US\$3,290, respectively based on Mitra’s internal estimate. Mitra management believes that such amounts are adequate to cover the requirements of the Indonesian Labor Law No. 13 Year 2003. The accrual is presented as “provision for liabilities and charges” in the balance sheet while the related expenses are included as part of “Salaries and wages” under the “Administrative expenses” in the profit and loss accounts.

It is expected that these costs will be incurred upon the retirement of employees from the Mitra Group.



#### 14. Called up share capital

	<i>As at 31 December</i>	
	<i>2005</i>	<i>2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Allotted, called up and fully paid:		
1,500,000 ordinary shares with no par value at US\$1		
100,000 ordinary shares with no par value at US\$5	2,000	–
	<u>2,000</u>	<u>–</u>

Details of the shareholders are as follows:

	<i>As at 31 December 2005</i>		<i>As at 31 December 2004</i>	
	<i>No. of shares</i>	<i>US\$'000</i>	<i>No. of shares</i>	<i>US\$'000</i>
Ilthabi Sdn. Bhd.	1,200,000	1,200	–	–
Java Energy Limited	300,000	300	100	–
Hichens, Harrison & Co. plc (held in trust for beneficial owners)	100,000	500	–	–
<b>At 31 December 2004</b>	<u>1,600,000</u>	<u>2,000</u>	<u>100</u>	<u>–</u>

Based on the written resolutions of the directors dated 15 August 2005, Mitra agreed to increase share capital by the conversion of advances for future share capital amounting to US\$1,498,885.

Based on the subscription agreement dated 15 August 2005 between Hichens, Harrison & Co. plc (“Hichens”) and Mitra, Mitra agreed to issue 100,000 shares with price per share US\$5 to Hichens. This agreement was already registered and certified by Fidelity Trust Limited, registered agent with share certificate number 6 dated 15 August 2005.

#### 15. Reconciliation of shareholders' funds and movements on reserves

	<i>Share Capital</i>	<i>Advance capital contribution</i>	<i>Profit &amp; Loss Account</i>	<i>Total</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
<b>At 22 October 2004</b>	–	–	–	–
Issue of shares and advance capital contribution	–	1,498	–	1,498
Loss for the financial period	–	–	(182)	(182)
<b>At 31 December 2004</b>	<u>–</u>	<u>1,498</u>	<u>(182)</u>	<u>1,316</u>
Issue of shares	502	–	–	502
Conversion of advance into share capital	1,498	(1,498)	–	–
Loss for the financial period	–	–	(1,158)	(1,158)
<b>At 31 December 2005</b>	<u>2,000</u>	<u>–</u>	<u>(1,340)</u>	<u>660</u>

## 16. Related party transactions

During the periods ended 31 December 2004 and 31 December 2005 Mitra Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and balances outstanding at 31 December, are as follows:

	<i>As at 31 December</i>	
	<i>2005</i>	<i>2004</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Due from a shareholder:		
Batavia Investment Management Ltd.	–	979
Ilthabi Sdn. Bhd	<u>1</u>	<u>–</u>
Due to a related party:		
PT Ilthabi Rekatama	<u>401</u>	<u>–</u>

The balance of due from a shareholder represents shortage of payments for shares subscription by Ilthabi Sdn. Bhd., a shareholder.

As at 31 December 2005, Mitra has two unsecured and non-interest bearing loans from PT Ilthabi Rekatama (“IR”), a related party, each amounting to US\$200,000 which were used for investing in Bangkanai and Citarum PSC and due for repayment on 28 February 2006. These loan agreements were subsequently extended to 30 April 2006 and 30 June 2006, respectively. On 25 April 2006 Mitra made a full repayment of the US\$200,000 loan due on 30 April 2006, and made a partial repayment of US\$100,000 of the loan due on 30 June 2006. IR is a related party as it has the same shareholder as Mitra, Ilthabi Sdn. Bhd.

### ***Batavia Investment Management Ltd***

Batavia Investment Management Ltd is a director related entity (Mr Patrick Morris Alexander).

### ***PT Ilthabi Rekatama***

PT Ilthabi Rekatama is a director related entity (Mr Ilham Habibie).

### ***Ilthabi Sdn. Bhd***

Ilthabi Sdn Bhd owns 68.8 per cent. of the ordinary shares in Mitra.

## 17. Notes to the Cash Flow Statement

### (a) Reconciliation of operating loss to net cash flow from continuing operating activities

	<i>Year ended</i> <i>31 December</i> 2005 <i>US\$'000</i>	<i>Period ended</i> <i>31 December</i> 2004 <i>US\$'000</i>
Operating loss	(1,196)	(190)
Depreciation	23	12
Employee benefit cost	27	3
Foreign exchange	13	–
Decrease/(increase) in debtors	924	(1,020)
(Decrease)/increase in creditors	(21)	220
<b>Net cash outflow from operating activities</b>	<b>(230)</b>	<b>(975)</b>

### (b) Return on investment and servicing of finance

Net interest received	25	8
	<b>205</b>	<b>967</b>

### Analysis of net debt

	<i>At</i> <i>1 January</i> 2005 <i>US\$'000</i>	<i>Cash flow</i> <i>US\$'000</i>	<i>At</i> <i>31 December</i> 2005 <i>US\$'000</i>
Cash at bank and in hand	112	(34)	78
Loans due in less than one year	(5)	(396)	(401)
<b>Net debt</b>	<b>107</b>	<b>(430)</b>	<b>(323)</b>

## 18. Derivatives and other financial instruments

Mitra's financial instruments comprise balances with group undertakings and other debtors or creditors that arise in the ordinary course of business. In accordance with FRS 13 Mitra has taken advantage of the exemptions permitting the exclusion of short-term debtors and creditors from the following disclosures.

### Borrowing facilities

Mitra has no borrowing facilities and is dependent on funding provided by its shareholders and a loan provided by a related party PT Ilthabi Rekatama.

### Interest rate risk

Mitra's financial liabilities are interest free and are all due within one year or on demand. Mitra has no fixed rate or floating rate financial assets.

### Foreign currency risk

Mitra's costs have historically been denominated in US Dollars. Mitra does not engage in any foreign currency hedging to minimise exchange rate risk, but may do so in the future.

## 19. Operating lease commitments

At 31 December Mitra had annual commitments under non-cancellable operating leases as set out below:

	<i>31 December 2005</i>	<i>31 December 2004</i>
	<i>Land and buildings US\$'000</i>	<i>Land and buildings US\$'000</i>
Expiring:		
Within one year	32	44
Between 2 to 5 years	30	15
Thereafter	—	—
	<u>62</u>	<u>59</u>

## 20. Commitments

Amounts contracted but not provided for in the financial information totalled \$20.0 million (2004 \$14.9 million).

Under the terms of a farm-out agreement dated 1 October 2004 with Elnusa Bangkanai Energy Limited (“Elnusa”), Mitra has agreed to carry Elnusa’s share of the initial 3 year minimum work obligation costs.

Under the terms of the Bangkanai PSC the Mitra Group is required to spend US\$15,100,000 to fulfil its initial 3 year minimum work obligations.

Under the terms of the Citarum PSC the Mitra Group is required to spend \$5,650,000 to fulfil its 3 year minimum work obligations.

## 21. Post balance sheet events

- (a) Based on the resolution of directors of Mitra, dated 8 March 2006, which has been adopted pursuant to the authority given by the constitution of Mitra. Java Energy Ltd. and Ilthabi Sdn. Bhd. agreed to transfer their shareholdings to Exiga Energy Ltd amounting to 163,636 shares and 109,092 shares, respectively.
- (b) On 20 January, 30 January 2006 and 17 March 2006, Mitra obtained unsecured, and non-interest bearing loans from PT Ilthabi Rekatama, a related party, amounting to US\$118,000, US\$142,000 and US\$32,715, respectively which will be used for its operation and investment in the Bangkanai PSC.
- (c) On 14 March 2006, MEB farmed out a 15 per cent. participating interest in the Bangkanai PSC to a new subsidiary, Bangkanai Petroleum (L) Bhd. (BPB). Subsequently, on 14 March 2006 MEB entered into a Share Sale and Purchase Agreement with PT Medco E&P Bangkanai for the sale of BPB for an initial purchase price of US\$1,500,000, and a contingent consideration of US\$2,250,000 payable on the execution of the gas agreement with PT Medco Power Indonesia. An additional completion payment is required in respect of the Medco share of costs incurred for the interim period between the 14 March and completion.

The assignment of a 15 per cent. participating interest from MEB to BPB could be treated as a disposal for Indonesian tax purposes. Given the changes to the way PSC’s are now audited in Indonesia, the risk of this potential liability arising is considered possible, although in the opinion of the directors it is considered unlikely at this time.

- (d) On 12 April 2006 and 25 April 2006, Mitra made repayments of \$260,000 and \$300,000 respectively of unsecured non-interest bearing loans to PT Ilthabi Rekatama.

**21. Post balance sheet events (continued)**

- (e) The liquidation of BPREC was commenced pursuant to a shareholders' resolution dated 10 May 2006 and Deed No 11 dated 15 June 2006. BPREC (acting by its liquidator) entered into a Deed of Assignment and Disclaimer on 21 June 2006 whereby BPREC assigned its 100 per cent. working interest in the Citarum PSC to BPREC Pte. BPREC Pte is a legal entity consisting of the following shareholdings:

West Java Energy Pte Ltd	60%
BPE	20%
MEC	20%

West Java Energy Pte Ltd is a wholly owned subsidiary of Ranhill Energy.

**22. Ultimate parent undertaking**

As at 31 December 2005 Mitra was 75 per cent. owned by Ilthabi Sdn. Bhd., a company incorporated in Malaysia. The ultimate parent company has a registration number of 65085-M. The location of the registered office of the ultimate holding company is LOT 308, 3rd floor, Wisma MPL, Jalan Raja Chulan, 50200 Kuala Lumpur Wilaya Persekutuan.

## PART VI

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS FOR THE ENLARGED GROUP

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect on the net assets of the Enlarged Group as if the acquisition of Mitra, the farm-out of a 15% participating interest in the Bangkanai PSC to Medco, the Mitra dividend, the receipt and repayment of Mitra shareholder loans and the Placing had occurred on 31 December 2005. The unaudited pro forma statement of net assets has been prepared on the basis of the net assets of the Company as at 31 December 2005 as set out in the Financial Information contained in Part IV of this document, and adjusted in accordance with the notes below. The statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation. It therefore does not represent the Enlarged Group's actual financial position or results and may not give a true picture of the net assets which would have been reported if the Acquisition, the farm-out to Medco, the Mitra dividend, the receipt and repayment of Mitra shareholder loans, the expenses relating to the acquisition, the expenses related to the Placing and the Placing had occurred on 31 December 2005.

