

Quadrise Fuels International plc

Legal Disclaimer

I/We understand that:

1. This admission document is disclosed for the purposes of and in accordance with Rule 26 of the AIM Rules of the London Stock Exchange. It is the most recent admission document of Zareba PLC (subsequently renamed Quadrise Fuels International plc) and is dated 23 March 2006;
2. This admission document was published some time ago and reflected the position at the time of publication. The information contained in it is therefore out of date. No reliance should be placed on the information or opinions contained in this admission document or on its completeness. No undertaking, representation, warranty or other assurance, express or implied, is made or given by or on behalf of Quadrise Fuels International plc or any of its directors, officers, partners, employees, agents or advisers or any other person as to the accuracy or completeness of the information or opinions contained in this document and no responsibility or liability is accepted by any of them for any such information or opinions.
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By downloading this enclosed file, I/We acknowledge that I/We have read, understood and agreed to the above conditions.

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, or the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document is an admission document in relation to AIM. It has been drawn up in accordance with the AIM Rules. This document does not constitute a prospectus for the purposes of the Prospectus Regulations 2005 and a copy of it has not been, and will not be, examined or approved by the Financial Services Authority.

If you have sold or transferred all of your 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 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 such admission to AIM will become effective and that dealings in the Shares or (as the case may be) New Shares will commence on 19 April 2006. It is emphasised that no application has been made or is being made for the admission of the Shares or New Shares to the Official List of the UK Listing Authority or to trading on the London Stock Exchange's market for listed securities. The Shares are not dealt in on any regulated market and no application has been or is intended to be made for the Shares or New Shares to be admitted to trading on any such market.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document.

The whole text of this document should be read and in particular your attention is drawn to the section entitled "Risk factors" in Part III of this document.

Zareba PLC

(Incorporated in England & Wales under the Companies Act 1985 with Registered No. 5267512)

Proposed acquisition of Quadrise International Limited

Proposed waiver of Rule 9 of the City Code on Takeovers and Mergers

Proposed Placing and Re-admission to trading on AIM

Proposed change of name to Quadrise Fuels International plc and Consolidation of Shares

Nominated adviser and joint broker

Smith & Williamson Corporate Finance Limited

Joint broker

Hichens, Harrison & Co. plc

Smith & Williamson Corporate Finance Limited ("Smith & Williamson"), which is authorised and regulated in the United Kingdom by the Financial Services Authority, is the Company's nominated adviser and joint broker for the purposes of the AIM Rules. Its responsibilities as the Company's nominated adviser under the AIM Rules 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 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 for the accuracy of any information or opinions contained in this document or for any omission of any material information for which it is not responsible. Smith & Williamson is acting for the Company and no one else and will not be responsible to any other person for providing the protections afforded to customers of Smith & Williamson nor for providing advice in relation to the contents of this document or any matter referred to herein.

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

This document does not constitute an offer to sell, or the solicitation of an offer to buy any shares of the Company in any jurisdiction in which such offer or solicitation is unlawful. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any such distribution could result in a violation of the law of such jurisdictions. Neither the Shares nor the New Shares have been, and nor will they be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States, Canada, Australia or Japan. Accordingly, subject to certain exceptions, neither the Shares nor the New Shares may, directly or indirectly, be offered or sold within the United States, Canada, Australia or Japan or to or for the account or benefit of any US person or person resident in Canada, Australia or Japan.

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 3 p.m. on 18 April 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 or proxy will not preclude a member from attending the meeting and voting in person.

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PLACING AND ACQUISITION STATISTICS

	<i>Pre-Consolidation</i>	<i>Post-Consolidation</i>
Number of Shares in issue before the Acquisition and Placing	203,300,000	20,330,000
Number of Consideration Shares to be issued pursuant to the Acquisition	3,758,271,417	375,827,136
Number of Initial Placing Shares and Placing Shares to be issued	647,697,213	64,769,721
Consideration Shares as a percentage of Enlarged Share Capital	81.50%	81.50%
Initial Placing Shares and Placing Shares as a percentage of Enlarged Share Capital	14.05%	14.05%
Number of Shares or, following Consolidation, number of New Shares (before adjusting for fractions) in issue on Admission	4,611,268,630	461,126,863
Market capitalisation of the Company at the Placing Price on Admission		£92.2 million
AIM Symbol		QFI
ISIN number		GB00B0661N17
ISIN number following Consolidation		GB00B11DDB67

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of publication of Admission Document	23 March 2006
Trading resumes in Existing Shares	23 March 2006
Last time and date for receipt of Forms of Proxy for the Extraordinary General Meeting	3.00 p.m. on 16 April 2006
Extraordinary General Meeting	3.00 p.m. on 18 April 2006
Completion of the Acquisition	8.00 a.m. on 19 April 2006
Admission effective and dealings in Enlarged Share Capital commence	19 April 2006
Despatch of definitive share certificates (where applicable) for Consideration Shares, Initial Placing Shares and Placing Shares, and New Shares to Existing Shareholders	3 May 2006

SHARE CAPITAL ON ADMISSION

<i>Authorised shares</i>			<i>Issued and fully paid shares</i>		
	<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
<i>Shares</i>			<i>Shares</i>		
	<i>New Shares</i>			<i>New Shares</i>	
10,000,000,000	1,000,000,000	£10,000,000	4,611,268,630	461,126,811	£4,611,269

DIRECTORS, SECRETARY AND ADVISERS

Existing Directors until Admission

Brian Michael Moritz (*Executive Chairman*)

John Woolgar (*Executive*)

James Everett Burgess (*Executive*)

All of:

Third Floor
55 Gower Street
London WC1E 6HQ

Proposed Directors following Admission

Ian Roderick James Williams (*Executive Chairman*)

George William (Bill) Howe (*Chief Executive Officer*)

Anthony (Tony) Peter Kallis (*Commercial Director*)

Hemant Maneklal Thanawala (*Finance Director*)

Laurence (Laurie) Ian Mutch (*Non-executive*)

Anthony (Tony) Carmel Lowrie (*Non-executive*)

All of:

Parnell House
25 Wilton Road
London SW1V 1YD

Company Secretary

Audrey Clarke FCIS

Registered office until Admission

Third Floor
55 Gower Street
London WC1E 6HQ

Registered office following Admission

Parnell House
25 Wilton Road
London SW1V 1YD

Nominated adviser and joint broker

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

Joint broker

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

Reporting accountants and auditors

MRI Moores Rowland LLP
3 Sheldon Square
Paddington
London W2 6PS

Registrars

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

Solicitors to the Company

Bircham Dyson Bell
50 Broadway
London SW1H 0BL

Solicitors to Quadrise

Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA

Solicitors to the Nominated Adviser

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

DEFINITIONS

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

“Acquisition”	the proposed acquisition of Quadrise from the Vendors by the Company
“Acquisition Agreement”	the agreement dated 22 March 2006 between Zareba and the Vendors, details of which are given in paragraph 11.1(a) of Part VIII of this document
“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules
“Admission Document”	this document
“AIM”	the AIM market operated by London Stock Exchange
“AIM Rules”	the AIM Rules for companies, published by the London Stock Exchange
“Akzo Nobel”	Akzo Nobel Surface Chemistry AB
“Alliance Agreement”	the alliance agreement between Akzo Nobel and Masfield Energy dated 20 December 2004 and assigned to Quadrise on 2 December 2005, details of which are set out in paragraph 11.2.1(b) of Part VIII of this document
“Annual General Meeting” or “AGM”	the annual general meeting of the Company convened for 4.00 p.m. on 18 April 2006 or any adjournment thereof, a notice of which is set out on page 143 of this document
“Board” or “Existing Directors”	the existing directors of the Company, whose names are set out on page 4 of this document
“C\$”	Canadian Dollars
“CANMET”	the CANMET Energy Technology Centre – Ottawa, a research arm of Natural Resources Canada, a Canadian federal government department
“City Code”	the City Code on Takeovers and Mergers
“ColtKBR”	a joint venture between Colt Engineering Corporation and KBR (Kellogg Brown and Root), the engineering and construction division of Halliburton Company of Houston, Texas
“Company” or “Zareba”	Zareba plc, a company incorporated under the laws of England and Wales, with Registered No. 5267512
“Concert Party”	those Vendors assumed to be acting in concert whose names are set out in paragraph 9 of Part VIII of this document
“Consideration Shares”	the 3,758,271,417 Shares or, following Consolidation, the 375,827,136 New Shares to be allotted to the Vendors on completion of the Acquisition
“Consolidation”	the consolidation of the Shares into New Shares on the basis of 10 Shares for each New Share to be effected by ordinary resolution of the Company at the EGM
“CREST”	the computerised system for trading securities in uncertificated form in the UK operated by CRESTCo Limited
“Directors”	the Existing Directors and the Proposed Directors

“Enlarged Group”	the Company and its subsidiary undertakings as enlarged by the Acquisition
“Enlarged Share Capital”	the issued share capital of the Company at Admission comprising the Existing Shares, the Consideration Shares, the Initial Placing Shares and the Placing Shares
“Existing Shares”	the existing 203,300,000 Shares in issue as at the date of this document
“Existing Shareholders”	holders of Existing Shares
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company convened for 3.00 p.m. on 18 April 2006, or any adjournment thereof, a notice of which is set out on pages 141 and 142 of this document
“Forms of Proxy”	the form of proxy accompanying this document to be used by Shareholders in respect of the EGM and the AGM, as appropriate
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000
“Group”	the Company and its subsidiaries from time to time
“Hichens”	Hichens, Harrison & Co. plc
“Initial Placing”	the conditional placing of the Initial Placing Shares
“Initial Placing Price”	1.75p per Share or, on Consolidation, 17.5p per New Share
“Initial Placing Shares”	14,285,713 Shares or, on Consolidation, 1,428,571 New Shares to be issued pursuant to the Initial Placing
“London Stock Exchange”	London Stock Exchange plc
“Masfield AG”	Masfield AG, a company incorporated under the laws of Switzerland with Registered No. CH-170.3.012.268-7
“Masfield Energy”	Masfield Energy Holdings AG, a company incorporated under the laws of Switzerland with Registered No. CH-170.3.027.287-6
“Masfield Energy Directors”	the directors of Masfield Energy namely James Laurence Daley, Philippe Jaceard and Peter Biberstein, all of Baarerstrasse 69, CH6300 Zug, Switzerland
“Masfield Group”	Masfield Energy and its subsidiaries
“Minority Shareholders”	certain minority shareholders who, together, own or are entitled to approximately 27.5 per cent. of the issued share capital of Quadrise
“N\$”	Namibian Dollars
“NEC Option A”	a preformatted turnkey engineering and construction contract developed under the auspices of the Institution of Civil Engineers and widely adopted for capital projects
“New Board” or “Proposed Directors”	the proposed directors of the Company following Admission whose names are set out on page 4 of this document
“New Shares”	ordinary shares of 1p each in the capital of the Company following the Consolidation
“Notice of EGM”	notice of the EGM which is set out on pages 141 and 142 of this document

“OECD”	Organisation for Economic Co-operation and Development
“Official List”	the Official List of the UK Listing Authority
“Panel”	the Panel on Takeovers and Mergers
“Placee”	a person who has conditionally agreed to subscribe for Placing Shares under the Placing
“Placing”	the conditional placing of the Placing Shares at the Placing Price on the terms set out in the Placing Agreement
“Placing Agreement”	the agreement dated 22 March 2006, between Zareba, Hichens and Smith & Williamson relating to the Placing described in paragraph 11.1(d) of Part VIII of this document
“Placing Price”	2p per Share or, on Consolidation, 20p per New Share
“Placing Shares”	633,411,500 Shares or, following Consolidation, 63,341,150 New Shares, to be issued pursuant to the Placing
“Preliminary Merger Agreement”	the agreement dated 18 November 2005 between the Company and Masfield Energy pursuant to which the Company conditionally agreed to acquire the issued share capital of Quadrise
“Proposals”	the Acquisition, Placing, Waiver and Admission
“Quadrise”	Quadrise International Limited, a company incorporated under the laws of England and Wales, with Registered No. 02507321
“Quadrise Canada”	Quadrise Canada Fuels Systems Inc, a company incorporated under the laws of Canada, with Registered No. 2010469373
“Quadrise Directors”	Hemant Thanawala, Ian Williams, Tony Kallis and Bill Howe
“Quadrise Group”	Quadrise and its subsidiaries, affiliates and associated companies including Quadrise Canada
“Quadrise Power Systems AG”	Quadrise Power Systems AG, a company incorporated under the laws of Switzerland, with Registered No. CH-170.3.026.181-7
“Quadrise Shares”	ordinary shares of 1p each in the capital of Quadrise
“Quadrise US”	Quadrise Fuels US LP, a proposed limited partnership, to be established in Delaware, USA
“Resolutions”	the resolutions set out in the Notice of EGM
“Shareholders”	holders of Shares or, following Consolidation, New Shares
“Shares”	ordinary shares of 0.1p each in the capital of the Company
“Smith & Williamson”	Smith & Williamson Corporate Finance Limited
“UK Listing Authority”	the FSA, in its capacity as the competent authority for the purposes of the admission of securities to the Official List
“United States”	the United States of America (including any state of the United States of America and the District of Columbia), its possessions and territories, and all other areas subject to its jurisdiction
“US person”	a US person as defined in Regulation S under the United States Securities Act of 1933 (as amended)
“Vendors”	Masfield Energy, the holder of approximately 72.5 per cent. of the issued share capital of Quadrise, together with the Minority Shareholders
“Waiver”	the waiver by the Panel of the obligation of the Concert Party to make a general offer under Rule 9 of the City Code

GLOSSARY

The following technical terms are used in this document:

bpd	barrels per day
burn trial	an event where fuel is burnt in a test or full boiler environment as part of a trial
cracked fuel oil	the residue portion derived from the catalytic or thermal cracking process of a fuel
MSAR®	a registered trademark belonging to Quadrise Limited which stands for Multi-phase Superfine Atomised Residue, and is the trade name applied to liquid fuel, produced using the process proprietary to Akzo Nobel, consisting of very fine oil droplets dispersed in a water carrier
Orimulsion®	a registered trademark belonging to Bitúmenes Orinoco, S.A., a wholly owned subsidiary of Petróleos de Venezuela, S.A.. It is the name applied to an emulsified liquid fossil fuel produced from natural bitumen which has been extensively utilised on a commercial scale by power utilities and in the industrial sector.
Pre-atomised fuel	a fuel in which the oil droplets in the oil in water emulsion are of such small diameter that the oil content of the fuel is effectively in an atomised condition prior to reaching the burner in the combustion process
SAGD	Steam Assisted Gravity Drainage, a technology for separating and producing oil and/or bitumen from oil/tar sands and heavy oil deposits using steam.