	<i>Adjustments</i>					<i>Pro forma Net assets</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
		<i>(a)</i>	<i>(b)</i>	<i>(c)</i>	<i>(d)</i>	<i>(e)</i>	
<b>Fixed assets</b>							
Intangible assets	–	499	–	–	–	–	499
Tangible fixed assets	–	24	–	–	–	–	24
Investment in associate	–	114	–	–	–	–	114
	<u>–</u>	<u>637</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>637</u>
<b>Current assets</b>							
Debtors	24	55	–	–	–	–	79
Cash & Bank	10,839	44	2,142	(1,086)	11,709	(967)	22,681
Creditors: amounts falling due within one year	<u>(115)</u>	<u>(298)</u>	<u>–</u>	<u>228</u>	<u>–</u>	<u>–</u>	<u>(185)</u>
Net current assets	10,748	(199)	2,142	(858)	11,709	(967)	22,575
Creditors: amounts falling due after more than one year	–	(44)	–	–	–	–	(44)
Provision for liability and charges	–	(17)	–	–	–	–	(17)
Net assets	<u><u>10,748</u></u>	<u><u>377</u></u>	<u><u>2,142</u></u>	<u><u>(858)</u></u>	<u><u>11,709</u></u>	<u><u>(967)</u></u>	<u><u>23,151</u></u>

#### Notes

1. The financial information on the Company has been extracted without material adjustment from the Financial Information for the period ended 31 December 2005 contained in Part IV: Financial Information on Sound Oil of this document.
2. The following adjustments have been made in arriving at the pro forma statement of net assets of the Enlarged Group and, where necessary, translated from US\$ into pound sterling at \$1.75:£1.
  - (a) The proposed acquisition of Mitra and subsidiaries.
  - (b) The sale of a 15% participating interest in the Bangkanai PSC to Medco on 14 March 2006 for an initial consideration of \$1,500,000 in cash and \$2,250,000 receivable contingent upon the signing of a gas sales agreement with PT Medco Power Indonesia at completion of the farm-out.
  - (c) Receipt by Mitra of \$118,000, \$142,000 and \$32,715 of unsecured non-interest bearing loans from PT Ilthabi Rekatama on 20 January 2006, 30 January 2006 and 17 March 2006 respectively. Repayment of \$260,000 and \$300,000 of related party loans by Mitra on 12 April 2006 and 25 April 2006 respectively, repayment of \$133,361 of related party loans by Mitra on completion of the proposed acquisition and post Admission \$1,500,000 special dividend distribution that is contingent upon receipt of the \$2,250,000 consideration due from Medco in note 2(b) above. It is expected that an additional loan of some \$400,000 will be received by Mitra from PT Ilthabi Rekatama prior to completion of the Acquisition. Such loan, if received, would be repaid on completion of the Acquisition.
  - (d) The gross proceeds of the Placing of £11,708,750
  - (e) Estimated expenses of and directly attributable to the acquisition of Mitra and the Placing of £1,240,000 of which £967,000 is to be settled in cash and £273,000 by way of the issue of Ordinary Shares.
3. The unaudited pro forma statement of net assets of the Enlarged Group does not reflect any changes in the trading and net asset position of the Enlarged Group since 31 December 2005, being the date to which the latest Financial Information was prepared other than the impact of the adjustments set out above.



## PART VII

### ADDITIONAL INFORMATION

#### 1. Responsibility

- 1.1 The Existing Directors and Proposed Directors, whose names, business addresses and functions appear on page 4 of this document, accept responsibility for all the information contained in this document including collective and individual responsibility in 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 for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company and its subsidiaries

- 2.1 The Company was incorporated in England and Wales on 27 January 2005 under the Companies Act 1985 with registered number 5344804 as a public company limited by shares. The liability of the Company's members is limited.
- 2.2 The principal legislation under which the Company operates is the Act.
- 2.3 On 13 May 2005, the Registrar of Companies issued a certificate entitling the Company to do business under the provisions of section 117 of the Act.
- 2.4 The Company's registered office is 55 Gower Street London WC1E 6HQ. The Company's telephone number is 020 7580 6075.
- 2.5 Following the Acquisition, the main activity of the Enlarged Group will be as described in Part I of this document under the heading "Intentions regarding the Enlarged Group".
- 2.6 As of the date of this document, the Company has one wholly owned subsidiary, Sound Oil International Limited, a company registered in the British Virgin Islands. Sound Oil International Limited was incorporated on 12 December 2005 and the cost of the Company's investment was US\$1.
- 2.7 Following the Acquisition, the Company will have the following subsidiary undertakings and other investments:

<i>Name</i>	<i>Percentage of share capital owned by the Company or its wholly owned subsidiaries</i>	<i>Place of Incorporation/Residence</i>
Sound Oil International Limited	100%	British Virgin Islands
Mitra Energia Ltd	100%	Mauritius
Mitra Energia Bangkanai Ltd	100%	Mauritius
Mitra Energia Citarum Ltd	100%	Mauritius
Bumi Parahyangan Ranhill		
Energia Citarum Pte Ltd	20%	Singapore
Pt. Bumi Parahyangan Ranhill		
Energia Citarum	20%	Indonesia
Bangkanai Petroleum (L) Berhad	100%	Malaysia

#### 3. Share capital

- 3.1 On incorporation, the Company had an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each of which 2 ordinary shares were issued, fully paid, to the subscribers to the memorandum of association of the Company.
- 3.2 By resolutions passed on 22 March 2005: the authorised share capital of the Company was increased to £3,000,000; the ordinary shares of £1 each were sub-divided into 3,000,000,000 ordinary shares of 0.1p each; and the Directors were unconditionally authorised to allot, create, deal with or otherwise dispose of relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of £3,000,000 to such persons and on such terms and at such times as they think fit as if section 89(1) of the Act did not apply to such allotment. This authority remains in force for two years from the date of the resolutions. Under the Original Placing Agreement described in paragraph 10.1.1 below, the Existing Directors have undertaken to Smith & Williamson that they will not allot securities pursuant to the authorities referred to above amounting in aggregate to over £600,000 in nominal value without shareholder consent. The Company intends, at its forthcoming Annual General Meeting, to propose resolutions to substitute the existing section 80(2) and section 89(1) authorities for the Directors to allot securities with a new section 80(2) and a new section 89(1) authority to a maximum aggregate nominal amount of £742,000.

3.3 On 11 May 2005, the Company allotted 90,247,999 Ordinary Shares for cash at 0.1p per share. On 17 May 2005, the Company allotted a further 9,750,001 Ordinary Shares for cash at 0.1p per share. On 29 June 2005, when the Company was first admitted to trading on AIM, the Company allotted a further 199,817,764 Ordinary Shares for cash at 5.5p per share pursuant to a placing at that time. On 29 June, the Company allotted a further 454,545 Ordinary Shares to Hichens in settlement of their placing fee of £25,000.

3.4 Following publication of this document Gerry Orbell will be awarded options over 1,400,000 Ordinary Shares and Tony Heath will be awarded options over 700,000 Ordinary Shares. These options will be awarded at an exercise price of 7.25p. The earliest date that the options can be exercised is after six months from date of award. The options expire six years after date of award. Following publication of this document Gerry Orbell will be awarded a bonus of £200,000 of which 60 per cent. will be applied to subscribe for new Ordinary Shares, at the Placing Price. The number of Ordinary Shares to be issued to Gerry Orbell pursuant to these resolutions is 1,655,172 Ordinary Shares. Following publication of this document Tony Heath will be awarded a bonus of £100,000 of which 60 per cent. will be used to subscribe for new Ordinary Shares, at the Placing Price. The number of Ordinary Shares to be issued to Tony Heath pursuant to these resolutions is 827,586 Ordinary Shares.

3.5 The authorised and issued share capital of the Company as at the date of this document is as follows:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
Ordinary Shares	3,000,000,000	£3,000,000	300,272,309	£300,272

3.6 The authorised and issued share capital of the Company as it is expected to be on Admission (assuming that the allotment of all of the New Shares has taken place by completion of the Acquisition) is as follows:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
Ordinary Shares	3,000,000,000	£3,000,000	692,427,348	£692,427

3.7 Under an agreement dated 22 June 2005, the Company granted options to Hichens over 500,000 Ordinary Shares exercisable at 7.5p per share. The options expire 29 June 2010.

3.8 The Company has, conditional on Admission, granted Ordinary Shares to its professional advisers as follows:

	<i>Number of Ordinary Shares</i>
Smith & Williamson Corporate Finance Limited	400,000
Hichens, Harrison & Co. plc	4,257,727
Ronaldsons	137,931

3.9 The New Shares will from the date of issue rank *pari passu* in all respects with the existing issued Ordinary Shares, including the right to receive all dividends and other distributions declared, thereafter made or paid on the Ordinary Shares.

3.10 The International Securities Identification Number for the Ordinary Shares is GB00B09VL556.

3.11 Following Admission, the Ordinary Shares may be held in either certificated or uncertificated form.

3.12 Save as disclosed in this document:

3.12.1 no share or loan capital of the Company has been issued or is proposed to be issued;

3.12.2 no person has any preferential subscription rights for any share capital of the Company;

3.12.3 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option; and

3.12.4 no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company.

3.13 There are no listed or unlisted securities issued by the Company not representing share capital.

3.14 The holdings of those shareholders who own Existing Shares will be diluted by the issue of the Consideration Shares and the Placing Shares. The effective dilution rate is approximately 2.3 times (assuming that all of the Consideration Shares and Placing Shares have been allotted on completion of the Acquisition).

3.15 The liability of Shareholders is limited to the amount paid in respect of the Ordinary Shares held.

#### **4. Memorandum and articles of association**

- 4.1 The principal objects of the Company are set out in full in clause 4 of the Memorandum of Association and include carrying on the business of a general commercial company. The Memorandum and Articles of Association of the Company are available for inspection at the address specified in paragraph 17 of this Part VII.
- 4.2 The articles of association of the Company (the “Articles”) contain, *inter alia*, provisions to the following effect:

##### ***General meetings***

###### ***(a) Annual general meetings***

Each year the Company shall hold a general meeting as its annual general meeting (in addition to any other meetings in that year) and not more than fifteen months shall elapse between the date of one annual general meeting and that of the next. Annual general meetings shall be held at such time and place as may be determined by the Directors.