EXECUTIVE SUMMARY

The Company announced today that it has conditionally agreed to acquire the whole of the issued share capital of Quadrise. The consideration under the Acquisition values Quadrise at £45 million and will be satisfied by the allotment of the Consideration Shares.

Masefield Energy formed Quadrise to hold its worldwide downstream (oil processing and marketing) assets and interests. Quadrise holds a portfolio of managed, affiliate and associate interests all of which are engaged in development business activities associated with the manufacture and marketing of Quadrise MSAR[®] fuels. The MSAR[®] fuels manufacturing process uses proprietary Akzo Nobel residue emulsification technology. Quadrise has certain rights to promote and develop projects for the commercial application of the Akzo Nobel proprietary MSAR[®] technology in all countries other than Canada, the United States, Mexico, Japan and China. It is intended that Quadrise will participate in these markets through business associations with joint venture partners and through shareholdings in Quadrise Canada and Quadrise US.

MSAR[®] fuel is a liquid fuel consisting of very fine oil particles dispersed in a water carrier. Heavy oil feedstock is processed into a water based emulsion fuel with oil particles of typically three to five micron size which is, effectively, a pre-atomised fuel. This enhances concepts previously used in emulsified fuels such as Orimulsion[®] as smaller sized, consistent oil particles maximise carbon burnout, improving thermal efficiency and reducing emissions.

On Admission, Messrs Moritz, Woolgar, and Burgess have agreed to resign as directors of the Company. The New Board will comprise:

Ian Williams – Executive Chairman

Bill Howe – President and Chief Executive

Tony Kallis – Commercial Director

Hemant Thanawala – Finance Director

Laurie Mutch – Non-executive Director

Tony Lowrie – Non-executive Director

The Existing Directors believe that the acquisition of Quadrise should substantially enhance shareholder value and will be in the interest of both companies and their shareholders. Through the Acquisition, the Company will obtain:

- certain rights to promote and develop projects for the commercial application of the Akzo Nobel proprietary MSAR[®] oil process technology through its own agreements and through its interests in Quadrise Canada, Quadrise US, Quadrise Power Systems AG and Quadrise Limited. It will also have direct and indirect rights to royalties from Quadrise Canada;
- Quadrise's management team and contracted consultants, comprised of a team of commercial and technical experts who are experienced in the oil and energy business. The proposed executive directors of the Company, Ian Williams, Bill Howe, Tony Kallis and Hemant Thanawala, have extensive experience in the energy and oil industries. The contracted specialist consultants are experts in the energy, oil and power generation sectors and in the specialised field of emulsion fuels processing, marketing and combustion; and
- access to opportunities through the established relationships in the energy and oil industries and markets world wide of Masefield Energy, as well as availability of specialist services from Masefield Group affiliates, on arms' length market terms, covering oil procurement and operations, price and freight risk management, transaction financing and other trading related activities.

Following completion of the Proposals, the Proposed Directors intend that the strategic focus of the Company will be to develop projects for the production and sale of Quadrise MSAR[®] fuels to power station operators and others through the establishment of viable manufacturing locations and supply chains for major markets. The intention is that future revenue for the Company will be underpinned through the negotiation of long term supply contracts and joint ventures with key power utilities and

steam generating industries and that the business will be supported by the creation by the Group of a recognised specialist central resource base.

OECD data shows global oil use in power generation to be equivalent to over 400 million tonnes of MSAR® per annum. This represents a substantial business opportunity for the conversion of thermal power plants to MSAR®.

The Company is proposing to raise approximately £12.9 million (before expenses) through the Initial Placing and the Placing. Of the net proceeds, approximately £4.6 million will fund the remainder of the cash element of the cost of the acquisition of Quadrise Limited by Quadrise, while the balance will provide working capital to support the growth and development of the Enlarged Group.

Following completion of the Acquisition, the members of the Concert Party will hold 3,665,341,012 Shares or, following Consolidation, 366,534,097 New Shares representing 79.49 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 City Code that would otherwise arise on completion of the Acquisition, subject to the approval of Existing Shareholders at the Extraordinary General Meeting voting on a poll. Accordingly, Resolution 2 is being proposed at the Extraordinary General Meeting and to be passed, it will require the approval of a simple majority of votes cast on the poll.

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 Shares or, following Consolidation, the New Shares will commence on the first dealing day following that on which the Resolutions proposed pursuant to the Acquisition are passed at the Extraordinary General Meeting of the Company. All Shares or New Shares, including the Consideration Shares, may be held in either certificated or uncertificated form (i.e. in CREST).

Immediately prior to Admission, the Company is proposing to consolidate the Shares into New Shares on the basis of 10 Shares for each New Share. A resolution to that effect is to be proposed at the EGM. Fractional entitlements as a result of the consolidation will not be issued and will be aggregated and (so far as is practicable) sold in the market for the benefit of the Company.

As the transaction is a reverse takeover of the Company under the AIM Rules, the Acquisition requires approval of Shareholders at the Extraordinary General Meeting. Notice of the Extraordinary General Meeting is set out at the end of this document.

The Existing Directors, who have been so advised by Smith & Williamson, believe that the Proposals are fair and reasonable and in the best interests of your Company and its Shareholders as a whole. Accordingly, the Existing Board recommends that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting as the Existing Directors and their connected persons have irrevocably undertaken to do in respect of their own beneficial holdings amounting in aggregate to 25,800,000 Shares representing approximately 12.69 per cent. of the Existing Shares.

Potential investors should consider carefully the risk factors set out in Part III of this document, together with all the other information set out in this document and their own circumstances, before deciding to invest in the Company.

PART I

LETTER FROM THE CHAIRMAN OF ZAREBA

ZAREBA PLC

(Incorporated in England & Wales under the Companies Act 1985 with Registered No. 5267512)

Directors:

Brian Moritz (*Executive Chairman*)
John Woolgar (*Executive*)
James Burgess (*Executive*)

Registered Office:

Third Floor
55 Gower Street
London WC1E 6HQ

23 March 2006

To holders of Existing Shares

Dear Shareholder

Proposed acquisition of Quadrise International Limited
Proposed waiver of Rule 9 of the City Code
Proposed Placing and Re-admission to trading on AIM
Proposed change of name to Quadrise Fuels International plc
Consolidation of Shares

Introduction

On 9 December 2005, Zareba announced that it had entered into a Preliminary Merger Agreement with Masfield Energy to acquire all of the issued share capital of Quadrise. The Preliminary Merger Agreement provided that any acquisition by the Company of Quadrise would be conditional, *inter alia*, on satisfactory due diligence being undertaken on Quadrise and that the consideration for the Acquisition would be satisfied entirely by the issue of new ordinary shares in the Company to the shareholders of Quadrise, with completion of the Acquisition being conditional on Admission of the Company's Enlarged Share Capital to trading on AIM. As the Acquisition will constitute a reverse takeover under the AIM Rules, trading in the Shares was suspended pending publication of an AIM admission document in respect of the proposed Enlarged Group and is expected to resume today.

Having completed its due diligence, the Company announced today that it has entered into a formal agreement to acquire the whole of the issued share capital of Quadrise. The consideration under the Acquisition values Quadrise at £45 million and will be satisfied by the allotment of the Consideration Shares.

The Company is proposing to raise £12.9 million (before expenses) through the Placing. Of the net proceeds of the Placing, approximately £4.6 million will fund the remainder of the cost of the acquisition of Quadrise Limited by Quadrise, while the balance will provide working capital to support the growth and development of the Enlarged Group.

It was agreed in the Preliminary Merger Agreement that the Company would, as a pre-condition of the Acquisition, ensure that it had net cash of £1.5 million available at the time when the Acquisition completed. As announced on 9 December 2005, the Company obtained a commitment from James Burgess, one of the Existing Directors, to underwrite the subscription of Shares at 1.75p per Share up to a maximum amount of £250,000 to ensure that the Company could meet this requirement. This subscription is now being made by way of the Initial Placing in which the Initial Placing Shares are to be placed with James Burgess and one sub-underwriter introduced by him, to raise the £250,000. The Initial Placing is conditional upon Admission.

The Consideration Shares and the aggregate of the Initial Placing Shares and the Placing Shares will represent approximately 81.50 per cent. and 14.05 per cent. of the Enlarged Share Capital, respectively.

As the transaction is a reverse takeover of the Company under the AIM Rules, the Acquisition requires approval of Existing Shareholders at the Extraordinary General Meeting and it is also conditional on the passing of certain other resolutions. Notice of the Extraordinary General Meeting which sets out the resolutions can be found on pages 142 and 143 of this document.

Following the passing of the Resolutions at the EGM and completion of the Acquisition, the Concert Party will have an aggregate holding of 3,665,341,012 Shares or, on Consolidation, 366,534,097 New Shares, representing 79.49 per cent. of the Enlarged Share Capital. As the Concert Party will be interested in more than 30 per cent. of the Enlarged Share Capital, in normal circumstances a general offer to Existing Shareholders would be required under Rule 9 of the City Code to acquire all the Shares or New Shares not held by the Concert Party. However, the Panel has agreed to waive the requirement for such a general offer to be made subject to the approval of the holders of Existing Shares being obtained. Accordingly, Existing Shareholders' consent will be sought at the EGM to approve the reverse takeover and the waiver of the requirement for a general offer to be made (as described further below).

If Resolutions 1 to 5 are duly passed at the EGM, the Company's existing quotation on AIM will be cancelled and the Company will apply immediately for the Enlarged Share Capital to be admitted to trading on AIM.

The purpose of this document is to provide you with information on the Proposals and to explain why the Board considers the Proposals to be in the best interests of the Company and the Existing Shareholders as a whole and why they recommend that Existing Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

Background to and reasons for the Acquisition

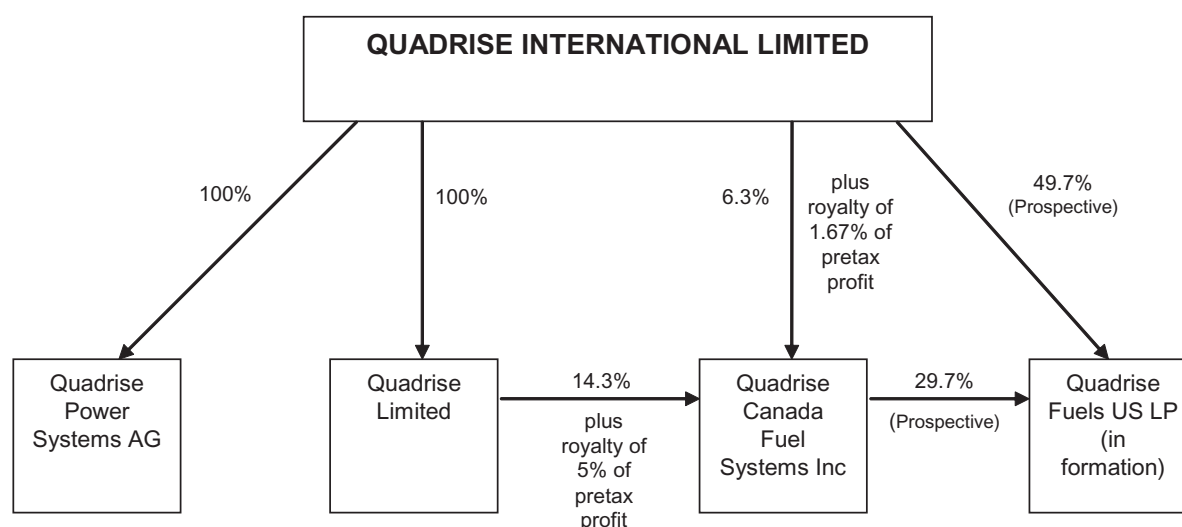
The Company has been considering a number of investments in order to meet the criteria of the London Stock Exchange for investing companies to make an acquisition or acquisitions which constitute a reverse takeover. The Company subsequently entered into discussions with Masfield Energy, with a view to acquiring Quadrise in a reverse transaction.

The Directors believe that the acquisition of Quadrise should substantially enhance shareholder value and will be in the interests of both companies and their shareholders. Through the Acquisition the Company will obtain:

- certain rights to promote and develop projects for the commercial application of the Akzo Nobel proprietary MSAR[®] oil process technology secured by Quadrise under the Alliance Agreement;
- a 20.6 per cent. equity interest in Quadrise Canada which, subject to meeting certain performance targets, has the exclusive rights to use the MSAR[®] technology for hot water, steam and power production in Canada. Quadrise has, in addition, the right to a royalty of 1.67 per cent. (directly) and 5 per cent. (indirectly through its holding in Quadrise Limited) of the net pre-tax profit of Quadrise Canada;
- a potential 49.7 per cent. interest in Quadrise US, a business in formation, which, pursuant to a memorandum of understanding between Quadrise America Inc. (a wholly owned subsidiary of Quadrise Canada), RJL Holdings LP and Quadrise, is intended to have certain rights to the manufacture and marketing of MSAR[®] fuels for the thermal power generation market in the United States and Mexico. Quadrise Canada (through Quadrise America Inc.) has a potential 29.7 per cent. interest in Quadrise US, hence the combined effective interest in Quadrise US is expected to be 55.9 per cent. before any dilution associated with local financing;
- a 100 per cent. interest in Quadrise Limited which is the registered owner of the MSAR[®] trademark and a patent relating to the combustion of oil in water emulsion fuels in turbines, and which also has a 14.3 per cent. interest in and rights to a royalty of 5 per cent. of the net pre tax profit of Quadrise Canada;

- a 100 per cent. interest in Quadrise Power Systems AG, a Swiss registered company, which it is intended will be responsible for the development of the MSAR® fuels business in major markets outside North America through business associations with joint venture partners or direct contracts with fuel user clients, as appropriate;
- Quadrise's management team and contracted consultants which gives the Company access to an in-house team of commercial and technical experts who are experienced in the oil and energy business. The proposed executive directors are Ian Williams, Bill Howe, Tony Kallis and Hemant Thanawala, who have extensive experience in the energy and oil industries. The contracted specialist consultants are experts in the energy, oil and power generation sectors and in the specialised field of emulsion fuels processing, marketing and combustion; and
- access to opportunities through the established relationships in the energy and oil industries and markets world wide of Masfield Energy, as well as availability of specialist services from group affiliates, on arms' length market terms, covering oil procurement and operations, price and freight risk management, transaction financing and other trading related activities.