###### ***(b) Extraordinary general meetings***

The Directors may convene an extraordinary general meeting of the Company whenever they think fit and extraordinary general meetings shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by the Act. Any meeting convened under this Article by requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by the Directors. If at any time there are not within the United Kingdom sufficient Directors capable of acting to form a quorum, the Directors in the United Kingdom capable of acting may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

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

##### ***Transfer***

Title to and interests in securities of the Company may be transferred without a written instrument in accordance with statutory regulations from time to time made under the Statutes. Except as may be required by any procedures implemented pursuant to the Articles in accordance with the Statutes, all transfers of shares may be effected by transfer in writing in any usual or common form or in such other form as shall be approved by the Directors. The instrument of transfer shall be signed by or on behalf of the transferor and, if the shares being transferred are partly paid, by the transferee. The Directors may refuse to register any transfer of any share that is not fully paid and they may refuse to register the transfer of any share on which the Company has a lien. They may also refuse to register a transfer of any share in favour of more than four joint holders as transferees, a transfer in respect of more than one class of share and a transfer which has not been lodged at the Company’s registered office or such place as the board may determine and which is not accompanied by the certificates for the shares to which it relates.

##### ***Voting rights***

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held (as to which there are none at present) every member present in person or by proxy shall upon a show of hands have one vote and every member present in person or by proxy shall upon a poll have one vote for every share held by him. If any member, or any other person appearing to be interested in any shares in the capital of the Company held by such member, has been duly served with a notice under Section 212 of the Act and is in default for the period of 14 days from the date of service of such notice, the member shall, for so long as the default continues not be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting of the Company or meeting of the holders of any class of shares of the Company or, upon any poll or to be reckoned in a quorum, or to exercise any other right or privilege conferred by membership in relation to general meetings of the Company or meetings of the holders of any class of shares of the Company.

### ***Dividends***

The profits of the Company available for distribution and resolved to be distributed shall be applied in the payment of dividends to the members in accordance with their respective rights and interests. No dividend may exceed the amount recommended by the Board of Directors.

### ***Unclaimed dividends***

Any dividend unclaimed after a period of 12 years from the date it became due for payment shall be forfeited and shall revert to the Company.

### ***Return of capital***

If the Company shall be wound up, the liquidator may, with the authority of an extraordinary resolution, divide among the members in kind the whole or any part of the assets of the Company and may determine how such division shall be carried out between members or classes of members

### ***Variation of rights***

If at any time the capital is divided into different classes of shares all or any of the rights or privileges attached to any class may, subject to the provisions of the Act, be varied or abrogated either (a) in such manner (if any) as may be provided by such rights, or (b) in the absence of any such provision either with the consent in writing of the holders of three fourths of the nominal amount of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class.

### ***Changes in share capital***

The Company may by ordinary resolution increase its share capital, cancel any unissued shares, consolidate all or any of its share capital into shares of larger amount and subdivide its shares into shares of smaller amount. Subject to the provisions of the Statutes, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any manner authorised by law.

### ***Purchase by the Company of its own shares***

Subject to the provisions of the Statutes, the Company may purchase its own shares.

### ***Borrowing powers***

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

### ***Directors***

- (a) Unless otherwise determined by ordinary resolution, the number of directors shall be not less than two and there shall be no maximum number of directors. Save as mentioned below, a director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has an interest which is a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company.
- (b) A director shall (in the absence of some other material interest than is indicated below) be entitled to be counted in the quorum and to vote in respect of any resolution concerning any of the following matters namely:
  - (i) the giving of any guarantee, security or indemnity to him in respect of money lent by or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings insofar as the Act permits; or
  - (ii) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; or
  - (iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting thereof; or
  - (iv) any contract, arrangement, transaction or other proposal concerning any other body corporate 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 any class of the equity share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights available to members of the relevant body

- corporate (any such interest being deemed for the purpose of this paragraph to be a material interest in all circumstances); or
- (v) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of the Inland Revenue for taxation purposes or which does not accord to any director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates; or
  - (vi) any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of any scheme for enabling employees including full time executive directors of the Company and/or any subsidiary to acquire shares of the Company or any arrangement for the benefit of employees of the Company or any of its subsidiaries under which the director benefits in a similar manner to employees and which does not accord to any director as such, any privilege or advantage not generally accorded to the employees to whom such scheme relates; or
  - (vii) any proposal concerning any insurance which the Company proposes to purchase and/or maintain for or for the benefit of any director or for the benefit of persons who include directors.
- (c) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each director separately and in such cases each of the directors concerned (if not debarred from voting) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
  - (d) If any question shall arise at any meeting as to the materiality of a director's interest or as to the entitlement of any director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting whose ruling in relation to any other director shall be final and conclusive except in a case where the nature or extent of the interests of the director concerned have not been fairly disclosed.
  - (e) The directors shall be paid out of the funds of the Company by way of fees for their services as directors such sums (if any) as the directors may from time to time determine. The directors shall also be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as directors including any expenses incurred in attending meetings of the Board or of committees of the Board or general meetings and if in the opinion of the directors it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, such director or directors may be paid such reasonable additional remuneration and expenses therefor as the directors may from time to time determine.
  - (f) The directors may exercise all the powers of the Company to give or award pensions, annuities, gratuities and superannuation or other allowances or benefits to any persons who are or have at any time been directors of or employed by or in the service of the Company or of any company which is a subsidiary company of or allied or associated with the Company or any such subsidiary and to the wives, widows, children and other relatives and dependants of any such persons and may establish, maintain, support, subscribe to and contribute to all kinds of schemes, trusts and funds for the benefit of such persons or any of them or any class of them, and so that any director shall be entitled to receive and retain for his own benefit any such pension, annuity, gratuity, allowance or other benefit (whether under any such fund or scheme or otherwise) and may vote as a director in respect of the exercise of any of the powers conferred upon the directors, notwithstanding that he is or may be or become interested therein.

#### ***Non-United Kingdom shareholders***

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the ordinary shares. However, non-United Kingdom shareholders are not entitled to receive notices of general meetings unless they have given an address in the United Kingdom to which such notices may be sent.

**It is proposed to change the relevant Article to entitle all shareholders to receive notices of general meetings and other company documentation provided that receipt of the same would not be prohibited in the recipient jurisdiction. This change will be proposed at the next Annual General Meeting of the Company.**

#### ***CREST***

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form.



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

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

### ***Ownership threshold requiring public disclosure***

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

## **5. Directors' and other interests**

- 5.1 The interests (all of which are beneficial unless stated otherwise) of the Directors (as if in the case of Proposed Directors they had already been appointed at the date of this document) and their immediate families and the persons connected with them (within the meaning of Section 346 of the Act) which are required to have been notified to the Company pursuant to Sections 324 and 328 of the Act or are required to have been disclosed in the Register of Directors' Interests pursuant to Section 325 of the Act in the issued share capital of the Company and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the date of this document and as they are expected to be immediately following Admission are as follows:

<i>Director</i>	<i>At present</i>		<i>After the Placing and Admission</i>		<i>Number of Ordinary Shares over which options are held<sup>(4)</sup></i>
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	
Gerald Orbell	3,454,545	1.15%	5,109,717	0.74%	1,400,000
Tony Heath	500,000	0.17%	1,327,586	0.19%	700,000
Simon Davies	1,500,000	0.50%	1,500,000	0.22%	–
Michael Nobbs	1,954,545	0.65%	1,954,545	0.28%	–
Jusuf Rachmantio <sup>(1)</sup>	–	–	38,075,662	5.50%	–
Patrick Alexander <sup>(2)</sup>	–	–	19,037,831	2.74%	–
Ilham Habibie <sup>(3)</sup>	–	–	76,151,045	11.00%	–

#### *Notes*

1. Jusuf Rachmantio holds his shares through his 100% indirect interest in Exiga Energy Ltd. Bumi Energy Limited owns 100% of the shares in Exiga Energy Limited and Jusuf Rachmantio owns 100% of the shares in Bumi Energy Limited.
2. Patrick Alexander holds his shares through Java Energy Ltd, a company of which he is the only shareholder.
3. Ilham Habibie holds his shares through his indirect 50% interest in Ilthabi Sdn Bhd, which owns the above shares in the Company. Ilthabi Ltd owns 100% of the shares in Ilthabi Sdn Bhd and Ilham Habibie owns 50% of the shares in Ilthabi Ltd. The other 50% of Ilthabi Ltd is owned by Thareq Habibie, Mr Ilham Habibie's brother. A profile of Mr Thareq Habibie is set out in paragraph 8 below.
4. The options are exercisable at a price of 7.25p per Ordinary Share and the earliest date they can be exercised is six months from award. The options expire six years from award. The options will be awarded on 26 June 2006.

Save as disclosed above, none of the Directors nor any member of their respective immediate families nor any person connected with the Directors (within the meaning of Section 346 of the Act) has any interest, whether beneficial or non-beneficial, in any share capital of the Company.

- 5.2 Irrevocable undertakings to vote in favour of the Resolutions to be proposed at the EGM have been given to the Company by the following beneficial owners in respect of the following numbers of Ordinary Shares:

<i>Shareholder</i>	<i>Number of Ordinary Shares<sup>(1)</sup></i>	<i>Percentage of issued share capital</i>
Gerald Orbell	5,109,717	1.65%
Tony Heath	1,327,586	0.43%
Simon Davies	1,500,000	0.48%
Michael Nobbs	1,954,545	0.63%
Artemis Investment Management Limited	18,181,181	5.86%
Merrill Lynch Investment Management	6,896,000	2.22%
<b>Total</b>	<b>34,969,029</b>	<b>11.27%</b>

1. By the date of the Extraordinary General Meeting, the Directors will have been issued the shares referred to in paragraph 3.4 above.



- 5.3 There are no outstanding loans granted or guarantees provided by any member of the Enlarged Group to or for the benefit of any of the Directors.
- 5.4 Save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Enlarged Group taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or unperformed.
- 5.5 Save as disclosed in paragraph 5.1 above, the Company is only aware of the following persons who hold or will hold immediately following Admission, directly or indirectly, jointly or severally, 3 per cent. or more of the issued ordinary share capital of the Company or who exercise or could exercise control over the Company:

<i>Shareholder</i>	<i>At present</i>		<i>After the Placing and Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Credit Suisse Securities (Europe) Limited	27,869,318	9.28%	42,550,318	6.15%
Credit Suisse Client Nominees (UK) Ltd	3,818,182	1.27%	35,267,182	5.09%
HSBC Global Custody Nominee (UK) Limited	37,679,999	12.55%	56,309,999	8.13%
Morstan Nominees Limited	22,518,126	7.50%	26,655,726	3.85%
QGCI Nominees Limited	44,090,909	14.68%	44,090,909	6.37%
Pershing Keen Nominees Limited	17,717,635	5.90%	60,234,774	8.70%
Vidacos Nominees Limited	29,785,900	9.92%	43,578,900	6.29%
Forest Nominees Limited	22,202,000	7.39%	22,202,000	3.21%
<b>Total</b>	<b>205,682,069</b>	<b>68.49%</b>	<b>330,889,808</b>	<b>47.79%</b>

None of the major shareholders of the Company set out above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Shares held by them.