The diagram below illustrates the Quadrise Group structure at the time of the Acquisition.



Information on Quadrise

As outlined above, Quadrise, a subsidiary of Masfield Energy, holds a portfolio of managed, affiliate and associate interests all of which are engaged in developing business activities associated with the manufacture and marketing of Quadrise MSAR® fuels. The MSAR® fuels manufacturing process uses proprietary Akzo Nobel oil emulsification technology for which Quadrise has certain rights to promote and market pursuant to the Alliance Agreement.

MSAR® is a liquid fuel consisting of very fine oil particles dispersed in a water carrier effectively producing a pre-atomised fuel. This enhances concepts previously used in emulsified fuels, enabling superior carbon burnout, improving thermal efficiency and reducing emissions.

Further information on Quadrise and MSAR® fuel is set out in Part II of this document.

Information on Zareba

The Company was first admitted to AIM on 14 February 2005 with the stated intention to make investments in the mining and minerals sector. Its first investment was announced on 8 June 2005, and was in a company developing a diamond mine in northern Namibia. Initial investments of N\$1,000,000 (approximately £85,000) were made with an agreement to subscribe up to a further N\$1,000,000 on similar terms, as required. Following receipt of a disappointing competent person's report the Company has agreed to write off its initial investments and has been released from any obligation to invest further.

In preparation for the Acquisition, the Company has also written off a small investment in a copper mining venture in Cuba and has transferred to Brian Moritz and James Burgess, at cost, an investment made by the Company in a chromite mining venture in South Africa.

This leaves the Company with no investments other than cash and no commitments to invest other than in connection with the Proposals.

Intentions regarding the Company

Following completion of the Proposals, the Proposed Directors intend that the strategic focus of the Company will be to develop projects for the production and sale of Quadrise MSAR[®] fuels to power station operators and others through the establishment of viable manufacturing locations and supply chains for major markets. The intention is that future revenue for the Company will be underpinned through the negotiation of long term supply contracts and joint ventures with key power utilities and steam generating industries and that the business will be supported by the creation by the Group of a recognised specialist central resource base.

Save for the Existing Directors, Zareba does not have any employees. Details of the proposals regarding the Existing Directors, following the Acquisition, are provided in paragraph 6(b) of Part VIII of this document.

The Acquisition

Under the terms of the Acquisition, Zareba is to acquire all the issued Quadrise Shares for £45,000,000 to be satisfied by the allotment and issue of the Consideration Shares at an issue price of approximately 1.2p per Share (12p per New Share on Consolidation).

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

- (i) the passing of Resolutions 1, 2, 3, 4 and 5 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 Acquisition will not complete if these conditions have not been satisfied by 30 April 2006 or such later date as Zareba and Masefield Energy may decide.

The Quadrise Shares will be acquired free from all liens, charges, equitable interests, encumbrances and third party rights and together with all rights now or hereafter attaching thereto, including the right to all dividends and other distributions, if any, hereafter declared, made or paid.

Inducement Fee Arrangements

Under the terms of the Preliminary Merger Agreement, the Company agreed to pay Masefield Energy a fee to meet part of the costs of Masefield Energy's advisers in the event that the Acquisition does not complete, as an inducement to Masefield Energy to undertake the transaction. The fee amounts to £24,800 (inclusive of Value Added Tax if any), being the equivalent of one per cent. of the market value of the Company prior to the announcement of the Proposals. The fee was agreed to be payable to Masefield Energy if the Proposals did not proceed as a result of: (1) the Company having made a material misrepresentation concerning itself or its business affairs; or (2) the due diligence carried out by Masefield Energy disclosing a material adverse matter which was not remedied (if capable of remedy) to the reasonable satisfaction of Masefield Energy. The Acquisition Agreement provides that Zareba will pay this fee in the event that Masefield is entitled to rescind the Acquisition Agreement. Similar provisions under which Masefield Energy may become liable to contribute up to £75,000 to Zareba's costs were contained in the Preliminary Merger Agreement and the Acquisition Agreement.

The Initial Placing and the Placing

The Company proposes to raise approximately £11.9 million (net of expenses) through the Initial Placing and 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. Pursuant to the Initial Placing, James Burgess and a sub-underwriter introduced by him have agreed to subscribe £250,000. Further details of the Initial Placing are set out in paragraph 14(a) of Part VIII of this document.

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. The Placing Agreement is conditional, *inter alia*, upon the passing of Resolutions 1 to 5 at the EGM, the completion (subject only to Admission) of the Acquisition and the Admission of the Placing Shares no later than 27 April 2006 (or such later date, being not later than 30 April 2006, as the Company, Hichens and Smith & Williamson may, prior to such date, agree).

Further particulars of the Placing Agreement are set out in paragraph 11.1(d) of Part VIII of this document.

Your attention is drawn to Part III of this document headed "Risk Factors", where information on risk factors associated with making an investment in the Company is set out.

Use of Funds

An amount of approximately £4.6 million of the net proceeds of the Placing will be used to fund the cash consideration for the acquisition of Quadrise Limited by Quadrise. The balance of the net proceeds of the Placing will provide funding for working capital to support the growth and development of the Enlarged Group.

Details of the Consideration Shares, Initial Placing Shares and Placing Shares

The Consideration Shares will be issued credited as fully paid and will, in aggregate, represent approximately 81.50 per cent. of the Enlarged Share Capital.

The Initial Placing Shares and Placing Shares will be issued credited as fully paid and, in aggregate, will represent approximately 14.05 per cent. of the Enlarged Share Capital.

Following the Consolidation, the Consideration Shares, Initial Placing Shares and Placing Shares will rank *pari passu* with the Existing Shares in all respects, including the right to receive all dividends or other distributions declared, made or paid after the date of this document.

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, the Initial Placing and the Placing, is set out in Part VI of this document.

The City Code

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

The City Code has not, and does not seek to have, the force of law. It has, however, been acknowledged by government and other regulatory authorities that those who seek to take advantage of the facilities of the securities markets in the United Kingdom should conduct themselves in matters relating to takeovers in accordance with best business standards and so according to the City Code.

The City Code is issued and administered by the Panel. The City Code applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a listed or unlisted public company resident in the United Kingdom. The Company is such a company and its shareholders are entitled to the protection afforded by the City Code.

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

Similarly, when any person or persons acting in concert already hold more than 30 per cent. but not more than 50 per cent. of the voting rights of such a company, a general offer will normally be required if any further shares are acquired.

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

For the purposes of the City Code, a concert party arises where persons acting in concert pursuant to an agreement or understanding (whether formal or informal) actively co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate control of that company. Control means a single holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings 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 are shareholders in Quadrise. Information on the members of the Concert Party is set out in paragraph 9 of Part VIII of this document.

Following completion of the Acquisition, the members of the Concert Party will hold 3,665,341,012 Shares or, following Consolidation, 366,534,097 New Shares representing 79.49 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 City Code that would otherwise arise on completion of the Acquisition, subject to the approval of the Existing Shareholders at the Extraordinary General Meeting voting on a poll. Accordingly, Resolution 2 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 be aware that, following completion of the Acquisition, the members of the Concert Party will between them hold over 50 per cent. of the Enlarged Share Capital, and (for so long as they continue to be treated as acting in concert) may accordingly be able to increase their aggregate shareholding without incurring an obligation under Rule 9 of the City Code to make a general offer to all Shareholders to acquire their Shares or, following Consolidation, New Shares, although individual members of the Concert Party with the exception of Masfield Energy will not be able to increase their percentage holdings through a Rule 9 threshold without Panel consent. Shareholders should note that as Masfield Energy will hold 59.09 per cent. of the Enlarged Share Capital it may be able to increase its shareholding without incurring an obligation under Rule 9 of the City Code to make a general offer to all Shareholders.

New Board

On Admission, Messrs Woolgar, and Burgess and I have agreed to resign as directors of the Company. We will receive compensation for loss of office, details of which are provided in paragraph 6(b) of Part VIII of this document. The New Board will comprise:

Ian Williams, Executive Chairman, aged 59

Ian Williams joined Masfield in 1999 with responsibility for the development and management of business ventures. In this capacity, he led the strategy to secure the portfolio of assets and related business interests that culminated in the formation of Masfield Energy. Prior to joining Masfield, Mr Williams spent over 27 years with the Royal Dutch Shell Group in various capacities including as Managing Director and Deputy Chairman of Shell South Africa, Vice President (Downstream) of Shell Philippines and most recently as Head of Strategy & Consulting (Downstream) at Shell International Petroleum Company in London. He has also been actively involved in related industry and business associations.

Bill Howe, President and Chief Executive Officer, aged 59

Bill Howe began his career as a process design engineer in the water engineering and oil refining industries prior to joining Foster Wheeler in South Africa in 1975 as Business Development Manager. During his time at Foster Wheeler, Mr Howe held a number of senior executive positions in South Africa as well as the UK, the last one being on the main board of Foster Wheeler Energy Ltd, responsible for international sales and marketing. He subsequently joined Bateman Project Holdings Limited in 1999 as executive director responsible for the company's oil, gas, energy and water engineering businesses. Since 2004, Mr Howe has operated as an independent consultant on technical and commercial issues related to the oil, gas, power, and process plants industries. Mr Howe has a BSc Hons in Chemical Engineering from Birmingham University.

Tony Kallis, Commercial Director, aged 57

Tony Kallis is a qualified chemical engineer with over 30 years experience in the oil and energy field. He has spent 30 years with the Royal Dutch/Shell Group during which time he progressed from refining technology and optimisation activities, to supply and distribution functions and finally to marketing and senior general management. Tony has held various senior management and board positions within Shell Group companies including that of chairman of several subsidiary and joint venture boards in Southern Africa.

From 1997 to 1999 Tony was based in The Hague and worked as a Global Leadership Consultant within the Shell group, leading substantial programmes in South East Asia, South America and Europe. His most recent role at Shell included responsibility for all commercial business in Southern Africa as well as membership of several global teams responsible for formulating policy and strategy for specialised downstream oil business sectors.

Since leaving Shell in 2002, he has operated as an independent consultant to the oil and energy industries and has worked with Masfield on Quadris business matters in that capacity.

Hemant Thanawala, Finance Director, aged 48

Hemant Thanawala is a Chartered Accountant with over 27 years' professional and commercial experience. He joined Masfield in 2001 having previously served for three years as Chief Financial Officer of Premier Teleports Group which was involved in the entertainment sector in parts of Eastern Europe and the former Soviet Union. In this position, he played a key role in two private placings and the listing of the group on the Vienna Stock Exchange. Prior to that, Mr Thanawala served as the finance director of Rostel Group, a multi-national manufacturer and distributor of blue-chip branded consumer products for eight years. Before joining Rostel Group, Mr Thanawala was involved in professional practice in the UK, qualifying with KMG Thomson McLintock (now KPMG).

Laurie Mutch, Non-executive Director, aged 58

Laurie Mutch is a management consultant providing advice on governance, strategic planning, business development and change management to multi-national organisations. He has 25 years' experience in the energy industry with the Royal Dutch/Shell Group where he sat on the Board of Shell International Gas & Power, as Executive Director for business development in the Eastern Hemisphere, leading the commercial appraisal and development of all Shell's gas and power projects in the Middle East, South Asia, China, Philippines and the Russian Far East. From 1994 to 1996, he was the Finance Director in Shell International Gas, and Principal Executive to the International Energy Agency's Coal Industry Advisory Board (CIAB), a forum of coal industry leaders and a main source of advice for coal policy matters to the International Energy Agency in Paris.

Prior roles include senior management positions in Shell's Coal and Chemical Divisions. During his last two years of service he was Group Chief Information Officer and on the Microsoft and Dell Enterprise Advisory Boards.

Mr Mutch holds a BSc in Mathematics & Physics and an MSc in Astrophysics.

Tony Lowrie, Non-executive Director, aged 63

Tony Lowrie is currently a managing director in ABN AMRO Bank, based in London. Mr Lowrie was chairman of ABN AMRO Asia Securities Limited, having originally been a partner of Hoare Govett Limited, which he joined in 1972. He has been involved in Asian business for over 38 years, during which time he has resided in a number of Asian countries. He has been a non-executive director of several quoted Asian closed end funds. He is a non-executive director of The Thai-Euro Fund and The

Edinburgh Dragon Fund. He has also been a non-executive director of Dragon Oil plc and for 18 years a main board director of JD Wetherspoon plc, both of which are admitted to the Official List.

Details of the Proposed Directors' terms of appointment are set out in paragraph 6(a) of Part VIII of this document.

Key personnel and consultants

Ian Hole, Vice-President Marketing and Logistics

Ian Hole has worked in the energy industry for over 25 years including more than 10 years in the field of emulsified fuels and has an MA in economics from Cambridge University. Mr Hole held a number of roles within the British Petroleum group and worked on the establishment of its joint venture with Petroleos De Venezuela SA to market Orimulsion®. He then worked for the joint venture and subsequently transferred to Petroleos De Venezuela SA with responsibility for commercial development. He left Petroleos De Venezuela SA in 2000 to join former British Petroleum colleagues as a director of Quadrise Limited and transferred to Masefield in March 2005 specifically to develop the Quadrise initiative. Mr. Hole is to be employed by the Company from Admission and details of his service agreement are given in paragraph 11.1(h) of Part VIII of this document.

Dr Simon Craige, Vice-President Technical Services

Simon Craige holds a BSc in Applied Chemistry and a PhD in Bitumen Technology. He has expert specialised knowledge of emulsion science combined with commercial application experience and a substantial understanding of power generation technology and related engineering. Dr Craige was part of the British Petroleum Research Centre team involved in the development of the specialised technology supporting the Orimulsion® venture with Petroleos De Venezuela SA in the late 1980s. He then transferred to the joint venture where he worked extensively in Europe in the co-ordination of major commercial developments associated with the conversion of thermal power stations to oil emulsion fuels. He joined Masefield mid 2005, following a three-year term as managing director of a Danish oil re-refining company, DOG A/S. Dr Craige is to be employed by the Company from Admission and details of his service agreement are given in paragraph 11.1(i) of Part VIII of this document.

Dr Ian Duckels, Consultant

Ian Duckels has over 30 years' experience in the oil, chemicals and mining industries, having worked for both Shell and the British Petroleum group, including his involvement in the establishment of British Petroleum's Nerefco refinery in Rotterdam as first Chairman of the management board. He has a BSc in Chemistry, a PhD in Chemical Physics, a BSc in Mathematics & Astrophysics and is an associate of the Chartered Institute of Management Accountants. Dr Duckels is retained as a consultant by Quadrise under the agreement referred to in paragraph 11.2.1(e) of Part VIII of this document.

Dr Alan Stockwell, Consultant

Alan Stockwell joined Peter Dodd at Quadrise Limited in 1993. Prior to that, he worked for the British Petroleum Research & Development for over 15 years, leading the emulsion technology team responsible for the development of Orimulsion®. Dr Stockwell also served as a key member of the team that developed Transoil, a product used for the transportation of Wolf Lake bitumen in emulsion form. He has played a key role in the development of MSAR® with Quadrise. Dr Stockwell has a BSc in Chemistry and a PhD in Physical Chemistry. Dr Stockwell is retained as a consultant by Quadrise under the agreement referred to in paragraph 11.2.1(f) of Part VIII of this document.

Paul Jennings, Consultant

Paul Jennings joined Masefield in 2000 with responsibility for exploration and production finance and business development. He has over 25 years experience in the oil and gas sector as an accountant, economist and commercial and business development director. Mr Jennings spent 17 years with the British Petroleum group, ultimately serving as Head Petroleum Economist for British Petroleum Exploration Limited. He subsequently spent seven years as an independent consultant advising a number of clients including the Russian and Chinese governments and he also served as Commercial

Director, Russia for Bitech Petroleum. Mr Jennings is to be retained as a consultant by the Company from Admission under the agreement referred to in paragraph 11.1(e) of Part VIII of this document.

Stephen Jenkins, Consultant

Stephen Jenkins joined Masfield in 2003, responsible for all upstream technical management. He is also the chief executive of Nautical Petroleum plc. Mr Jenkins has over 20 years' technical and management experience in exploration and production worldwide with a range of oil and gas companies. Prior to joining Masfield, he spent 11 years at Nimir Petroleum where he was responsible for the development and evaluation of acquisition strategy and all technical dimensions of the company's strategic planning. He has experience in a vast number of regions including North and South America, the Middle East, North Africa, Russia and other OECD countries. Mr Jenkins has an MSc in Petroleum Geology and DIC from Imperial College of Science and Technology University of London, a BSc Hons in Geology from Queens University Belfast and is a Fellow of the Geological Society of London. Mr Jenkins is to be retained as a consultant by the Company from Admission under a consultancy agreement, details of which are given in paragraph 11.1(g) of Part VIII of this document.

Peter Dodd, Consultant

Peter Dodd founded Quadrise Limited in the early 1990s. Prior to that, he spent over 25 years with the British Petroleum group in various senior executive roles in the chemicals, liquified petroleum gas and new energies divisions. He was deputy managing director of the British Petroleum joint venture company with Petroleos De Venezuela SA that developed and marketed Orimulsion® as a new power station fuel. Mr Dodd is retained as a consultant by Quadrise under the agreement referred to in paragraph 11.2.1(e) of Part VIII of this document.

It is anticipated that the Proposed Directors and certain other key personnel and consultants will participate in the management incentive arrangements described below.

Management incentive arrangements

The Proposed Directors believe that it is important that directors and key personnel are appropriately motivated and rewarded and accordingly the Company intends to introduce as soon as practicable following Admission, a share option scheme in which qualifying personnel and directors will be eligible to participate.

In addition, in recognition of their contributions to the development of the Quadrise Group, the Proposed Directors, certain members of the Concert Party and other key personnel and consultants have been granted options, conditional on Admission, over 165,000,000 Shares or, following Consolidation, 16,500,000 New Shares amounting to 3.61 per cent. of the Enlarged Share Capital. These options have an exercise price of 2p per Share (or, following Consolidation, 20p per New Share). Details regarding the number and terms upon which such options are granted are set out in paragraphs 3, 5 and 9 of Part VIII of this document.

It is proposed that, in aggregate, no more than 10 per cent. of the issued share capital of the Company from time to time should be available under any and all share option arrangements for directors and employees.

Corporate governance

The Existing Directors and the Proposed Directors recognise the importance of sound corporate governance and the Proposed Directors intend to comply with the QCA's Corporate Governance Guidelines for AIM Companies published in 2005. The Company will establish, with effect from Admission, audit, nominations and compensation committees with formally delegated duties and responsibilities. Laurie Mutch and Tony Lowrie will be members of each committee. The nominations committee will also include Ian Williams.

The board will meet regularly and be responsible for strategy, performance, approval of major capital projects and the framework of internal controls. The board will have a formal schedule of matters

specifically reserved to it for decision, including matters relating to management structure and appointments, strategic and policy considerations, transactions and finance. To enable the board to discharge its duties, all of the directors will receive timely information. Briefing papers will be distributed to all directors in advance of board meetings, all Proposed Directors will have access to the advice and services of the company secretary, who is responsible for ensuring that the board procedures are followed and that applicable rules and regulations are complied with. The articles of association of the Company, summarised in paragraph 4 of Part VIII of this document, provide that the Proposed Directors will subject themselves to re-election at the first opportunity after their appointment and one third of the board members will voluntarily submit themselves for re-election at each annual general meeting of the Company.

Audit, compensation and nominations committees

The audit committee will have primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. In addition, it will receive and review reports from the Company's management and auditors. The audit committee will meet not less than three times in each financial year and will have unrestricted access to the Company's auditors.

The compensation committee will, amongst other things, make recommendations to the board on matters relating to the remuneration of the Chief Executive and other executive directors. The compensation committee will also make recommendations to the board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time.

The nominations committee will have responsibility for leading the process of new board appointments and will make recommendations to the board.

Internal financial control

The New Board will be responsible for establishing and maintaining the Enlarged Group's system of internal financial control and places importance on maintaining a strong control environment. The key procedures which the Proposed Directors intend to establish with a view to providing effective internal financial control include the following:

- the Company will institute a monthly management reporting process to enable the Proposed Directors to monitor the performance of the Enlarged Group;
- the New Board will adopt and review a comprehensive annual budget for the Enlarged Group. Monthly results will be examined against the budget and deviations will be closely monitored by the New Board;
- the New Board will be responsible for maintaining and identifying major business risks faced by the Enlarged Group and for determining the appropriate courses of action to manage those risks; and
- fully consolidated management information will be prepared on a regular basis, at least quarterly.

The Proposed Directors recognise, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss. The effectiveness of the system of internal financial control operated by the Enlarged Group will therefore be subject to continuing review by the Proposed Directors.

The New Board intends to comply with Rule 21 of the AIM Rules relating to directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Company's applicable employees. The Company has adopted a share dealing code for this purpose.

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 Shares or, following Consolidation, the New Shares will commence on the first dealing day following

that on which the Resolutions 1 to 5 relating to the Acquisition are passed at the Extraordinary General Meeting. All Shares or New 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 Shares or, following Consolidation, New Shares will be made eligible for settlement in CREST with effect from Admission.

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

Lock-ins and orderly market arrangements

All of the Vendors, Proposed Directors, related parties and applicable employees (each as defined in the AIM Rules) who will, on Admission, own Shares or, following Consolidation, New Shares have undertaken with the Company, Hichens and Smith & Williamson that they will not (subject to certain exceptions) dispose of any of their Shares or, following Consolidation, New Shares until the expiry of 12 months after the date of Admission and that, for a further period of 12 months thereafter, they will not sell or dispose of any of their Shares or New Shares except through the Company's broker(s) from time to time. These undertakings are in respect of a total of 3,936,271,417 Shares or, following Consolidation, 393,627,136 New Shares representing 85.36 per cent. of the Enlarged Share Capital.

In addition, certain Placees who are not Vendors, Proposed Directors, related parties or applicable employees, have agreed that they will not during the first twelve months following Admission sell or dispose of any Shares or New Shares except through the Company's broker from time to time.

Smith & Williamson has undertaken to the Company and Hichens that it will not (subject to certain exceptions) dispose of any of the Shares or, following Consolidation, New Shares which are to be issued to it in connection with the Proposals (as described in paragraph 11.1(d) of Part VIII of this document) until the expiry of twelve months from the date of such issue and that, for a further period of twelve months thereafter, it will not sell or dispose of any of the Shares or, following Consolidation, New Shares except following consultation with the Company (unless it is not broker to the Company at such time in which case any such sale or disposal will be through the Company's broker).

The provisions of the lock-in and orderly market arrangements will not apply in certain limited circumstances which include, *inter alia*:

- the acceptance of, or the entering of an irrevocable undertaking to accept, a general offer for the whole of the issued equity share capital of the Company in accordance with the City Code; or
- any transfer pursuant to a compromise or arrangement between the Company and its creditors; or
- any transfer for the purpose only of effecting the appointment of a trustee or new trustee of a family settlement for the benefit of members of the immediate family of a locked-in Shareholder; or
- any transfer by the personal representatives of a locked-in Shareholder in the event that he should die; or
- any transfer pursuant to a court order.

Relationship Agreement

Masefield Energy, which will hold 59.09 per cent. of the Enlarged Share Capital, has entered into a relationship agreement with Zareba in which it has undertaken to ensure that the Company and the Enlarged Group can operate independently of Masefield Energy and its associates so as to ensure that all transactions, relationships and agreements are on arms' length commercial terms. Further details of the Relationship Agreement are set out in paragraph 11.1(c) of Part VIII of this document.

Consolidation of Share Capital

In order to be more attractive to institutional investors, immediately prior to Admission the Company is proposing to consolidate the Shares into New Shares on the basis of 10 Shares for each New Share. A resolution to this effect is to be proposed at the EGM. Fractional entitlements as a result of the consolidation will not be issued and will be aggregated and (so far as is practicable) sold in the market for the benefit of the Company.

Reporting period

The Company's accounting reference date is 31 March.

Dividends

The Company intends to devote its cash resources to MSAR[®] fuel processing and supply projects in the short to medium term and it is not anticipated that the Company will pay a dividend in respect of the current financial period ending 31 March 2006 but, having regard to the earnings, cash flows, distributable reserves and the prospects of the Company, the Proposed Directors intend to adopt a progressive but prudent dividend policy in the future.

Annual General Meeting

The Company has not yet held an Annual General Meeting and needs to do so shortly in order to comply with the requirements of the Act. The opportunity is therefore being taken to hold the Company's first Annual General Meeting on 18 April 2006 after the EGM. You will find the notice convening the Annual General Meeting on page 143 of this document. There is less than the usual business to be dealt with at the Annual General Meeting as the Company's first accounting period ends on 31 March 2006 and there will be no audited accounts available to be laid before the meeting.

Extraordinary General Meeting

On pages 141 and 142 of this document, you will find a notice convening an Extraordinary General Meeting of the Company, which is to be held at 3.00 p.m. on 18 April 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;
- (2) to approve the Waiver;
- (3) to increase the Company's authorised share capital from £1,000,000 to £10,000,000;
- (4) to grant authority to the directors pursuant to section 80 of the Act to allot relevant securities (*inter alia* as consideration for the Acquisition);
- (5) to give power to the directors to allot certain relevant securities for cash free from pre-emption rights as if section 89 of the Act did not apply to such allotment;
- (6) to change the name of the Company to Quadrise Fuels International plc; and
- (7) to consolidate the Shares into New Shares.

Resolutions (1) to (4) and (7) will be proposed as ordinary resolutions while resolutions (5) and (6) will be proposed as special resolutions. As required by the Panel, Resolution (2) will be decided on a poll. Resolutions (1) to (5) are conditions of the Acquisition and the Placing, which in each case will only proceed if all those Resolutions are carried.

Taxation

Certain general information relating to United Kingdom taxation with regards to Admission is set out in paragraph 12 of Part VIII of this document. **If you are in any doubt as to your tax position, you should contact your 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 III of this document.

Action to be taken

You will find enclosed with this document two Forms of Proxy, for use in connection with the EGM and the Annual General Meeting. Whether or not you intend to be present at the EGM and/or the Annual General Meeting, you are asked to complete and return the two Forms of Proxy in accordance with the instructions printed on them 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 4.00 p.m. on 16 April 2006. Completion and return of the Forms of Proxy will not preclude you from attending and voting at the meetings 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 in the best interests of your Company and its Shareholders as a whole. In providing advice to the Existing Directors, Smith & Williamson has taken into account the Existing Directors' and Proposed Directors' commercial assessments.

Accordingly, the Existing Board unanimously recommends that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting as the Existing Directors and their connected persons have irrevocably undertaken to do in respect of their own beneficial holdings amounting in aggregate to 25,800,000 Shares representing approximately 12.69 per cent. of the Existing Shares.

Yours faithfully
Brian Moritz
Chairman

PART II

INFORMATION ON QUADRISE

Background

Quadrise is a subsidiary of Masefield Energy, a company formed in 2004 to hold the non-trading asset based business interests of Masefield AG.

The core business of Masefield AG is global trading of crude oil and refined oil products. Since inception in 1990, Masefield AG has expanded this business and established worldwide representation in major oil trading hubs with international activity serving a clientele which includes most of the recognised participants in the global crude oil, gas and refined products markets. Masefield AG undertakes physical oil trades with private and state sector oil producers, oil majors, independent traders, oil refiners, power generators and other consumers. Masefield AG has expert capability in risk management and the application of associated techniques in complex energy transactions involving, inter alia, the full range of derivative and forward market instruments. For the year ended 30 June 2005, Masefield AG had turnover of \$1,321,844,068, profit before tax of \$1,021,212 and net assets of \$23,734,863.

In 2004, Masefield Energy formed an upstream (exploration and production) oil company, Nautical Holdings Limited, focused on the development of discovered heavy oil reserves in the North Sea and Europe. In March 2005, Nautical Holdings Limited was acquired by Bullion Resources Plc, an AIM quoted company, in a reverse transaction. Bullion Resources Plc changed its name to Nautical Petroleum plc on completion of the reverse transaction.