- 5.6 The services of Gerry Orbell are provided under the terms of a service contract dated 17 May 2005 at an annual salary of £100,000 and subject to a one year period of notice including termination on change of control. The contract requires Gerry Orbell to undertake the leadership of the Company and to give such time and effort as may be required to ensure the success of the Company. Pursuant to a letter of amendment dated 16 June 2006, with effect from and conditional on Admission, Gerry Orbell's annual salary will be increased to £175,000. Following publication of this document Gerry Orbell will be awarded a bonus of £200,000 of which 60 per cent. will be applied to subscribe for new Ordinary Shares at the Placing Price.

The services of Tony Heath are provided under the terms of an agreement dated 17 May 2005 at an annual salary of £100,000 and subject to a three month period of notice but in the event of termination after a change of control six month's salary will be payable. The contract requires Tony Heath to create and direct all aspects of the Company's financial and treasury systems. Following publication of this document Tony Heath will be awarded a bonus of £100,000 of which 60 per cent. will be applied to subscribe for new Ordinary Shares at the Placing Price.

The services of Simon Davies are provided under the terms of an agreement dated 17 May 2005 at an annual salary of £15,000. This is subject to a two month period of notice, but in the event of termination after a change in control one year's salary will be payable. As a non-executive director of the company, Simon Davies will make himself available for regular board meetings as well as providing advice and guidance to the management of the company as appropriate. Pursuant to a letter of amendment dated 23 June 2006, with effect from and conditional on Admission, Simon Davies salary will be increased to £25,000.

The services of Michael Nobbs are provided under the terms of an agreement dated 17 May 2005 which runs for 12 months in the first instance subject to a 30 day period of notice and at an annual compensation of £15,000. As a non-executive director of the company, Michael Nobbs will make himself available for regular board meetings as well as providing advice and guidance to the management of the company as appropriate. Pursuant to a letter of amendment dated 23 June 2006, with effect from and conditional on Admission, Michael Nobbs salary will be increased to £25,000.

Conditional on and with effect from Admission, the services of Jusuf Rachmantio will be provided under the terms of a service contract dated 23 June 2006 at an annual salary of £25,000 and subject to a six month period of notice including termination on change of control. The contract requires Jusuf Rachmantio to make himself available for regular board meetings as well as providing advice and guidance to the management of the Company on strategic management issues.

Conditional on and with effect from Admission, the services of Jusuf Rachmantio are provided to Mitra under the terms of a service agreement dated 23 June 2006 at an annual salary of £85,000 and subject to a

six month period of notice including termination on change of control. The agreement requires Jusuf Rachmantio to source and identify potential development and exploration opportunities for Mitra, to undertake all initial on the ground investigations, to promote the business of Mitra and to undertake the duties assigned to him by the board of Mitra.

Conditional on and with effect from Admission, the services of Patrick Alexander will be provided under the terms of an agreement dated 23 June 2006 at an annual salary of £25,000. This is subject to a two month period of notice, but in the event of termination after a change in control one year's salary will be payable. As a non-executive director of the company, Patrick Alexander will make himself available for regular board meetings as well as providing advice and guidance to the management of the Company as appropriate.

Conditional on and with effect from Admission, the services of Ilham Habibie will be provided under the terms of an agreement dated 23 June 2006 at an annual salary of £25,000. This is subject to a two month period of notice, but in the event of termination after a change in control one year's salary will be payable. As a non-executive director of the company, Ilham Habibie will make himself available for regular board meetings as well as providing advice and guidance to the management of the Company as appropriate.

It is anticipated that in due course employees (including the executive Directors) will be provided with appropriate pension and other compensation benefits consistent with a company the size of Sound Oil.

- 5.7 Save as disclosed in paragraph 5.6 above, there are no contracts, existing or proposed, between any Director and the Company, and no service contracts with Existing Directors have otherwise been entered into or amended within the last six months.
- 5.8 There is no arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.
- 5.9 It is estimated that under the arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors for the current financial period ending on 31 December 2006 will be approximately £657,500. The Existing Directors have also been granted options over Ordinary Shares, details of which are given in paragraph 3.4 of this document. The aggregate remuneration and benefits in kind paid to the Directors by the Company for the financial period ending 31 December 2005 was £144,000.
- 5.10 In addition to the directorships in the Company and the Subsidiary the Directors hold or have held the following directorships, or are or have been partners in the following partnerships, within the five years immediately prior to the date of this document:

	<i>Current</i>	<i>Past</i>
Gerald Orbell	Antrim Energy Inc. (Canada) MEO Ltd Valient Holdings Limited Valpak Limited Winham Services Ltd	Critical Data Limited Intercash World Limited
John Antony Heath	Premier Pension Plan Trustee Limited	Burmah Oil (Bermuda) Limited Intercash World Limited Petroleum Supplies and Services (Bermuda) Limited
Simon Howard Davies	Cofunds Holdings Limited Threadneedle Investment Services (No. 2) Limited Eagle Star Isa Manager Limited Eagle Star Unit Managers Limited IMA Services Limited Investment Management Association JP Morgan Fleming Overseas Investment Trust plc Threadneedle Asset Management Holdings Limited Threadneedle Asset Management Limited Threadneedle Asset Management Limited Finance Limited Threadneedle International Limited Threadneedle Investment Services Limited Threadneedle Management Services Limited Threadneedle Pensions Limited Threadneedle Portfolio Services Limited Threadneedle Property Investments Limited	Deutsche Asset Management Schweiz Eagle Star (Fund Management) Limited Zurich Financial Services (UKISA) Limited Zurich Invest (Jersey) Limited Zurich Investment GmbH Zurich Investments GEST SIM SpA Zurich Investments SGR SpA TAM Realisations Limited Threadneedle Investment Services (No 2) Limited

	<i>Current</i>	<i>Past</i>
Michael Bruce Athelstone Nobbs	GTL Resources plc Ithaca Energy plc	Tishman International Companies (US)
Jusuf Handri Rachmantio	Mitra Energia Limited	Profescipta Wahana (Jakarta) PT. Flotec (Jakarta) Repindo Info Media (Jakarta)
Patrick Morris Alexander	Batavia Investment Management Limited (BVI) Batavia Investment Fund Limited (Cayman Islands) Batavia Financial Services Fund 1 Limited (Cayman Islands) Batavia Investment Advisors Limited (Hong Kong) Java Energy Limited (BVI) Mitra Energia Bangkanai Limited (Mauritius) Mitra Energia Limited (Mauritius) Hichens Harrison (Asia) Limited PT. Eurocapital Peregrine Securities (Jakarta) PT. Astra International (Indonesia) PT. Astra Agro Lestari (Indonesia)	Batavia Financial Services Fund 2 Limited (Cayman Islands)
Ilham Akbar Habibie	PT. Ilthabi Rekatama (Indonesia) PT. Mitra Investasi Artha Perdana (Indonesia) PT. Global Group Asia (Indonesia) PT. Global Angkasa (Indonesia) Aviation Support Ltd (Indonesia) Mitra Energia Ltd (Indonesia) PT. Ilthabi Bara Utama (Indonesia) PT. Sarana Pembangunan Jawa Tengah (Indonesia) PT. Citra Tubindo Tbk (Indonesia) PT. Dwi Sumber Arca Waja (Indonesia) PT. Metinca Prima (Indonesia) PT. Guntner Indonesia (Indonesia) PT. Nongsa Point Marina (Indonesia) PT. Industri Mineral (Indonesia) PT. Nongsa Wahana Bahari (Indonesia) PT. Ilthabi Otomotif (Indonesia) PT. Ilthabi Sentra Herbal (Indonesia) PT. Asuransi Wuwungan (Indonesia) PT. Jodoh Ardhi Mustika (Indonesia) PT. Orbcomm Indonesia (Indonesia)	PT. Industri Pesawat Terbang Nusantara (Indonesia)

5.11 Save as disclosed above none of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) had any bankruptcy order made against him or entered into any voluntary arrangements;
- (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) been the owner of any assets placed into receivership or been a partner in any partnership whose assets have been placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;
- (f) been publicly criticised by any statutory or regulatory body (including recognised professional bodies); or

(g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of affairs of any company.

5.12 No Director (nor any member of a Director's family) has had a related product (as defined in the AIM Rules) referenced to Ordinary Shares.

## 6. Interests and Dealings

6.1 Save for their interests pursuant to the Acquisition, no member of the Concert Party controlled or was interested, directly or indirectly, in or had rights to subscribe for or short positions in any relevant securities (as defined in paragraph 6.5 below) on 23 June 2006 (the latest practicable date prior to publication of this document); nor has any such person dealt for value or lent or borrowed any relevant securities during the disclosure period (as defined in paragraph 6.5 below).

6.2 Save as disclosed in paragraph 5.1 above, none of the Company, the Existing Directors nor any member of their immediate families nor any person acting in concert with any of them owned, controlled or (in the case of the Existing Directors and their immediate families) was interested, directly or indirectly, in or had rights to subscribe for or short positions in any relevant securities on 23 June 2006 (the latest practicable date prior to publication of this document), nor has such person dealt for value in or lent or borrowed any relevant securities during the disclosure period.

6.3 At close of business on 23 June 2006 (the latest practicable date prior to publication of this document) Smith & Williamson Investment Management Limited held in a nominee account 3,484,089 Ordinary Shares on behalf of the beneficial owners of these shares. Smith & Williamson Investment Management Limited is a 100 per cent. subsidiary of Smith & Williamson Holdings Limited, Smith & Williamson's parent company.

Smith & Williamson Investment Management Limited dealt for value in Ordinary Shares within the disclosure period as follows:

<i>Date</i>	<i>Transaction</i>	<i>Number of Shares</i>	<i>Price per Ordinary Share</i>
15/06/05	Purchase <sup>(1)</sup>	909,090	5.50
21/06/05	Purchase <sup>(2)</sup>	181,818	5.50
04/07/05	Purchase <sup>(1)</sup>	400,000	7.50
01/08/05	Sale <sup>(1)</sup>	100,000	7.00
05/08/05	Purchase <sup>(3)</sup>	300,000	7.25
05/08/05	Sale <sup>(1)</sup>	300,000	7.25
12/09/05	Purchase <sup>(3)</sup>	250,000	6.88
21/09/05	Purchase <sup>(3)</sup>	100,000	6.00
26/09/05	Purchase <sup>(3)</sup>	180,000	6.25
15/03/06	Purchase <sup>(1)</sup>	25,000	5.90

### Notes:

1. These transactions related to the purchase or sale by Smith & Williamson Investment Management Limited of Ordinary Shares on behalf of clients on an execution only basis.
2. This transaction related to the purchase by Smith & Williamson Investment Management Limited of Ordinary Shares on behalf of one client whose funds are managed on a discretionary basis.
3. These transactions related to the purchase by Smith & Williamson Investment Management Limited of Ordinary Shares on behalf of clients whose funds are managed on an advisory basis.