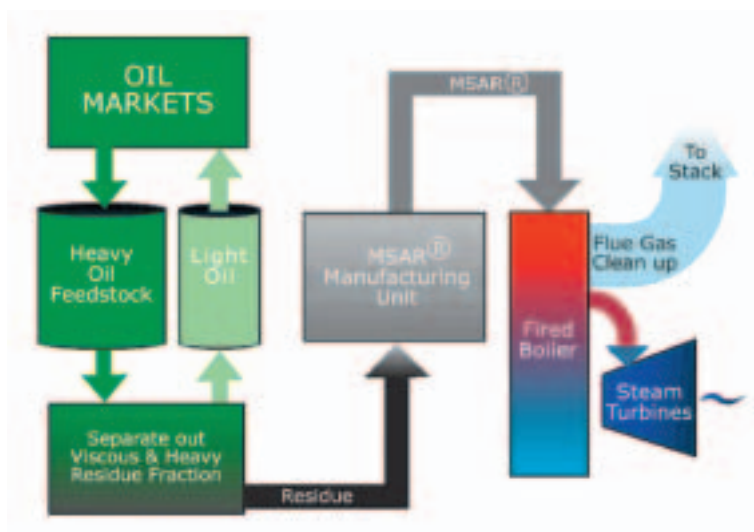
Masefield Energy also formed Quadrise to hold its worldwide downstream (oil processing and marketing) assets and interests. Quadrise holds a portfolio of managed, affiliate and associate interests all of which are engaged in developing business activities associated with the manufacture and marketing of Quadrise MSAR[®] fuels. The MSAR[®] fuels manufacturing process uses proprietary Akzo Nobel residue emulsification technology. Quadrise has certain rights to promote and develop projects for the commercial application of the Akzo Nobel proprietary MSAR[®] technology in all countries other than Canada, the United States, Mexico, Japan and China. These rights are held under the Alliance Agreement, details of which are set out in paragraph 11.2.1(b) of Part VIII of this document.

MSAR[®] Fuel Technology

MSAR[®] fuel is a liquid fuel consisting of very fine oil particles dispersed in a water carrier. Heavy oil feedstock is processed into a water based emulsion fuel with oil particles of typically three to five micron size which is, effectively, a pre-atomised fuel. This enhances concepts previously used in emulsified fuels such as Orimulsion[®] as smaller sized, consistent oil particles maximise carbon burnout, improving thermal efficiency and reducing emissions.

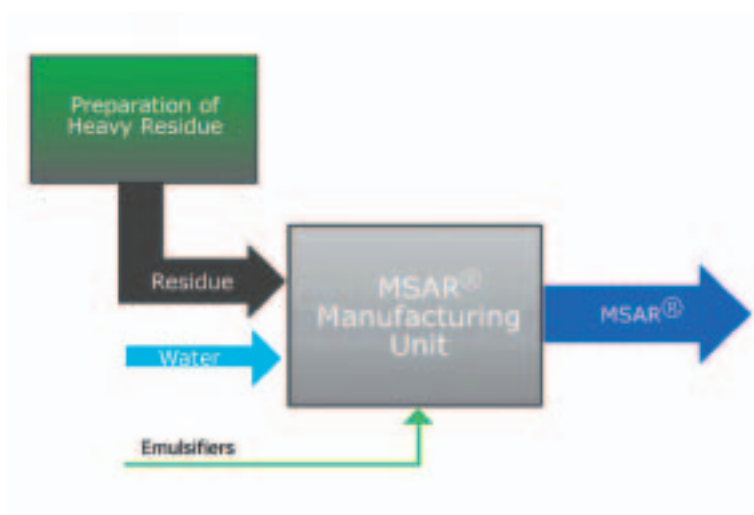
Figures 1 and 2 below show in diagrammatic form how the MSAR[®] fuel is produced. Heavy oil feedstock is separated into high value light oil (which can be sold back in the oil market) and low value residue. This residue is processed in the MSAR[®] manufacturing unit, together with water and chemical emulsifiers to produce MSAR[®] fuel, an “oil in water” emulsion fuel. The MSAR[®] fuel is capable of being used in various combustion applications.

FIGURE 1 – OIL PROCESSED TO MSAR® FUEL FOR COMBUSTION AND POWER GENERATION



Low value residues are separated out from heavy oil feedstock and the more valuable components suitable for blending into light petroleum products are sold back to market. The low value residues are processed to MSAR® fuel using the Akzo Nobel technology.

FIGURE 2 - MSAR® MANUFACTURING PROCESS SCHEMATIC



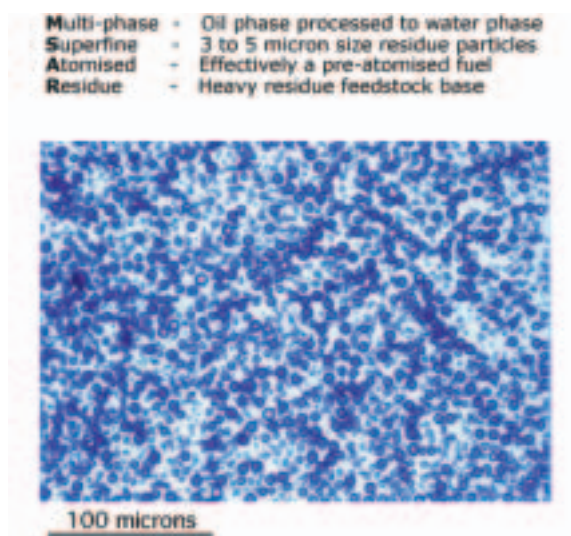
The process combines heavy oil residue with water and emulsifiers to produce the “oil in water” Quadrise MSAR® emulsion fuel.

The MSAR® fuel process substitutes water and emulsifiers for valuable lighter oil fractions which are normally added to dilute the distilled or cracked heavy residue component of fuel oils. These lighter oil fractions can command a higher value as blend components in conventional fuels such as diesel and kerosene. The process, therefore can produce a lower cost substitute for conventional heavy fuel oils. Similarly, the process can also add value to heavy crude oils which can be separated through simple distillation into residues for MSAR® feedstock and higher value light crude, using a distillation unit.

In the manufacture of MSAR® fuel, the heavy oil residue particles are typically milled to approximately 3 to 5 microns in size. Compared to ordinary atomised fuel oil droplets, an MSAR® droplet has a far greater surface area facilitating increased carbon burnout. The greater carbon burnout results in lower quantities of emissions.

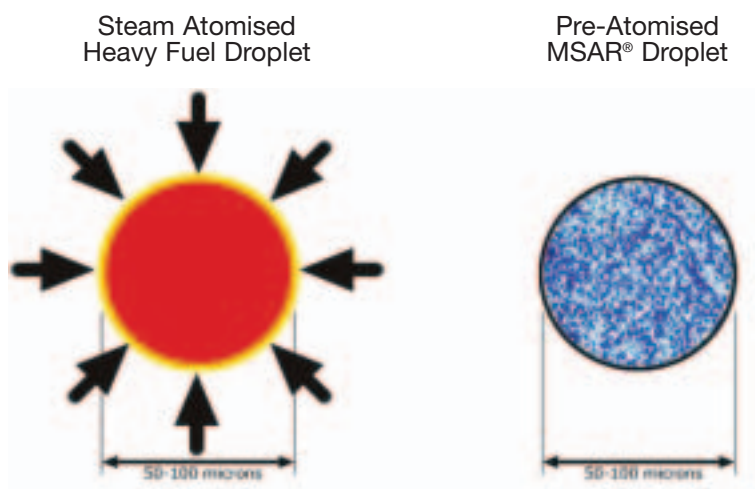
Figure 3 shows a micrograph of the MSAR[®] fuel illustrating the size of the MSAR[®] fuel particles while Figure 4 compares these particles with a conventional fuel oil droplet. The relative combustion performance is illustrated in Figure 5.

FIGURE 3 – MAGNIFIED REPRESENTATION OF MSAR[®] FUEL



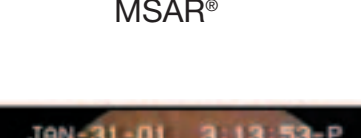
The Quadrise MSAR[®] fuel contains particles of heavy oil residue typically milled to 3 to 5 microns in size.

FIGURE 4 – COMPARATIVE CHARACTERISTICS – FUEL OIL AND MSAR[®]

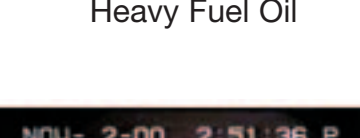


The atomised fuel oil droplet particles are comparatively large, have limited surface area, and leave significant quantities of unburned carbon in the particulate emissions formed during combustion. By contrast an MSAR[®] droplet contains multiple smaller oil particles which are produced during the emulsification process. This effectively creates a pre-atomised fuel with available surface area for combustion an order of magnitude greater than a conventionally atomised fuel oil.

MSAR®



Heavy Fuel Oil



Thermal Power Plant Fuels

The Quadris Directors believe that the cost reductions associated with using MSAR® fuels may, in certain circumstances, restore the viability and extend the economic life of “brown field” oil fired steam cycle power plants while also making it viable for power plant operators to invest in the plant required to meet new emissions standards.

MSAR® fuels are also suitable for use in diesel powered generators. Early trials with Rolls Royce produced very promising results and a fuel qualification programme, coordinated by Quadrise Canada, is currently underway with a leading manufacturer of diesel fuelled power generator plants. Diesel based power generation developments tend to have short lead times and modular capacity expansion. It is believed that a significant opportunity exists for re-fuelling existing installed capacity.

Quadrise Limited, a wholly owned subsidiary of Quadrise, owns a patent relating to the combustion of oil in water emulsion fuels in turbines. This requires further application development work before it will be ready for general market application. It is intended that this be undertaken by Quadrise in association with a major turbine manufacturer. The Quadrise Directors believe that the cost advantage of Quadrise MSAR[®] fuel, when compared with conventional turbine fuels, is likely to be considerable and potentially offers a further business opportunity with considerable profit potential.

The Quadrise vision is: “To be a profitable and growing business with representation in major world markets, acknowledged to be the leading supplier of oil emulsion fuels for steam and power generation by 2010”.

The strategic focus of Quadrise is to develop the market for MSAR® fuels through the establishment of viable process locations and supply chain operations for major markets, the negotiation of long term supply contracts and joint ventures with key power utilities, all supported by a recognised specialist inhouse resource base being developed by Quadrise.

Quadrise has certain rights to promote and develop projects for commercial application of the proprietary MSAR® process technology of Akzo Nobel in all countries except the United States, Canada, Mexico, China and Japan under the Alliance Agreement. Further details of the Alliance Agreement are set out in paragraph 11.2.1(b) of Part VIII of this document. It is intended that Quadrise will participate in the North American markets through its interests in Quadrise Canada and Quadrise US, further details of which are set out below.

Quadrise has an in-house team of commercial and technical experts who have significant experience in the oil and energy business including those individuals who first identified the MSAR® business opportunity. This team has built up the Quadrise portfolio of assets, rights, interests and prospects over several years. The Proposed Directors believe that there is opportunity for mutual benefit within the portfolio as there is considerable synergy in base business development and related commercial and technical support programmes.

Quadrise Limited

Quadrise Limited is a wholly owned subsidiary of Quadrise and is the registered owner of the MSAR® trademark and of a patent relating to the combustion of oil in water emulsion fuels in turbines.

Quadrise Power Systems AG

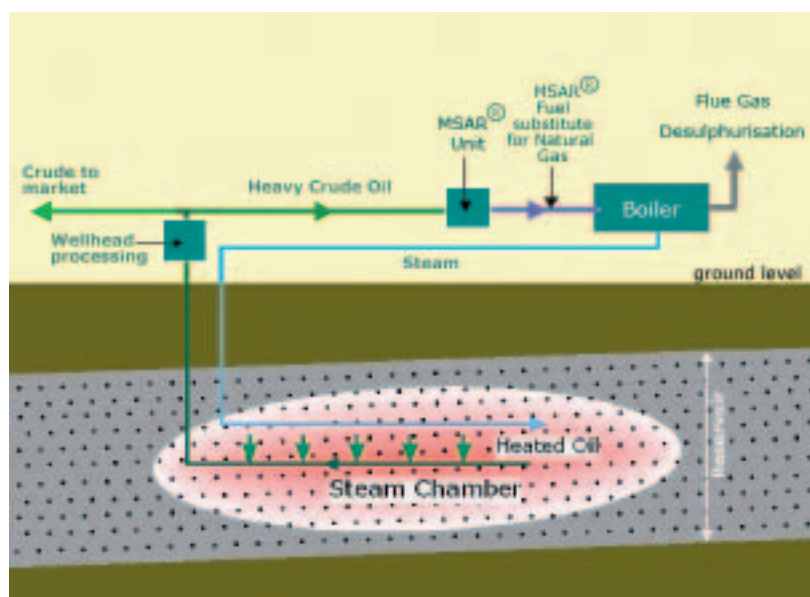
Quadrise Power Systems AG is a wholly owned subsidiary of Quadrise and it is intended that it will be responsible for the development of the MSAR® fuels business in markets outside North America through business associations with joint venture partners or direct contracts with fuel clients. In particular, it is intended that Quadrise will identify opportunities in developing economies and Quadrise Power Systems AG will exploit these opportunities in association with local partners and government agencies, where appropriate.

Quadrise Canada

Quadrise Canada, in which Quadrise and Quadrise Limited have a combined 20.6 per cent. equity interest, is a self managed associate company specialising in the application of the MSAR® fuels technology in the generation of steam and power used in SAGD heavy oil production in Alberta. The production systems involve horizontal wells and steam injection to heat the oil reservoirs. The MSAR® technology uses the produced heavy oil to produce a fuel for steam generation. The economics are considerably better than the current practice of using natural gas for boiler fuel; the MSAR® fuel approach materially impacts the economics of oil production and the viability of new field development. Present indications are that the MSAR® technology can improve the internal rate of return of a typical SAGD project by in excess of 20 per cent..

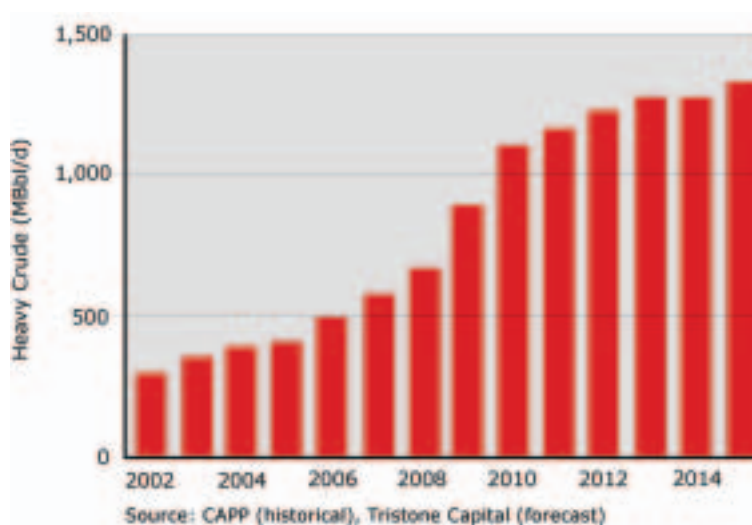
Figure 6 below shows how the MSAR® fuel can be used in SAGD oil production systems and Figure 7 shows the projected growth in SAGD oil production in Alberta to the year 2015.

FIGURE 6 – MSAR® APPLICATION IN SAGD OIL PRODUCTION SYSTEMS



MSAR® fuel is produced from the low value heavy oil and replaces high value natural gas for on-site steam and power generation – significantly reducing the cost of oil production.

FIGURE 7 – PROJECTED GROWTH OF SAGD OIL PRODUCTION IN ALBERTA



The projected development of SAGD projects and associated heavy oil production in Alberta represents a major potential growth market for Quadrise Canada MSAR® fuels.

Quadrise Canada has an agreement with Colt Technologies Inc. providing exclusive rights for North America for the emulsion manufacturing component of the patented Colt Technologies Inc. combustion process. Quadrise Canada intends to build a portfolio of related intellectual property patents in association with several leading industry partners including ColtKBR and Paramount Resources Limited.

With its exclusive rights to Akzo Nobel's MSAR® technology in Canada combined with the major growth market of SAGD oil operations, the Quadrise Directors believe that Quadrise Canada has considerable business potential. In December 2005, Quadrise Canada completed a C\$32 million financing and has advised shareholders and investors of its intention to provide liquidity, possibly through a listing on a recognised investment exchange by mid 2007. In addition to their combined

20.6 per cent. equity interest, Quadrise and Quadrise Limited between them also have the right to a combined royalty of 6.67 per cent. of the net (before tax) income of Quadrise Canada.

Quadrise US

Quadrise US is a business in formation which is intended to have certain rights to the manufacture and marketing of MSAR[®] fuels for supply to the thermal power generation market in the United States and Mexico. The formation of Quadrise US is the subject of a non-binding memorandum of understanding (“MOU”) entered into on 1 November 2005, further details of which are given in paragraph 11.2.1(c) of Part VIII of this document. Assuming that legally binding arrangements are concluded in line with the terms recorded in the MOU, Quadrise will have the right to a 49.7 per cent. interest in Quadrise US, Quadrise America Inc. (a wholly owned subsidiary of Quadrise Canada) will have 29.7 per cent. and a US based partner will have a 19.7 per cent. entitlement with the obligation to provide US\$1 million seed financing as well as to raise further funding as required. (Effectively Quadrise will hold a further 6 per cent. indirectly through its share of Quadrise Canada and thus it will potentially have a majority interest in the US business).

Marketing and Operations

The Quadrise Directors believe that it is possible to progress from a small scale single separator and processor configuration, which could be located on a single power plant site (illustrated in Figure 8 below), to a substantial process plant manufacturing operation supplying MSAR[®] fuels to several clients. The first strategic marketing priority is the establishment of process sites to be used as MSAR[®] production facilities and technology reference plants. These process sites will be limited in scale and used to supply MSAR[®] fuel to client’s power plants as a precursor to (or instead of) future supply from larger scale, more centralised manufacturing facilities. Figure 9 illustrates the supply chain for a larger manufacturing facility.

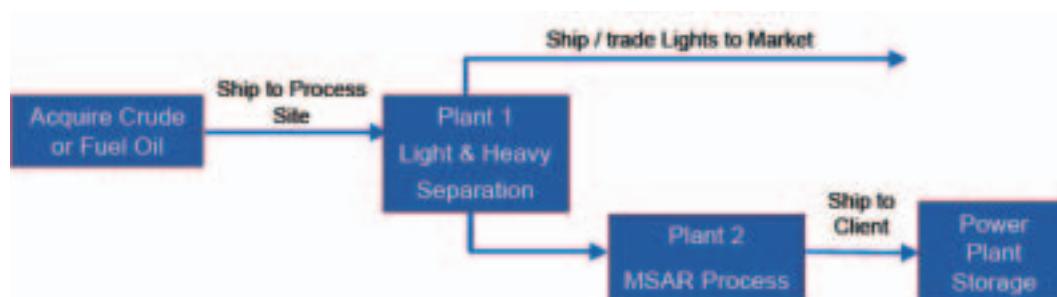
The marketing focus will be on oil fired thermal power stations with fuel cost and emissions compliance difficulties, as well as consumers of Orimulsion[®].

FIGURE 8 – POWER PLANT BASED MSAR[®] FUELLING SYSTEM



Schematic of a typical system configuration for MSAR[®] processing and ‘in line’ supply to suit a power generation plant.

FIGURE 9 – QUADRISE FUELS BUSINESS SUPPLY CHAIN SCHEMATIC



The supply systems involve specialised services such as oil procurement, freight, transaction financing and associated risk management, most of which will be outsourced.

A further early focus will involve the identification of suitable local business associates for prospective high potential markets (such as India) and creation of related joint ventures to accelerate business development.

In respect of the process sites, Quadrise will evaluate the potential of a number of location options taking into consideration feedstock and MSAR[®] product shipping costs, the extent of existing utility and tankage facilities, the availability of feedstock and MSAR[®] product transfer facilities, as well as the availability of local support for the operation and maintenance of the production plant. Local regulatory and environmental issues will also be considered.

The actual design and construction of the facilities are intended to be carried out substantially on a turnkey contract basis by SNC Lavalin UK Limited, who will provide an overall integrated design on a project by project basis and who will also manage the operation and maintenance of the production plants. Quadrise has entered into a frame agreement with SNC Lavalin UK Limited to take advantage of its expertise in the design and construction of hydrocarbon processing facilities. Further details of this contract are set out in paragraph 11.2.1(a) of Part VIII of this document.

To date, Quadrise has conducted successful burn trials at 3 power plants located in the UK and Europe. Discussions on the supply of MSAR[®] fuel to those and associated power plants are in hand, as are discussions on supply to a further power plant in South East Asia. Negotiations are also currently in progress to establish process sites in three European or Middle Eastern locations for central processing and onward distribution of MSAR[®] fuels to the power plant client base.

Quadrise Canada has completed an extensive programme of burn trials at the facilities of CANMET, testing samples for several bitumen emulsions which ignited and burned well in the research tunnel furnace. The results led to a pilot plant trial, completed in December 2005, on a Deer Creek oil field development site. Several major Canadian oil production companies supported the pilot project in order to assess the experience and findings.

Recent Trends and Prospects

The first emulsified fuel available to worldwide markets was Orimulsion[®] supplied using process technology developed by Petroleos de Venezuela in partnership with British Petroleum in Venezuela in the 1980s. Orimulsion[®] has been used worldwide as a fuel for thermal power generation with annual consumption typically exceeding 100,000 barrels per day. For the past decade consumption was effectively limited by Orimulsion[®] production capacity.

Quadrise MSAR[®] fuels offer several advantages over Orimulsion[®]. Orimulsion[®] is a single source product based on a single feedstock, Orinoco Bitumen. MSAR[®], by contrast, can be produced using feedstock from a variety of sources and with differing characteristics, specifications and quality. This allows flexible, multiple sourcing and the opportunity to manufacture locally on a client's site. In addition, the MSAR[®] process is able to achieve smaller average residue particle sizes and thereby assure

superior carbon burnout. These advantages are commercially significant given worldwide government pressure to reduce pollutant emissions, particularly from power plants.

OECD data shows global oil use in power generation to be equivalent to over 400 million tonnes of MSAR® per annum. This represents a substantial business opportunity for the conversion of thermal power plants to MSAR®. In addition, there have been uncertainties recently on the future availability of supplies of Orimulsion® which the Proposed Directors believe are due to arrangements between Chinese interests and Petroleos de Venezuela which are likely to result in those Chinese interests having a preferred call on the available fuel. These developments have already led to the reduction or termination of Orimulsion® fuels supplies to major users and result in significant potential for the manufacture and marketing of MSAR® fuels to supply former Orimulsion® clientele.

There is a worldwide trend towards the production of heavier crude oil and from an economic perspective, MSAR® provides a simple value-enhancement option for such crudes. Splitting these crude oils allows Quadrise to utilise the residue as low cost feedstock for its MSAR® fuel sales. Further, Quadrise can then sell the higher value light oil content into the refining market as a premium refining feed with very low residue content. This is particularly important with a worldwide trend towards heavier average produced crude barrels, and greater market demand for the lighter distillate barrels required for transportation fuels. This also tends to underpin the prospects for light to heavy oil value spreads which generally favour the MSAR® business.

The Proposed Directors believe that many developing economies would benefit from the recovery of light oils to contribute to their transportation fuel pools. This would either reduce the importation of finished light fuel products or provide an availability of high value fuels for export. Quadrise intends to identify and exploit these opportunities in association with local partners and government agencies, where appropriate.

A focus of technology development in the power generation field concerns emissions reduction and thermal efficiency. MSAR® fuels hold significant promise in both respects, not only from re-fuelling and supply of 'customised' low sulphur fuels, but also in co-firing or over-firing in coal fuelled plants for flame stabilisation and emissions mitigation. MSAR® achieves significantly lower carbon oxides and particulate emissions than coal and lower nitrogen oxide emissions than both coal and commercial fuel oils.

Research studies undertaken by Quadrise experts have also illustrated that MSAR® turbine fuels could, in future, provide an environmentally friendly basis for 're-powering' of both oil and coal fuelled brown-field power plants. The Quadrise Directors believe that MSAR® turbine fuels have the potential to improve efficiency and commercial returns while ensuring compliance with future emissions standards.

PART III

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.

Market risk

The marketability of MSAR[®] fuels will be affected by numerous factors beyond the control of the Enlarged Group. These factors include variability of price spreads between light and heavy oils, oil, gas and electricity prices both for prompt and future delivery, and the associated cost and availability of heavy oil and residue feedstocks, and realisations for light fractions traded out in the fuels markets.

Commercial risks

There is a risk the Enlarged Group will not achieve a commercial return due to major unanticipated change in a key variable or, more likely, the aggregate impact of changes to several variables which results in sustained depressed margins.

The competitive position could be affected by changes to government regulations concerning taxation, duties, specifications, importation and exportation of hydrocarbon fuels and environmental aspects. Freight costs contribute substantially to final cost of supplied products and a major change in the cost of bulk liquids freight markets could have an adverse effect on the economics of the fuels business.

Alliance Agreement

The Alliance Agreement from which Quadrise derives a substantial part of its rights to promote and develop projects for the commercial application of the MSAR[®] oil process technology of Akzo Nobel is capable of being terminated by either Quadrise or Akzo Nobel on 12 months' notice at any time after 20 December 2009.

While the Proposed Directors believe that it is likely to be in the commercial best interests of Akzo Nobel to allow the Alliance Agreement to continue after 20 December 2009, there can be no guarantee that this will occur.

In addition, under the Alliance Agreement, the terms of the licence granted by Akzo Nobel and the supply of the relevant system by Akzo Nobel are to be agreed on a case by case basis in relation to each project. Shareholders' attention is drawn to the summary of the Alliance Agreement detailed in paragraph 11.2.1(b) of Part VIII of this document.

Competition risks

There is a risk that new competition could emerge with similar technologies but sufficiently differentiated to challenge the Akzo Nobel patent protection for the MSAR® oil process technology. This could result, over time, in further price competition and a pressure on margins beyond that assumed in the Company's business planning.

Joint venture parties and contractors

The Proposed Directors are unable to predict the risk of financial failure or non compliance with respective obligations or default by a participant in any joint venture in which the Enlarged Group is, or may become a party; insolvency or other managerial failure by any of the contractors used by the Enlarged Group in its fuel processing and distribution activities; or insolvency or other managerial failure by any of the other service providers used by the Enlarged Group for any activity.

Dependence on key personnel

The Enlarged Group's business is dependent on retaining and obtaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of the Enlarged Group is, and will continue to be to a significant extent dependent on the expertise and experience of the Proposed Directors, management and consultants and the loss of one or more could have a materially adverse effect on the Enlarged Group.

Insurance risks

The Company plans to insure its operations in accordance with industry practice and plans to insure the risks it considers appropriate for the Enlarged Group's needs and for its circumstances. Insurance cover will not be available for every risk faced by the Enlarged Group.

Although the Enlarged Group believes that it or the operator of the relevant plant should carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances the Enlarged Group's or the operator's insurance may not cover or be adequate to cover the consequences of such events. In addition the Enlarged Group may be subject to liability for pollution, or other hazards against which the Enlarged Group or the outsourced service operator may elect not to insure because of high premium costs or other reasons. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Enlarged Group.

There is a risk that insurance premiums may increase to a level where the Enlarged Group considers it is unreasonable or not in its interests to maintain insurance cover or not to a level of coverage which is in accordance with industry practice. In addition, the Enlarged Group may, following a cost-benefit analysis, elect to not insure certain risks on the ground that the amount of premium payable for that risk is excessive when compared to the potential benefit to the Enlarged Group of the insurance cover.

Environmental risks

The Enlarged Group's operations are subject to the environmental risks inherent in the oil processing and distribution industry. The Enlarged Group will be subject to environmental laws and regulations in connection with all of its operations. Although the Enlarged Group intends to ensure 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.

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 or delay the Enlarged Group from undertaking its desired activities. The Enlarged Group is unable to predict definitively 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.

Currency risk

The Enlarged Group will report its financial results in Sterling, while many contracts in the oil and gas industry are principally denominated in United States dollars. Fluctuations in exchange rates between currencies in which the Enlarged Group operates may cause fluctuations in its financial results and may have an adverse effect on income and/or asset values.

No profit to date

The Enlarged Group has incurred aggregate losses since its inception and it is therefore not possible to evaluate its prospects based on past performance. Since the Enlarged Group intends to continue investing in the various projects it currently holds an interest in, the Proposed Directors anticipate making further losses for the financial period ending 31 March 2007. There can be no certainty that the Enlarged Group will achieve or sustain profitability or achieve or sustain positive cash flow from its activities.