Pursuant to the Placing, Smith & Williamson Investment Management, on behalf of eight clients whose funds are managed on a discretionary basis, has also subscribed for 3,448,000 Ordinary Shares at the Placing Price.

Save as disclosed above, Smith & Williamson Investment Management Limited did not during the disclosure period deal for value in or lend or borrow relevant securities.

Save as disclosed in this paragraph 6.3, no associate (as defined in paragraph 6.6 below) of Sound Oil, nor any pension fund of Sound Oil nor any pension fund of any associate of Sound Oil nor any connected adviser (as defined in the Code) of Sound Oil or of any associate of Sound Oil including any person controlling, controlled by or under the same control as any such connected adviser (other than an exempt fund manager or exempt principal trader) nor any employee benefit trust of Sound Oil or of any associate of Sound Oil, owns or controls or is interested, directly or indirectly, in or had rights to subscribe for or short positions in any relevant securities nor has any such person dealt for value in or lent or borrowed such relevant securities during the disclosure period.

6.4 Save as disclosed in this document no member of the Concert Party nor the Company nor any associate (as defined in paragraph 6.5 below) of the Company has any arrangement with any person in relation to relevant securities. For the purposes of this paragraph, “arrangement” includes any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature which may be an inducement to deal or refrain from dealing.

6.5 In this paragraph 6.5:

- (a) references to an “associate” of a company are to:
  - (i) its subsidiaries and associated companies and companies of which any such subsidiaries or associated companies are associated companies (for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status)
- (b) ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and “control” means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of the company which are currently exercisable at a general meeting, irrespective of whether the holding gives de facto control;
- (c) “relevant securities” means in relation to the Company the Existing Shares, securities which carry voting rights of the Company and any securities convertible into, or exchangeable for, rights to subscribe for and options (including traded options) in respect of, or derivatives referenced to, any Ordinary Shares or other such securities of the foregoing;
- (d) “derivative” includes any financial product whose value, in whole or in part, is determined directly or indirectly by reference to the price of the underlying security;
- (e) the “disclosure period” is the period commencing on 20 March 2005 (being the date 12 months prior to the date on which the Company announced it had reached agreement in principle for the acquisition of Mitra and ending 23 June 2006 (being the latest practicable date prior to the posting of this document); and
- (f) “interest” or “interested” have the same meaning as “interest in securities” as defined in the Takeover Code.

## 7. Employees

7.1 The Company has no employees other than the Existing Directors.

7.2 Following Admission, the Enlarged Group will have a total of 20 permanent employees.

## 8. Concert Party

As described in Part I of this document, the following parties are deemed by the Panel to be members of the Concert Party in terms of Rule 9 of the Code. The members of the Concert Party are shareholders in Mitra.

Following completion of the Acquisition, the members of the Concert Party will have the following interests in the Enlarged Share Capital:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>	<i>Number of Ordinary Shares after transfer to Hichens<sup>(1)</sup></i>	<i>Percentage of Enlarged Share Capital after transfer to Hichens<sup>(1)</sup></i>
Patrick Alexander	19,037,831	2.74%	18,411,155	2.66%
Ilham Habibie	76,151,045	11.00%	73,644,348	10.64%
Jusuf Rachmantio	38,075,662	5.50%	36,822,309	5.32%
Thareq Habibie	76,151,045	11.00%	73,644,348	10.64%
<b>Total</b>	<u>209,415,583</u>	<u>30.24%</u>	<u>205,522,160</u>	<u>29.26%</u>

Profiles of Mssrs Rachmantio, Alexander and Ilham Habibie are set out in the section entitled “Intentions for the Company” in Part I of this document. Mssrs Rachmantio, Alexander and Ilham Habibie are all shareholders as well as directors of Mitra as well as Proposed Directors.

Notes

1. As detailed in paragraph 15.3, the Vendors have undertaken to transfer some of their Ordinary Shares to Hichens as payment for professional services.



**Thareq Kemal Habibie**, aged 40

Thareq Habibie is the brother of Ilham Habibie. Thareq owns 50% of the shares in Ilthabi Limited, which in turn owns 100% of the shares in Ilthabi Sdn Bhd.

Thareq graduated in 1993 from the Technical University of Braunschweig, Germany with a Diplom-Ingenieur in Civil Engineering. He has established a number of companies, including the Repindo Group of companies which provide IT and engineering services, and the TH group of companies which operate in the telecommunications and hospitality industries. He co-founded Ilthabi Ltd and Ilthabi Sdn Bhd with Ilham Habibie.

## 9. Market Quotations

The following table shows the closing price for an Existing Share on the first dealing day of each month from October 2005 (being six months prior to the announcement of the Acquisition) to 1 March 2006 and on 17 March 2006 (being the latest practicable date prior to the suspension of trading in the Existing Shares on AIM following the announcement of the Acquisition):

<i>Date</i>	<i>Closing price per Ordinary Share (p)</i>
3 October 2005	6.75
1 November 2005	6.50
1 December 2005	6.38
3 January 2006	5.50
1 February 2006	5.13
1 March 2006	5.13
17 March 2006	7.00

## 10. Material contracts

The contracts described in this paragraph 10 have been entered into by the Enlarged Group and are or may be material.

10.1 The following contracts have been entered into by the Company and are or may be material:

### 10.1.1 *Original Placing agreement*

An agreement dated 22 June 2005 between the Company (1), the Existing Directors (2) and Smith & Williamson Corporate Finance Limited (3) (the "Original Placing Agreement") under which Smith & Williamson Corporate Finance Limited agreed as agent of the Company to issue placing letters to places for the purposes of obtaining commitments to subscribe for 199,817,764 new Ordinary Shares "the Original Placing Shares" at a placing price of 5.5p per Ordinary Share ("the Original Placing Price"). Smith & Williamson Corporate Finance Limited was not itself under any obligation to subscribe for any Original Placing Shares or to pay to the Company any amount in respect of any Original Placing Shares for which Original Placees did not commit to subscribe or in respect of which the cheque or other remittance was in whole or in part dishonoured or for which the application was for any reason rejected or cancelled after Original Admission. Under the Original Placing Agreement the Company paid to Smith & Williamson Corporate Finance Limited a corporate finance fee of £55,000 (excluding VAT). The Company was responsible additionally for payment of all the costs and expenses associated with the Original Placing and Original Admission. The Original Placing Agreement includes certain warranties and indemnities by the Company and the Existing Directors in favour of Smith & Williamson Corporate Finance Limited in connection with the Original Placing and Original Admission. Each of the Existing Directors did, subject to certain exceptions, undertake in the Original Placing Agreement not to dispose of or charge, or agree to dispose of or charge any shares in the Company in which he is beneficially interested and to procure that no person connected with him does so at any time within the period of 12 months after Original Admission nor, within the next following 12 months, to dispose of any such shares except through the Company's broker at the time so as to maintain an orderly market in the shares of the Company. The exceptions made include any disposal in acceptance of a general offer for the Company and any agreement to accept such an offer conditional upon the announcement of the offer, a disposal on death and any disposal on the appointment or replacement of trustees of a family settlement.

### 10.1.2 *Placing Agreement*

Under an agreement dated 23 June 2006 and made between the Company (1), the Existing Directors (2), the Proposed Directors (3), Hichens (4) and Smith & Williamson (5), Hichens has agreed (conditional, *inter alia*, on Admission becoming effective by not later than 8.00 a.m. on 14 July 2006) as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.



Under the terms of the Placing Agreement, on Admission the Company will pay to Hichens Harrison a broking commission of 5 per cent. on the value of the placing price of those Placing Shares being placed on its behalf (plus any VAT). Of this commission, 2 per cent. is to be settled by the issue of 4,257,727 Ordinary Shares and 3 per cent. is to be paid in cash. Smith & Williamson will for its services in connection with the Placing and Admission receive a fee of £ 30,000 and subject to Admission receive a success fee of £70,000 (in each case plus VAT), together with a further fee of £29,000 (plus VAT), which in such latter case is to be satisfied by the allotment of 400,000 Ordinary Shares at the Placing Price.

The Company will pay certain other costs and expenses (including any applicable VAT) of, or incidental to, Admission and the Placing including all fees and expenses payable in connection with Admission, expenses of the registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

The Placing Agreement contains, amongst other things, certain warranties given by the Company and the Directors to Hichens and Smith & Williamson as to the accuracy of information contained in this document and other matters relating to the Enlarged Group and its business. In addition, the Company has given certain indemnities that are customary in an agreement of this kind. Hichens and Smith & Williamson are entitled to terminate the Placing Agreement in certain specified circumstances prior to Admission including in the event of a material breach of the Placing Agreement.

Further details of the Placing are set out at Part I of this document.

#### 10.1.3 *Acquisition Agreement and Supplementary Escrow Completion Agreement*

On 23 June 2006, the Company and SOIL (together the “Purchasers”) entered into the Acquisition Agreement with the Vendors. Pursuant to the terms and conditions of the Acquisition Agreement, the Vendors agreed to sell and the Purchasers agreed to buy, the entire issued share capital of Mitra.

The aggregate consideration to be paid by the Purchasers to the Vendors is US\$21,500,000 (the “Purchase Price”) to be satisfied by the allotment and issue of 223,376,623 Consideration Shares.

The Acquisition Agreement provides that a dividend of US\$1,500,000 (the “Special Dividend”) shall be declared by Mitra prior to completion of the Acquisition. Payment of the Special Dividend is conditional on completion of the Medco Farm-In and receipt by MEB of the payments due in respect of the Medco Farm-In, including the specified contingent payment of US\$2,250,000. The Special Dividend will be reduced on a dollar for dollar basis for any reduction in the latter payment.

The Acquisition Agreement is conditional, *inter alia*, upon all conditions precedent to completion being satisfied by 31 July 2006, which requires Admission to occur on or before 8.00 a.m. on 14 July 2006. Pursuant to the Supplementary Escrow Completion Agreement, completion shall take place in escrow, immediately after the Acquisition Agreement shall have become unconditional other than in respect of the conditions regarding Admission and the transfer of the Sale Shares to SOIL. Completion shall take place immediately following satisfaction of these two conditions.

Pursuant to the terms of the Acquisition Agreement, all of the Vendors have given a number of warranties regarding title to the Sale Shares. The Majority Vendors have additionally given a number of customary warranties to the Purchasers in relation to the business, financial and tax affairs, assets and operations of the Mitra Group.