Future funding requirements

The Enlarged Group may need to raise additional funding to undertake work beyond that capable of being funded by its existing cash resources. There is no certainty that this will be possible at all or on acceptable terms. Affiliates and associates, such as Quadrise Canada and/or other entities which are not majority controlled by the Enlarged Group, may decide to raise external funding and this may lead to a reduction in the Enlarged Group's interest in, and hence the level of control it exercises over such affiliates and associates.

Corporate and regulatory formalities

The conduct of petroleum processing and distribution require compliance by the Enlarged Group with numerous procedures and formalities in many different national jurisdictions. It may not in all cases be possible to comply with or obtain waivers of all such formalities and it may not therefore be possible to operate in certain jurisdictions.

Volatility of prices of oil and gas

The demand for, and price of, oil and gas is highly dependent on a variety of factors including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments. International oil prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. The Enlarged Group will be substantially reliant on the value spread between light and heavy oil products. It is also affected by inter-fuels competition and the relative prices of oil, coal and gas when used as steam raising and power generation fuels. Fluctuations in oil and gas prices and, in particular, a material change to relative prices may have a material adverse effect on the Enlarged Group's business and financial condition.

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

The Enlarged Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Enlarged Group will operate and conduct its principal activities.

Share price volatility and trading basis

The Shares are not listed on the Official List and although the Shares or, following Consolidation, New Shares are to be traded on AIM, this should not be taken as implying that there will be a liquid market in the Shares or, following Consolidation, New Shares. A return on investment in the Shares or, following Consolidation, New Shares may, therefore, in certain circumstances be difficult to realise. The price at which the Shares or, following consolidation, New Shares may trade and the price which Shareholders may realise for their Shares or, following Consolidation, New Shares will be influenced by a large number of factors, some specific to the Company 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 Shares or, following Consolidation, New Shares, liquidity (or absence of liquidity) in the Shares or, following Consolidation, New Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. The value of the Shares or, following Consolidation, New 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.

Investment risk

Shareholders should be aware that the value of an investment in the Enlarged Group may go down as well as up. In addition, there can be no certainty that the market value of an investment in the Enlarged Group will fully reflect the underlying value of the Enlarged Group.

Taxation

Any change in the Enlarged Group's tax status or the tax applicable to holding Shares or, following Consolidation, New Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Enlarged Group, affect 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 current UK tax law and practice which is subject to change.

PART IV
FINANCIAL INFORMATION ON ZAREBA



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The Directors
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EC2R 6AY

The Directors
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Bell Court House
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EC2M 1LB

22 March 2006

Dear Sirs

We report on the financial information set out below which has been prepared for inclusion in the AIM Admission Document dated 23 March 2006 (the 'Document') of Zareba plc (the 'Company') on the basis of the Company's accounting policies. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors (as defined in the Document) are responsible for preparing the financial information on the Company as described in the 'Basis of Preparation' set out below and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the 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 financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial information gives for the purposes of the Document a true and fair view of the state of affairs of the Company as at the date stated and of its loss and cash flows for the period then ended in accordance with the basis of preparation set out below and in accordance with applicable International Financial Reporting Standards.

Declaration

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the 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 Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

MRI Moores Rowland LLP
Chartered Accountants

INCOME STATEMENT

The income statement of the Company for the period ended 31 December 2005 is set out below:

	<i>Notes</i>	<i>2005 £'000</i>
General and administrative expenses		(117)
Write off of investment		(85)
Operating loss		<u>(202)</u>
Interest receivable		40
Loss from continuing operations before income tax	2	(162)
Income tax (credit)/expense	3	<u>—</u>
Loss from continuing operations		<u><u>(162)</u></u>
Net loss per share:		
Basic and diluted		(0.08)p
Shares used in net loss per share calculation:		
Basic and diluted		203,300,000

BALANCE SHEET

The balance sheet of the Company as at 31 December 2005 is set out below:

	<i>Notes</i>	<i>£'000</i>
<i>Assets</i>		
<i>Current assets</i>		
Cash and cash equivalents		1,279
Receivables and prepayments		3
<i>Total current assets</i>		<u>1,282</u>
Total Assets		<u><u>1,282</u></u>
Accounts payable and accruals		16
Total liabilities		<u>16</u>
Shareholders' equity		
Share capital	5	203
Share premium account		1,205
Accumulated deficit		(162)
Other equity reserves		20
Total shareholders' equity		<u>1,266</u>
Total liabilities and shareholders' equity		<u><u>1,282</u></u>
Analysis of shareholders' equity:		
Shareholders' equity – equity interests		1,282
		<u><u>1,282</u></u>

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

The statement of changes in equity of the Company in the period ended 31 December 2005 is set out below:

	<i>Shares in issue</i>	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Retained earnings £'000</i>	<i>Other equity reserves £'000</i>	<i>Total £'000</i>
Balance on incorporation	2	—	—	—	—	—
Issue of new shares	203,299,998	203	1,380	—	—	1,583
Costs of share issue	—	—	(155)	—	—	(155)
Loss for the period to 31 December 2005	—	—	—	(162)	—	(162)
Fair value of share options issued to advisers	—	—	(20)	—	20	—
Balance at 31 December 2005	<u>203,300,000</u>	<u>203</u>	<u>1,205</u>	<u>(162)</u>	<u>20</u>	<u>1,266</u>

The Company was incorporated as a public limited company on 22 October 2004 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 on incorporation. An authorisation to commence business was issued under section 117 of the Companies Act 1985 on 11 January 2005.

On 3 December 2004 the Company's authorised share capital was increased to £1,000,000, divided into 1,000,000,000 ordinary shares of 0.1p each.

On 31 December 2004 a further 49,998,000 ordinary shares were subscribed for at par value.

On 8 February 2005 a further 150,000,000 new ordinary shares were subscribed for at 1p per share. Costs of the share issue of £155,000 were set against the Company's share premium account.

On 7 March 2005 a further 3,300,000 new ordinary shares were issued at 1p per share in satisfaction of commissions in relation to the placing of the new ordinary shares on 8 February 2005.

On Admission to AIM on 14 February 2005 the Company granted options to its professional advisers to subscribe for 9,000,000 ordinary shares at 1p per share at any time up to the fifth anniversary of Admission. The estimated fair value of the services received in consideration for the issue of the options has been included in the statement of changes in equity set out above.

STATEMENT OF CASH FLOWS

The statement of cash flows of the Company in the period ended 31 December 2005 is as follows:

	<i>2005</i> <i>£'000</i>
Cash flows from operating activities	
Operating loss before working capital changes	(202)
Add: write off of investment	85
Changes in working capital:	
Increase in receivables	(3)
Increase in accounts payable	16
	<hr/>
Net cash used in operating activities	(104)
Cash flows from investing activities	
Purchase of investments	(110)
Sale of investment	25
	<hr/>
Net cash used in investing activities	(85)
Cash flows from financing activities	
Proceeds from share issues	1,583
Cost of share issues	(155)
Interest on cash deposits	40
	<hr/>
Net cash provided by financing activities	1,468
	<hr/>
Net increase in cash and cash equivalents	1,279
	<hr/>
Cash and cash equivalents, beginning of period	—
	<hr/>
Cash and cash equivalents, end of period	1,279
	<hr/>

1. Basis of presentation and summary of significant accounting policies

Basis of presentation

The financial information has been prepared and presented in accordance with International Financial Reporting Standards.

Use of estimates

The preparation of the financial information in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net loss per ordinary share

Basic net loss per ordinary share is computed by dividing net loss by the weighted average number of ordinary shares outstanding in the period.

For the purpose of calculating diluted earnings per share, the net loss attributable to ordinary shareholders and the weighted average number of shares outstanding is adjusted for the effects of all dilutive potential ordinary shares. The effects of anti-dilutive potential ordinary shares are ignored in calculating diluted earnings per share. Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would decrease loss per share from continuing operations.

Fair value of financial instruments

Carrying amounts of certain financial instruments including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to their short maturities, based on borrowing rates currently available to the Company.

Share based payments

Share-based payments are recognised at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date.

The fair value of share options issued in the period is measured according to the estimated market value of the services received in consideration of the issue of those share options.

Where it is not possible to reliably measure the estimated market value of the services received in consideration of the issue of those share options, share options issued in the period are according to the market price of the options or in accordance with a generally accepted valuation methodology.

Deferred taxation

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are recorded for deferred tax assets that are not more likely than not to be realised.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is more likely than not.

Foreign currency translation

The reporting and measurement currency of the Company is the British Pound.

Gains and losses that arise from the effect of exchange rate changes on balances denominated in currencies other than the measurement currency of the Company are included in the statements of operations as incurred.

Revenue

Revenue represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

Property, plant and equipment

Property, plant and equipment are stated at cost and are depreciated on a straight-line basis over their estimated useful lives set out below:

Fixtures and fittings	25% reducing balance
Computer equipment	25% reducing balance

Maintenance and repairs are charged to expenses when incurred.

Research and development expenditure

Research and development costs are expensed as incurred, except for development costs which are deferred as intangible assets when the Company can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention and ability to use or sell the intangible asset;
- the existence of a market for the output of the intangible asset or the intangible asset itself;
- the availability of adequate technical resources to complete the development;
- the availability of adequate financial and other resources to complete the development and to use or sell the intangible asset, subject to the ability of the Company to continue as a going concern, as described in Note 3.1 and;
- its ability to measure the expenditure attributable to the intangible asset during its development reliably.

Capitalised development costs will be amortised on a straight line basis over the estimated economic life of the projects to which they relate.

Impairment of tangible and intangible assets

At each balance sheet date a review of carrying amounts is undertaken to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset an estimate is made of the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. Estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

2. Loss from continuing operations before income tax

This is stated after charging:

	<i>2005</i> <i>£'000</i>
Audit and accounting fees	1
Consultancy fees	33
	<hr/> <hr/>

3. Income tax credit/expense

The Company has not submitted any computations in respect of income tax. No provision has been made for income tax in this financial information due to the likely availability of trading losses at the end of its first statutory period of account, being the period from incorporation to 31 March 2006.

No deferred tax asset has been recognised in relation to the possible availability of losses as the Company has yet to reach the conclusion of the accounting reference period in respect of any claim for such losses and the realisation of any related tax benefit cannot therefore be said to be more likely than not.

4. Investment

The fixed asset investment represents:

	<i>£'000</i>
Cost	
On incorporation	—
Additions at cost	110
Disposal to directors	(25)
Written off to income statement	(85)
	<hr/> <hr/>
31 December 2005	—

The disposal to directors related to an investment in the early stage of a South African mining project, which due to the proposed reverse takeover of Zareba was considered to no longer be viable as an ongoing proposition. It was therefore sold to J Burgess and B Moritz at cost.

The amount written off related to a 10 per cent. holding in a Namibian mineral exploration and mining project which, after a competent person's report, was deemed to have a significantly lower value than expected. As the investment agreement contained commitments to further capital injections on behalf of Zareba, the Board agreed to relinquish the Company's rights to the investment in return for its future commitments being cancelled. The cost of this investment was therefore written off under General and Administration costs in the income statement.

5. Share capital

2005
£'000

Authorised:

1,000,000,000 ordinary shares of £0.001 each

1,000

2005
£'000

Allotted, issued and fully paid:

203,300,000 ordinary shares of £0.001 each

203

On Admission to AIM on 14 February 2005 the Company granted options to its professional advisers to subscribe for 9,000,000 ordinary shares at 1p per share at any time up to the fifth anniversary of Admission. No adjustment has been made to basic earnings per share for the purpose of calculating diluted earnings per share because the effect of including the 9,000,000 outstanding share options referred to above would be to further dilute the net loss. There were 9,000,000 share options outstanding at 31 December 2005, with a weighted average exercise price of 1p per share.

6. Key management personnel compensation

Key management personnel represent the directors of the Company only. The Company paid the following remuneration to Directors during the period ended 31 December 2005, either directly or as consultancy fees to connected parties (see Note 7):

2005
£'000

JE Burgess

13

J Moritz

9

Capital Ideas (J Woolgar)

9

7. Related party transactions

During the period ended 31 December 2005 the following amounts were paid to related parties as consultancy fees:

2005
£'000

Capital Ideas (see Note 6)

9

Capital Ideas is wholly owned by J Woolgar.

In addition, a £25,000 investment in a South African minerals project was sold to J Burgess and B Moritz at cost as it was no longer viable under the Group's proposed activities.

8. Nature of financial information

The financial information presented above does not constitute statutory accounts for the period ended 31 December 2005.

PART V
SECTION A
FINANCIAL INFORMATION ON QUADRISE



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The Directors
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Bell Court House
11 Blomfield Street
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22 March 2006

Dear Sirs

We report on the financial information set out below relating to Quadrise International Limited (“Quadrise”) which has been prepared for inclusion in the AIM Admission Document dated 23 March 2006 (the ‘Document’) of Zareba plc on the basis of the accounting policies set out in the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors (as defined in the Document) are responsible for preparing the financial information on Quadrise as described in the ‘Basis of Preparation’ set out below and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the 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 financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information

and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial information gives for the purposes of the Document a true and fair view of the state of affairs of Quadrise as at the date stated and of its losses and cash flows for the period then ended in accordance with the basis of preparation set out below and in accordance with applicable International Financial Reporting Standards.

Declaration

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the 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 Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

MRI Moores Rowland LLP
Chartered Accountants

BALANCE SHEET

The balance sheet of Quadrise as at 31 December 2005 is set out below:

	<i>Notes</i>	<i>2005</i> <i>£</i>
Current assets		
Cash and cash equivalents		<u>1</u>
Total Assets		<u><u>1</u></u>
Shareholders' equity		
Issued share capital	2	<u>1</u>
Total liabilities and shareholders' funds	3	<u><u>1</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. Business of Quadrise

Quadrise was incorporated under the laws of England and Wales on 10 October 2005 with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each, of which 1 share was issued fully paid on incorporation on the same day its authorised share capital was sub-divided into 100,000 ordinary shares of 1p each and increased from £1,000 to £100,000 by the creation of 9,900,000 further ordinary shares of 1p each. The issued share capital of £1 was similarly sub-divided into 100 ordinary shares of 1p each.

At 31 December 2005 Quadrise was a wholly owned subsidiary undertaking of Masfield Energy.

2. Accounting policies

Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards.

Comparative figures

No comparative figures have been presented as the period from incorporation on 10 October 2005 to 31 December 2005 was the company's first period of account.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property, plant and equipment

Property, plant and equipment is stated at cost and are depreciated on a straight-line basis over its estimated useful life of three years. No depreciation is charged in the year of purchase.