The Majority Vendors have also agreed to indemnify and hold harmless the Enlarged Group from and against all loss, damage, liability, costs and expense arising from or in relation to: (a) the payment of the Special Dividend; (b) the repayment of certain existing loans at the date of completion of the Acquisition; (c) certain potential costs of the EBE carried interests arising pursuant to the MEB Farm-In; (d) irrecoverable costs for corporate tax purposes arising from the failure of the Mitra Group to (timely) register for taxation in Indonesia; (e) the amount of any capital gains or income tax liability of the Mitra Group arising from the Medco Farm-In and/or the pre-cursor inter-affiliate transfer of an interest in the Bangkanai PSC; (f) the amounts owed by Mitra and/or the Vendors to Hichens which are to be satisfied by a re-allocation of part of the Consideration Shares, as described in paragraph 15.3 of this document and (g) the assignment of the Citarum PSC from BPREC to BPREC Pte.

The maximum aggregate liability of the Vendors pursuant to the Acquisition Agreement shall be capped at the Purchase Price. The Purchasers shall not be entitled to recover any amount in respect of a claim under a warranty unless such claim when aggregated with all other claims in respect of warranties made pursuant to the Acquisition Agreement exceed in aggregate US\$500,000, (in which case all such claims shall become due and payable and not just the amount in excess of such threshold), subject to a de minimis amount of \$75,000 below which claims cannot be brought.

The liability of the Vendors for any claim pursuant to the tax warranties in the Acquisition Agreement shall cease on the tenth anniversary of completion of the Acquisition and, in respect of

any other claim made pursuant to the Acquisition Agreement warranties, on the date falling fifteen months after completion of the Acquisition.

The Acquisition Agreement also contains a number of customary warranties to be given by the Purchasers. The limitations on the Purchasers' liability and procedural handling of warranty claims are identical to those of the Vendors'.

Pursuant to the Acquisition Agreement 202,522,159 of the Consideration Shares (the "Lodged Shares") shall be allotted and issued to Pershing to be held in a separately designated nominee account on behalf of the Majority Vendors for the Lock-In Period.

Save in the event of any Claim (as the same is defined in the Acquisition Agreement) or a claim under the indemnities being made by the Company (as further described below) on the expiration of the Lock-In Period, Hichens shall instruct Pershing to transfer the Lodged Shares to the Majority Vendors (or as they shall direct) save that such number of Lodged Shares as represents US\$500,000 (calculated on the basis of a 20 per cent. discount to the bid price at that time) shall remain lodged with Pershing for the Further Lock-In Period. On the expiration of the Further Lock-In Period, save in the event of a claim or indemnity as aforesaid Hichens shall instruct Pershing to transfer the remaining Lodged Shares to the Majority Vendors (or as they shall direct). Hichens shall instruct Pershing not to dispose or otherwise transfer or release the Lodged Shares to any person during the Lock-In Period or the Further Lock-In Period save in the case of a permitted transfer pursuant to the Placing Agreement or where the parties agree in writing and Hichens shall take such steps as are necessary to ensure that Pershing does not do so.

The Acquisition Agreement is governed by English law. Disputes and claims are to be resolved by binding arbitration pursuant to the Rules of the London Court of International Arbitration pursuant to English law and procedures and held in London. The jurisdiction of the High Court of England is retained for certain disputes.

#### 10.1.4 *Bangladesh Option Agreement*

On 17 May 2006, the Company entered into an agreement (the "Option Agreement") with RAB Octane (Master) Fund Limited ("RAB") creating put and call options ("Put and Call Options") in respect of the two ordinary shares of US\$1.00 each in the capital of SOB ("SOB Shares") owned by RAB, being the entire issued share capital of SOB. SOB is a special purpose vehicle whose only asset is the benefit of the Assignment Agreements (the terms of which are summarised below).

##### (a) *Bangladesh PSC Assignment Agreement (the "Assignment Agreement")*

On 17 May 2006 Ocean Bangladesh Corporation ("OBC") and SOB entered into an instrument of assignment whereby, conditional upon the extension of the PSC and the approval of the Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla"), OBC would assign to SOB a 50% stake of the Bangladesh PSC.

On 16 February 1997 UMV Bangladesh Corporation ("UMVBC"), now called OBC, concluded the Bangladesh Production Sharing Contract (the "Bangladesh PSC") with the Government of the People's Republic of Bangladesh (the "Government") and Petrobangla, a government owned company for the exploration and development of petroleum in Block 22 (Chittagong Hill Tracts – approximately 13,390 square kilometres) (the "Contract Area").

The Bangladesh PSC, which has expired, granted to OBC exclusive rights of exploration, development, production and disposal of petroleum in the Contract Area at OBC's sole risk and expense. Under the Bangladesh PSC, following a commercial discovery of an oil field, the term of the contract would continue for twenty years from the date that Petrobangla approved the development plan and following a commercial discovery of a gas field, the term would continue for twenty five years from the date Petrobangla approved the relevant development plan.

The Bangladesh PSC obliged OBC to make certain relinquishments of the Contract Area. It also set out a minimum exploration programme during the first contact year (with an estimated minimum cost of US\$400,000). The Bangladesh PSC additionally provided that in the first three years of extension to the exploration program, specific minimum work programs must be carried out with the total estimated minimum costs of these being US\$12,000,000.

On 17 May 2006 OBC, the Company and SOB entered into a letter of agreement setting out the obligations of OBC and SOB in implementing various administrative and operational matters to prepare for the development of the Bangladesh PSC. The Company and OBC will jointly co-operate to put together a plan of development to drill not less than two wells in the

forthcoming two years. The letter of agreement also sets out the commercial terms on which any farm-in agreement shall be entered into.

Any assignment is subject to the approval of the People's Republic of Bangladesh and of Petrobangla and further subject to the extension of the PSC and relinquishments under the PSC. Under the Assignment OBC is required to do all things reasonably necessary or desirable to secure the assignment of the 50% stake.

(b) *Consideration*

The consideration for the grant of the Put and Call Options was £1.00 payable by RAB to the Company. The consideration for the exercise of the options is, in the event that the assignment has not become effective and the sums due under the Assignment Agreement have not been paid, the issue of 2,195,222 Ordinary Shares or, at the agreement of the parties, US\$300,000. In the event that the assignment has become effective or the sums due under the Assignment Agreement have been paid, the consideration is increased to either 14,634,813 Ordinary Shares or, at the agreement of the parties, US\$2,000,000.

(c) *Term*

The call option is exercisable from the date of the Option Agreement until the date falling four calendar months thereafter. The put option is exercisable at any time commencing on the date falling four calendar months after the date of the Option Agreement. During the period of the Option Agreement, RAB undertakes to ensure (to the extent that it is able as the beneficiary of the SOB Shares) that SOB shall liaise with and seek the advice of the Company in relation to any matters relating to the Assignment Agreement (as summarised in paragraph 10.14(a) above).

Pursuant to the terms of the Option Agreement, RAB's prior written consent is required for any reorganisation which includes, inter alia, any issue of shares at less than 7.25 pence per Ordinary Share. Accordingly RAB's consent has been obtained in relation to the Proposals.

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

10.2 The following contracts have been entered into by the Mitra Group and are or may be material:

10.2.1 ***Bangkanai PSC***

On 30 December 2003 EBE concluded the Bangkanai PSC with the Government of Indonesia (the "Government") through the state owned body BPMIGAS for the exploration and development of all mineral oil and gas in the Bangkanai Block East Kalimantan (approximately 6,976 square kilometres) (the "Contract Area").

The Bangkanai PSC grants to EBE rights of exploration, development and production in the Contract Area. Such rights are awarded for a term of 30 years from the date of the award (this being 30 December 2003), however the Bangkanai PSC will terminate if, by the end of the initial six year period, no petroleum (being oil and gas) in commercial quantities has been discovered in the Contract Area or if EBE has not exercised its right to extend this period by four years (this right of extension being exercisable only at the end of the initial six year period). Termination of the Bangkanai PSC will then occur if by the end of the four year extension, no petroleum in commercial quantities has been discovered.

EBE is obliged to invest in aggregate up to US\$23,800,000 to carry out work during the initial six year period. The Bangkanai PSC sets out the work program to be followed during this period.

A relinquishment of 20% of the original total Contract Area is required on or before the end of the initial three year period. If the work program during this initial three year period has not been completed in accordance with the specific terms set out in the Bangkanai PSC, EBE will be required to relinquish a further 15% of the original total Contract Area. Finally, on or before the end of the initial six year period EBE will be required to relinquish an additional area so that the total area retained by EBE is equal to 20% of the original total Contract Area. However, if on or before the end of the sixth Contract Year, any part of the Contract Area corresponding to the surface area where petroleum has been discovered is greater than 20% of the original Contract Area, EBE will not have to relinquish the excess area.

BPMIGAS will have the right to demand that EBE offers a 10% undivided interest in the total rights and obligations under the Bangkanai PSC to an Indonesian national company (to be designated by

the Government) (the “Participant”). In return for the 10% undivided interest, the Participant will reimburse EBE firstly an amount equal to 10% of the operating costs which EBE has incurred up to the date on which EBE notified BPMIGAS that commercially viable quantities of petroleum had been found and secondly, an amount equal to 10% of the US\$100,000 signature bonus which was paid to the Government following its approval of the Bangkanai PSC and of any equipment and services provided by EBE to the Government in the first year of the Bangkanai PSC. This right of participation will lapse if it is not exercised by BPMIGAS within three months after EBE notifies BPMIGAS of its first discovery of commercially viable quantities of petroleum in the Contract Area.

EBE and BPMIGAS are firstly entitled to take 20% of the petroleum production for the year before deducting operating costs. This 20% will be split between EBE and BPMIGAS with EBE’s share being between 17.8% and 35.7% of any oil (depending on its source) and 62.5% of any gas. EBE will then be entitled to recover all operating costs either out of the sales proceeds or by taking the equivalent value in oil or gas. Finally, the remaining oil and gas produced will be split between EBE and BPMIGAS in the same proportions as above.

EBE is additionally obliged to deliver to the Government a portion of EBE’s share of the petroleum at a price which is 15% of the price calculated in accordance with the terms of the Bangkanai PSC. This discount will not apply in the first five years of production, although during this time EBE is obliged to invest (should the opportunity exist) any proceeds in excess of this 15% in continuing its exploration efforts in the Contract Area or in other areas of Indonesia.

In addition, dependant upon the success of the exploration and production activities, certain other payments will be payable to the Government depending upon the production rate achieved.

The Bangkanai PSC is governed by the laws and regulations in force in Indonesia.

#### 10.2.2 *Mitra Farm-in*

On 1 October 2004, EBE and MEB entered into a Farm-In Agreement (the Mitra Farm-In). The Mitra Farm-In sets out the basic principles that have been agreed between the parties, whereby MEB acquired 49 per cent. of EBE’s 100 per cent. working interest in the Bangkanai PSC (to increase to 49.99 per cent. at the start of the fourth Contract Year of the Bangkanai PSC (30 December 2006)). The Mitra Farm-In will continue until its terms are discharged or earlier, if (1) the Bangkanai PSC is terminated or (2) there is a material breach of one of the obligations set out in Article 5 of the Mitra Farm-In. Article 5 provides that MEB will be responsible for all expenses in connection with the operation of the Bangkanai PSC for the first three Contract Years of the Bangkanai PSC and will fulfil any exploration commitments stipulated in Section IV of the Bangkanai PSC (the Work Program and Budget). The expenses will include (1) geology and geophysical works, (2) general and administration costs incurred by EBE during the first 3 Contract Years, but only to the extent that such costs are recoverable under the Bangkanai PSC and (3) the reimbursement of costs incurred by EBE prior to signing the Mitra Farm-In or Bangkanai PSC, but only where they have been audited and verified as cost recoverable (which such costs reimbursement has been paid). If any such costs are not cost recoverable (i.e. those incurred by EBE prior to signing the Bangkanai PSC and in order to acquire the Bangkanai PSC), MEB shall reimburse EBE immediately (but no later than 1 month following the approval by BPMIGAS of a plan of development). MEB will only be obliged to immediately reimburse EBE up to a cap of US\$125,000 (although note that EBE will ultimately be liable to reimburse MEB for such costs out of available production). If any cost recoverable expenses are paid / reimbursed using capital or funds provided by MEB in respect of EBE’s working interest, these will be repaid / reimbursed to MEB out of production from proceeds of cost recovery oil as soon as such proceeds become available. Please note that the Certificate of Incorporation for MEB shows that MEB was incorporated on 26 October 2004 (i.e. after the date of the Mitra Farm-In). Mitra have confirmed in their due diligence response dated 17 May 2006, that MEB was not properly incorporated in Mauritius at the time that it entered into the Mitra Farm-In, however MEB have since passed a board resolution in order to ratify the Mitra Farm-In.

On 27 October 2004 EBE and MEB entered into a deed of assignment in order to transfer the 49 per cent. participating interest in the Bangkanai PSC from EBE to MEB. A further deed of assignment will require to be entered into in order to effect the transfer of 0.99 per cent. participating interest at the end of the third Contract Year of the Bangkanai PSC.

#### 10.2.3 *Joint Operating Agreement*

EBE and MEB entered into a Joint Operating Agreement on 25 April 2005 (the “JOA”). The JOA regulates the relationship between EBE and MEB in relation to the operation of the asset. Each party who has a participating interest in the Bangkanai PSC of 15% or more is entitled to appoint one representative to an Operating Committee, which will have overall supervision and direction of the joint operations. All decisions of the operating committee must be unanimous. The JOA does not deal with downstream activities. The JOA will continue in effect until the Bangkanai PSC terminates



and (1) all materials, equipment and personal property used in connection with the joint operations have been removed and disposed off and (2) final settlement has been made among the parties. Notwithstanding this, Article X of the JOA (Abandonment) will remain in effect until all wells have been properly abandoned and Article IV.5 (Settlement of Claims and Lawsuits) will remain in effect until all obligations, claims, arbitrations and lawsuits have been resolved. The JOA will also terminate if all the parties issue a withdrawal notice pursuant to Article XIII.

#### 10.2.4 *Medco Farm-In*

On 14 March 2006, MEB and Medco entered into a share sale and purchase agreement (the Medco Farm-In) for the sale of a 15% participating interest (the "Interest") in the Bangkanai PSC to Medco (through the purchase by Medco of Bangkanai Petroleum (L) Berhad). The transfer of the Interest to Medco was conditional on the satisfaction of certain conditions precedent, all of which it is understood have now been satisfied. The transfer is expected to complete in June 2006.

The Medco Farm-In provides for various payments to be made in consideration for the transfer of the Interest. The first payment from Medco to MEB has been made (US\$1,500,000). On the execution of the gas sales and purchase agreement with PT Medco Power Indonesia, Medco will be required to make a further payment of US\$2,250,000. Medco has additionally assumed its share of EBE's costs which MEB is obliged to fund for the first three years of the Bangkanai PSC pursuant to the MEB Farm-In. Between the date of the Medco Farm-In and the date on which the transfer completes ("the Closing Date"), Medco will be obliged to pay MEB (1) 15% of the liabilities and obligations so funded pursuant to the MEB Farm-In and (2) 15/49 of the amount of EBE's portion of such liabilities and obligations so funded. After the Closing Date, Medco must procure that Bangkanai Petroleum (L) Berhad pays MEB (1) 15% of the liabilities and obligations so funded after the Closing Date and (2) 15/49 of EBE's portion of such liabilities and obligations (but excluding any costs (whether cost recoverable or not) incurred by EBE prior to signing the MEB Farm-In and/or the Bangkanai PSC). From the Closing Date, MEB will be responsible for (1) 34% of all liabilities and obligations which require to be funded pursuant to the MEB Farm-In and (2) 34/49 of EBE's portion of such liabilities and obligations (including any costs (whether cost recoverable or not) incurred by EBE prior to signing the MEB Farm-In and/or the Bangkanai PSC).

#### 10.2.5 *Citarum PSC*

On 7 October 2005 BPREC concluded the Citarum PSC with the Government through the state owned body BPMIGAS for the exploration and development of all mineral oil and gas in the Citarum Block West Java (consisting of approximately 4,440.32 square kilometres) (the "Contract Area").

The Citarum PSC grants to BPREC rights of exploration, development and production in the Contract Area. Such rights are awarded for a term of 30 years from the date of the award (this being 7 October 2005), however the Citarum PSC will terminate if, by the end of the initial six year period, no petroleum (being oil and gas) in commercial quantities has been discovered in the Contract Area or if BPREC has not exercised its right to extend this period by four years (this right of extension being exercisable only at the end of the initial six year period). Termination of the Citarum PSC will then occur if by the end of the four year extension, no petroleum in commercial quantities has been discovered.

BPREC is obliged to invest in aggregate up to US\$49,000,000 to carry out work during the initial six year period. The Citarum PSC sets out the work program to be followed during this period.

A relinquishment of 20% of the original total Contract Area is required on or before the end of the initial three year period. If the work program during this initial three year period has not been completed in accordance with the specific terms set out in the Citarum PSC, BPREC will be required to relinquish a further 15% of the original total Contract Area. Finally, on or before the end of the initial six year period BPREC will be required to relinquish an additional area so that the total area retained by BPREC is equal to 20% of the original total Contract Area. However, if on or before the end of the sixth Contract Year, any part of the Contract Area corresponding to the surface area where petroleum has been discovered is greater than 20% of the original Contract Area, BPREC will not have to relinquish the excess area.

At the time that the first plan of development is approved by the Government, BPREC must offer a 10% undivided interest in the total rights and obligations under the Citarum PSC to a local government company or an Indonesian national company (to be designated by the Government) (the "Participant"). In return for the 10% undivided interest, the Participant will reimburse BPREC firstly an amount equal to 10% of the operating costs which BPREC has incurred up to the date of BPREC's offer of participation and secondly, an amount equal to 10% of the US\$2,400,000 signature

bonus which was paid to the Government following its approval of the Citarum PSC and of any equipment and services provided by BPREC to the Government in the first year of the Citarum PSC. This right of participation will lapse if BPMIGAS do not advise BPREC of the name of the Participant within one month after BPREC's offer of participation.

BPMIGAS is firstly entitled to take 10% of the petroleum production for the year before deducting operating costs. BPREC will then be entitled to recover all operating costs out of the sales proceeds or from taking the equivalent value in oil or gas. Finally, the remaining oil and gas will be split between BPREC and BPMIGAS, with BPREC's share being 44.6429% of the oil and 71.4286% of the gas.

BPREC is additionally obliged to deliver to the Government a portion of BPREC's share of the petroleum at a price which is 25% of the price as calculated in accordance with the terms of the Citarum PSC. This discount will not apply in the first five years of production, although during this time, BPREC is obliged to invest (should the opportunity exist) any proceeds in excess of this 25% in continuing exploration efforts in the Contract Area or in other areas of Indonesia.

In addition, dependant upon the success of the exploration and production activities, certain other payments will be payable to the Government depending upon the production rate achieved.

The Citarum PSC is governed by the laws and regulations in force in Indonesia.

#### **10.2.6 *Joint Venture Agreement***

RE, BPE and Mitra entered into a Joint Venture Agreement on 14 June 2005 (the "JVA"), in order to operate the assets and govern the relationship of the joint venture company (i.e. BPREC). The Board of Directors has overall supervision and direction of the joint operations and the pass-mark for its decisions is by simple majority (noting that RE will have three directors, with Mitra and BPE each having one director). The Board of Directors is supervised by a Board of Commissioners and again, the pass-mark for its decisions is by simple majority (noting similarly, that RE has three members and Mitra and BPE, one each). The JVA will remain effective until (1) BPREC is dissolved or otherwise ceases to exist as a separate entity, (2) the JVA is terminated by mutual consent of the parties, (3) the agreement is terminated pursuant to its terms, (4) a party defaults in the performance of a material obligation under the JVA and such default is not rectified within 60 days after written request by another party to rectify the default or (5) a party is either dissolved or becomes insolvent (usual insolvency provisions apply).

#### **10.2.7 *BPREC Deed of Assignment and Disclaimer (the "Deed of Assignment")***

BPREC (acting by its liquidator (the "Liquidator")) entered into the Deed of Assignment on 21 June 2006 whereby BPREC (acting by the Liquidator) assigned its 100 per cent. working interest in the Citarum PSC (the "Assets") to BPREC Pte. Pursuant to the terms of the Deed of Assignment, the Liquidator acknowledges that the shareholders of BPREC resolved on 10 May 2006 to assign the Assets to BPREC Pte and then liquidate BPREC. The Liquidator further acknowledges that it was not the intention of BPREC or its shareholders that the Assets would form part of the liquidation assets and that BPREC Pte holds the Assets as contractor to the exclusion of all rights of BPREC.

The Deed of Assignment is governed by the laws and regulations in force in Indonesia.

### **11. Litigation**

There are no legal or arbitration proceedings (including, to the knowledge of the Directors, any such proceedings which are pending or threatened) which may have or have had during the 12 months immediately preceding the date of this document a significant effect on the financial position of the Company and/or the Enlarged Group.

### **12. Working capital**

The Directors are of the opinion that, having made due and careful enquiry, taking into account the £11.7 million gross proceeds of the Placing, the working capital available to the Company will, from the date of Admission, be sufficient for its present requirements, that is, for at least the next 12 months from the date of Admission.

### **13. Related party transactions**

Save as otherwise disclosed in this document, there have been no related party transactions (for the purposes of the standards adopted according to Regulation (EC) No. 1606/2002) entered into by the Company or any member of the Enlarged Group prior to the date of this document.



## 14. Taxation

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

### 14.1 *Taxation of Chargeable Gains*

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

To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will constitute the base cost of a shareholder's holding; for individuals and certain trustees the amount paid for the Ordinary Shares subscribed may be eligible for taper relief.

If a Shareholder disposes of all or some of his Ordinary Shares, a liability to tax on chargeable gains may, depending on his circumstances, arise.

### 14.2 *Inheritance Tax*

Ordinary Shares in AIM listed trading companies potentially qualify for 100 per cent. business property relief which gives up to 100 per cent. exemption from Inheritance Tax. Therefore, where an investor makes a lifetime gift of shares or dies while still owner of the shares, no inheritance tax will be payable in respect of the value of the shares, provided certain conditions are met. The main condition is that the investor held the shares for two years before the date of transfer or death.

### 14.3 *Stamp Duty and Stamp Duty Reserve Tax*

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

Stamp duty and SDRT treatment will be as follows:

- in relation to the Placing Shares, no liability to stamp duty or SDRT will arise on their issue or on the issue of definitive share certificates by the Company (provided that the Placing Shares are not issued to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services or issuing depository receipts);
- the transfer of Ordinary Shares outside the CREST system will generally be liable to stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration given (rounded up to the nearest multiple of £5). Stamp duty is normally the liability of the purchaser or transferee of the Ordinary Shares. An agreement to transfer Ordinary Shares will generally be subject to SDRT at 0.5 per cent. of the agreed consideration. If, however, within the period of six years of the date of the agreement or, in the case of a conditional agreement, the date on which it becomes unconditional, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be repaid or cancelled. SDRT is normally the liability of the purchaser or transferee of the Ordinary Shares;
- no stamp duty or SDRT will arise on a transfer of Ordinary Shares into CREST for conversion into uncertified form, unless such transfer is made for a consideration in money or money's worth, in which case a liability to stamp duty or SDRT will arise, usually at the rate set out above;
- a transfer of Ordinary Shares effected on a paperless basis within CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT from the purchaser of the Ordinary Shares on relevant transactions settled within the system; and
- where Ordinary Shares are issued or transferred: (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services; or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts, stamp duty (in the case of a transfer only to such persons) or SDRT may be payable at a rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares or, in the case of an issue to such persons, the issue price of the Ordinary Shares.

Special rules apply to certain categories of person including intermediaries, market makers, brokers and dealers, and persons connected with depository arrangements and clearance services.

#### 14.4 *Dividends and Other Distributions*

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash paid. Shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit.

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

Trustees of discretionary trusts are liable to account for income tax at the rate applicable to trusts on the trust's income and are required to account for tax at the Schedule F trust rate, currently 32.5 per cent.

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

#### 14.5 *General*

These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of financial trade.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.

### 15. **General**

15.1 The accounting reference date of the Company is 31 December.

15.2 The total costs and expenses payable by the Enlarged Group in cash in connection with the Proposals (including professional fees, commissions, the costs of printing and distribution and fees payable to the registrars) are estimated to amount to approximately £967,000 (including VAT). The total costs and expenses payable by the Company in shares in connection with the Proposals amounts to £273,000, settled by the issue of 4,795,658 Ordinary Shares.

15.3 The Vendors have agreed to pay to Hichens a fee of 2.5 per cent. of the consideration received for Mitra. This fee is to be paid by the re-allocation of Ordinary Shares from the Vendors to Hichens, out of the Ordinary Shares received by the Vendors as their consideration for the sale of Mitra to the Company. In addition, the Vendors have agreed to assume certain debts of Mitra owing to Hichens relating to professional services previously provided to Mitra by Hichens. These fees are to be paid by the re-allocation of Ordinary Shares from the Vendors to Hichens, out of the Ordinary Shares received by the Vendors as their consideration for the sale of Mitra to the Company. The total number of Ordinary Shares to be transferred to Hichens under the arrangements described in this paragraph is 7,242,451 Ordinary Shares.

15.4 Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:

15.4.1 received, directly or indirectly, from the Company within 12 months preceding the date of this document; or

15.4.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

(a) fees totalling £10,000 or more; or

(b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

(c) any other benefit with a value of £10,000 or more at the date of Admission.

15.5 On admission to AIM in June 2005, the Company's auditors were Chapman Davis LLP, a member of the Institute of Chartered Accountants of England & Wales, of 2 Chapel Court, London, SE1 1HH. Chapman Davis LLP resigned as auditors to the Company on 23 December 2005. Ernst & Young LLP, a member of the Institute of Chartered Accountants of England & Wales, of 1 More London Place London SE1 2AF, were appointed as auditors to the Company on 9 January 2006.

15.6 Ernst & Young LLP have given and not withdrawn their written consent to the inclusion of their report and references to their name in the form and context in which it appears.

15.7 Smith & Williamson and Hichens have each given and not withdrawn their written consent to the issue of this document with the inclusion of their name and references to their names in the form and context in which they appear.

- 15.8 Senergy Limited have given and not withdrawn their written consent to the issue of this document with the inclusion of their report and references to their name in the form and context in which it appears and accept responsibility for their report in accordance with the AIM Rules. As far as Senergy are aware there has been no material change in the interests they reported on since the date of their report.
- 15.9 Save for the impact of the Acquisition and the Placing as disclosed in the proforma statement in Part VI of this document, there has been no material or significant change in the financial or trading position of the Company or any member of the Enlarged Group since the last published audited accounts of the companies within the Enlarged Group.
- 15.10 Save as set out in this document, the Directors are not aware of any exceptional factors that have influenced the Enlarged Group's activities.
- 15.11 The Placing has not been underwritten or guaranteed by any person.
- 15.12 Save as disclosed in this document, there are no patents or other intellectual property rights, licenses or particular contracts which are, or may be, of fundamental importance to the business of any member of the Enlarged Group.
- 15.13 Save as disclosed in this document, there are no investments in progress which are significant.
- 15.14 The Ordinary Shares will be in registered form and may be held in uncertificated form in CREST. In the case of Ordinary Shares held in uncertificated form, Share Registrars Limited will be in charge of keeping the records. CREST accounts are expected to be credited with entitlements to Ordinary Shares to be held in uncertificated form as soon as practicable after Admission. For those Vendors who elect to receive Ordinary Shares to be issued pursuant to the Acquisition in certificated form, definitive share certificates are expected to be dispatched to such persons by post at their own risk within seven days of Admission. Temporary documents of title will not be issued in connection with the Acquisition.
- 15.15 Save for the acquisition of Mitra pursuant to the Acquisition Agreement, there has been no public takeover bid for the whole or any part of the share capital of any member of the Enlarged Group prior to the date of this document. There are no mandatory takeover bids and/or squeeze out and sell out rules in relation to the Ordinary Shares.
- 15.16 There are no arrangements contemplated involving any member of the Concert Party where the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Company.
- 15.17 Save as disclosed in paragraph 15.3 above, there is no agreement, arrangement or understanding that exists for the transfer of any Ordinary Shares held by any member of the Concert Party following Acquisition to any other person.
- 15.18 Save as disclosed in this document, there is no agreement, arrangement or understanding (including any compensation arrangement) that exists between any member of the Concert Party or any other person acting in concert with it and any of the Existing Directors, recent Director, the Proposed Directors, recent Shareholders or Shareholders which has any connection with or dependence on the Acquisition.
- 15.19 No company in the Enlarged Group has declared or paid a dividend since incorporation.
- 15.20 The Directors have no current intention to dispose of the interests valued in the Competent Person's Report in Part III of this document. However, should they do so, they believe that the tax liability will not be significant.

## **16. Availability of this document**

Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Smith & Williamson, 25 Moorgate, London EC2R 6AY, for a period of not less than one month from the date of Admission.

## **17. Documents available for inspection**

Copies of the following documents will be available for inspection at the offices of Ronaldsons at 55 Gower Street, London, WC1E 6HQ during normal business hours on any day (Saturdays, Sundays and public holidays excepted) until the date of Admission:

- (a) the memorandum and articles of association of Sound Oil;
- (b) the audited financial statements of Sound Oil for the period ended 31 December 2005;
- (c) the shortform accountants' report on Mitra for the period ended 31 December 2005;
- (d) the Competent Person's report set out in Part III of this document;
- (e) the material contracts referred to in paragraph 10 above;
- (f) the service and other contracts referred to in paragraphs 5.6 above;

- (g) the written consents referred to in paragraph 15 above;
- (h) the irrevocable commitments referred to paragraph 5.2 above; and
- (i) this document.

24 June 2006

# Sound Oil plc (the “Company”)

(Registered in England and Wales No. 5344804)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 10.30 a.m. on 12 July 2006 at the offices of Smith & Williamson Corporate Finance Limited, 25 Moorgate, London EC2R 6AY for the purposes of considering and, if thought fit, passing the resolutions set out below, which will be proposed as ordinary resolutions of the Company. Resolutions 1 and 2 are conditions of the Acquisition and the Placing (as defined in the circular to shareholders comprising an admission document dated 24 June 2006 (“Admission Document”), which in each case will only proceed if both those resolutions are passed.

### ORDINARY RESOLUTIONS

1. THAT subject to and conditional upon the passing of resolution 2 below the acquisition by the Company of the entire issued share capital of Mitra Energia Limited on the terms summarised in a circular to Shareholders dated 24 June 2006, comprising an AIM admission document (“Admission Document”) accompanying this notice of meeting, be approved in accordance with Rule 14 of the AIM Rules.
2. THAT subject to and conditional upon the passing of resolution 1 above the waiver granted by the Panel on Takeovers and Mergers of the obligation that would otherwise arise on the members of the Concert Party (as defined in the Admission Document) to make a general offer to the Shareholders of the Company under Rule 9 of the City Code on Takeovers and Mergers as a result of the issue to them of Ordinary Shares pursuant to the terms of the Acquisition Agreement (equivalent to 30.24 per cent. of the Enlarged Share Capital as defined in the Admission Document) be and is hereby approved.

*Registered Office:*  
55 Gower Street  
London  
WC1E 6HQ

*By Order of the Board*  
Stephen Ronaldson

#### *Notes:*

Resolution 2 will be decided on a poll by independent shareholders of the Company, as required by the Panel on Takeovers and Mergers.

A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

As permitted by Regulation 41 of the CREST Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company’s share register at 10.30 a.m. on 10 July 2006 in order to be entitled to attend and vote at the Extraordinary General Meeting. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.

A form of proxy is enclosed with this notice for use in connection with the business set out above. To be valid, forms of proxy and any power of attorney or other authority under which it is signed must be lodged with Share Registrars Limited, Craven House, West Street, Farnham, Surrey GU9 7EN by not later than 48 hours prior to the time fixed for the meeting.

Completion and return of a form of proxy does not preclude a member from attending and voting at the Meeting or at any adjournment thereof in person.

In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy but the vote of the first named on the register of members will be accepted to the exclusion of the other joint holders.

Terms referred to in this Notice have the meaning given to them in the Admission Document.