An impairment review is undertaken where there are indicators of impairment. Maintenance and repairs are charged to expenses when incurred.

Intangible assets – deferred development expenditure

Deferred development expenditure represents expenditure incurred in the commercial development of the Quadrise MSAR[®] technology.

Research and development costs are expensed as incurred, except for development costs which are deferred as intangible assets when all of the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention and ability to use or sell the intangible asset;
- the existence of a market for the output of the intangible asset or the intangible asset itself;
- the availability of adequate technical resources to complete the development;
- the availability of adequate financial and other resources to complete the development and to use or sell the intangible asset, and;

- its ability to measure the expenditure attributable to the intangible asset during its development reliably.

Capitalised development costs have a finite useful life of 3 years and as such, will be amortised on a straight-line basis over this period.

Impairment of tangible and intangible assets

At each balance sheet date a review of carrying amounts is undertaken to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset an estimate is made of the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. Estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Fair value of financial instruments

Carrying amounts of certain financial instruments including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to their short maturities, based on borrowing rates currently available.

Deferred taxation

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are recorded for deferred tax assets that are not more likely than not to be realised.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is more likely than not.

Leases

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the statement of operations.

Assets held under finance leases are depreciated at the shorter of the lease term and their useful economic lives.

Cash and cash equivalents

Quadrise considers cash on short-term deposits and other short term investments to be cash equivalents.

3. Post balance sheet events

On 10 February 2006 Quadrise entered into an agreement to acquire the entire issued share capital of Quadrise Limited for aggregate consideration valued at £14.3 million, to be satisfied by cash consideration of £1.1 million payable before 31 March 2006, further cash consideration of £3.4 million payable before 6 January 2007, £4.3 million in quoted shares to be transferred to the vendors of Quadrise Limited by Masfield Energy, 1,000,000 common shares in Quadrise Canada to be transferred to the vendors by Masfield Energy and certain other contingent consideration and the issue of 750,000 new ordinary shares in Quadrise, credited as fully paid, and representing 7.5 per cent. of the enlarged issued share capital of Quadrise.

On 23 February 2006 Quadrise signed an agreement to acquire or confirm it had already acquired from Masfield Energy 1,097,500 common shares in Quadrise Canada, a potential participating interest of 49.7 per cent. in Quadrise US, the entire issued share capital in Quadrise Power Systems AG, the rights under an alliance agreement with Akzo Nobel and the goodwill and other intangible assets in the commercial development of the Quadrise MSAR® technology for aggregate consideration of £30.7 million, satisfied by the issue of 9,249,900 new ordinary shares in Quadrise to Masfield Energy, certain parties connected to Masfield Energy, as well as unconnected parties which, together with Masfield Energy's existing holding, represented 92.5 per cent. of the enlarged issued share capital of Quadrise.

4. Nature of financial information

The financial information presented above does not constitute statutory accounts for the period ended 31 December 2005.

PART V
SECTION B
FINANCIAL INFORMATION ON QUADRISE LIMITED



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The Directors
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22 March 2006

Dear Sirs

We report on the financial information set out below relating to Quadrise Limited which has been prepared for inclusion in the AIM Admission Document dated 23 March 2006 (the 'Document') of Zareba plc (the 'Company') on the basis of the accounting policies set out in the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors (as defined in the Document) are responsible for preparing the financial information on Quadrise Limited as described in the 'Basis of Preparation' set out below and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the 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 financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information

and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial information gives for the purposes of the Document a true and fair view of the state of affairs of Quadrise Limited as at the dates stated and of its results and cash flows for the periods then ended in accordance with the basis of preparation set out below and in accordance with applicable International Financial Reporting Standards .

Declaration

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the 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 Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

MRI Moores Rowland LLP
Chartered Accountants

INCOME STATEMENTS

The income statements of Quadrise Limited for each of the three years ended 31 May 2005 are set out below:

	<i>Notes</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Revenues	1	52	120	116
Cost of sales		(7)	(16)	(1)
Gross profit		45	104	115
Waiver of obligation to repay loan		–	–	400
Other operating income		1	1	34
Finance Cost		–	(3)	–
General and Administrative expenses		(175)	(271)	(403)
Depreciation		–	(2)	–
Amortisation		(6)	(7)	–
(Loss)/profit from continuing operations before income tax	2	(135)	(178)	146
Income tax (credit)/expense	3	(23)	(23)	–
(Loss)/profit from continuing operations		(112)	(155)	146
Net (loss)/earnings per share:				
Basic		£(1,458)	£(1,970)	£1,090
Shares used in net deficit per share calculation				
Basic		118	166	166

BALANCE SHEETS

The balance sheets of Quadrise Limited as at 31 May 2003, 2004 and 2005 are set out below:

	<i>Notes</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Assets				
Current assets				
Cash and cash equivalents		—	62	34
Trade receivables		—	23	24
Prepayments		4	—	—
Taxes recoverable		37	32	24
Related company receivables	12	82	153	—
Total current assets		<u>123</u>	<u>270</u>	<u>82</u>
Non-current assets				
Property, plant and equipment (net)	4	1	7	—
Investments	5	1	1	1
Intangible fixed assets (net)	6	11	10	8
Total non-current assets		<u>13</u>	<u>18</u>	<u>9</u>
Total Assets		<u><u>136</u></u>	<u><u>288</u></u>	<u><u>91</u></u>
Liabilities and Shareholders' Deficiency				
Current Liabilities				
Bank loans and overdrafts		1	—	—
Accounts payable		5	—	—
Accruals		2	16	—
Directors' current accounts		—	50	—
Current tax liabilities		—	5	—
Other payables		—	144	—
Total current liabilities		<u>8</u>	<u>215</u>	<u>—</u>
Other loans – non-current portion	7	300	400	272
Total liabilities		<u>308</u>	<u>615</u>	<u>272</u>
Shareholders' deficiency				
Share capital	8	—	—	—
Accumulated deficit		(172)	(327)	(181)
Total shareholders' deficiency		<u>(172)</u>	<u>(327)</u>	<u>(181)</u>
Total liabilities and shareholders' deficiency		<u><u>136</u></u>	<u><u>288</u></u>	<u><u>91</u></u>
Analysis of shareholders' deficiency:				
Shareholders' deficiency - equity interests		(172)	(327)	(181)
		<u>(172)</u>	<u>(327)</u>	<u>(181)</u>

STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY

The statements of changes in equity deficiency of Quadrise Limited for each of the three years ended 31 May 2005 are set out below:

	<i>Share capital £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
Balance at 1 June 2002	—	(60)	(60)
Loss for the year	—	(112)	(112)
Balance at 31 May 2003	—	(172)	(172)
Loss for the year	—	(155)	(155)
Balance at 31 May 2004	—	(327)	(327)
Profit for the year	—	146	146
Balance at 31 May 2005	—	(181)	(181)

STATEMENT OF CASH FLOWS

The statement of cash flows of Quadrise Limited for each of the three years ended 31 May 2005 are as follows:

	2003 £'000	2004 £'000	2005 £'000
Cash flows from operating activities			
Net deficit	(135)	(178)	146
Adjustments for:			
Tax credits received	23	22	—
Loss on disposal of plant and equipment	—	—	3
Profit on disposal of fixed asset investment	—	—	(32)
Depreciation and amortisation	—	9	8
Finance costs	6	3	—
Interest income	(1)	(1)	(2)
Operating loss before working capital changes	(107)	(145)	124
Changes in working capital:			
(Increase)/decrease in receivables, prepaid expenses and other current assets	(93)	(85)	160
(Decrease)/increase in accounts payable and accrued expenses and provisions used	(5)	208	(216)
Net cash used in operating activities	(205)	(22)	68
Cash flows from investing activities			
Acquisition of plant and equipment	(2)	(9)	1
Development costs capitalised	(1)	(4)	(5)
Receipts from sale of investment	(8)	—	32
Proceeds from sale of plant and equipment	—	—	2
Net cash (used in)/provided by investing activities	(11)	(13)	30
Cash flows from financing activities			
Proceeds from other loans	100	100	—
Repayment of other loans	—	—	(128)
Finance costs	(3)	—	—
Interest on cash deposits	1	1	2
Net cash provided by financing activities	101	98	(126)
Net (decrease)/increase in cash and cash equivalents	(115)	63	(28)
Cash and cash equivalents, beginning of year	114	(1)	62
Cash and cash equivalents, end of year	(1)	62	34

1. Basis of presentation and summary of significant accounting policies

Basis of presentation

The financial information has been prepared and presented in accordance with International Financial Reporting Standards.

Use of estimates

The preparation of financial information in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net loss per ordinary share

Basic net loss per ordinary share is computed by dividing net loss by the weighted average number of ordinary shares outstanding in the period.

For the purpose of calculating diluted earnings per share, the net loss attributable to ordinary shareholders and the weighted average number of shares outstanding is adjusted for the effects of all dilutive potential ordinary shares. The effects of anti-dilutive potential ordinary shares are ignored in calculating diluted earnings per share. Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would decrease loss per share from continuing operations.

Fair value of financial instruments

Carrying amounts of certain financial instruments including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to their short maturities, based on borrowing rates currently available to Quadris Limited.

Deferred taxation

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are recorded for deferred tax assets that are not more likely than not to be realised.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is more likely than not.

Foreign currency translation

The reporting currency of Quadris Limited is the British Pound, which is also the measurement currency of Quadris International Limited, the parent company.

Gains and losses that arise from the effect of exchange rate changes on balances denominated in currencies other than the measurement currency of Quadris Limited are included in the statements of operations as incurred.

Revenue

Revenue represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

Intangible assets

Intangible assets represent the cost of obtaining patents in respect of proprietary technology and processes. Patents are depreciated at 25 per cent. per annum.

Property, plant and equipment

Property, plant and equipment are stated at cost and are depreciated on a straight-line basis over their estimated useful lives set out below:

Fixtures and fittings	25% reducing balance
Computer equipment	25% reducing balance

Maintenance and repairs are charged to expenses when incurred.

Impairment of tangible and intangible assets

At each balance sheet date a review of carrying amounts is undertaken to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset an estimate is made of the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. Estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Research and development expenditure

Research and development costs are expensed as incurred, except for development costs which are deferred as intangible assets when Quadris Limited can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention and ability to use or sell the intangible asset;
- the existence of a market for the output of the intangible asset or the intangible asset itself;
- the availability of adequate technical resources to complete the development;
- the availability of adequate financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure the expenditure attributable to the intangible asset during its development reliably.

Capitalised development costs will be amortised on a straight line basis over the estimated economic life of the projects to which they relate..

Cash and cash equivalents

Quadrisse Limited considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

2. (Loss)/profit from continuing operations before income tax

This is stated after charging:

	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Amortisation	<u>(6)</u>	<u>(7)</u>	<u>—</u>

3. Income tax credit/expense

The income tax expense for the periods is different from a credit based on the standard rate of corporation tax in UK(30 per cent.). The differences are explained below:

	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
(Loss)/profit on continuing activities before taxation	(135)	(178)	146
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK (30%)	(41)	(53)	44
Effects of:			
Losses carried forward	41	53	(44)
Research and development tax credit	(23)	23	—
Income tax credit for the period	<u>(23)</u>	<u>(23)</u>	<u>—</u>

Factors that may affect future tax charges:

In accordance with IFRS 12, Quadrisse Limited has not recognised deferred tax assets in respect of unrelieved trading losses.

4. Property, plant and equipment

*Computer
equipment
£'000*

Cost

1 June 2002	—
Additions	1
31 May 2003	1
Additions	8
31 May 2004	9
Additions	1
Disposals	(10)
31 May 2005	—

Depreciation

1 June 2002 and 31 May 2003	—
Charged in year	2
31 May 2004	2
Charged in year	2
Disposals	(4)
31 May 2005	—

NBV

31 May 2003	1
31 May 2004	7
31 May 2005	—

5. Investment

The fixed asset investment relates to a 14.3 per cent. equity holding in Quadrise Fuel Systems Canada Inc, an unlisted Canadian company, at cost:

£'000

Cost

1 June 2002	—
Additions at cost	1
31 May 2003 and 2004	1
Disposals	—
31 May 2005	1

NBV

31 May 2003	1
31 May 2004	1
31 May 2005	1

6. Intangible fixed assets

All intangible fixed assets are related to the protection of Quadrise Limited's products and applications. Movements in the cost, amortisation and net book value of the assets are as follows:

	<i>Patents and licenses £'000</i>
Cost	
1 June 2002	51
Additions at cost	8
31 May 2003	59
Additions at cost	5
31 May 2004	64
Additions at cost	5
31 May 2005	69
Amortisation	
1 June 2002	42
Charged in year	6
31 May 2003	48
Charged in year	6
31 May 2004	54
Charged in year	7
31 May 2005	61
NBV	
31 May 2003	11
31 May 2004	10
31 May 2005	8

7. Loans

	<i>2003 £'000</i>	<i>2004 £'000</i>	<i>2005 £'000</i>
Akzo Nobel	300	400	—
Masfield Energy	—	—	272
	<u>300</u>	<u>400</u>	<u>272</u>

The long term loans are interest free and have no specific repayment date. In the year ended 31 May 2005 Quadrise Limited was released from the obligation to repay the loan to Akzo Nobel and the amount was released to Income and Expenditure account.

8. Share capital

	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Authorised: 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Allotted, issued and fully paid: 2003: 118, 2004 & 2005: 166 ordinary shares of £1 each	<u>118</u>	<u>166</u>	<u>166</u>

9. Provisions and contingencies

Quadrise Limited was not subject to any material outstanding legal proceeding, claims, nor litigation arising in the period ended 31 May 2005.

10. Business and geographical segments

For management purposes, Quadrise Limited is currently organised into one operating division – the commercial exploitation of Quadrise MASR technology. All of its operating results are derived from, and its net assets are utilised in, that single activity in the UK. For these reasons no business or geographical segment information is presented.

No operations have been discontinued during the three years ended 31 May 2005.

11. Key management personnel compensation

Key management personnel represent the three (2004: 5, 2003: 6) directors of Quadrise Limited only. Quadrise Limited paid its directors the following remuneration during the three years ended 31 May 2005.

	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Directors' remuneration	90	146	96
Compensation for loss of office	<u>—</u>	<u>—</u>	<u>32</u>

In addition, certain management charges and similar fees were paid to companies related to the three directors during the three years ended 31 May 2005, see note 12 below.

12. Related party transactions

Management charges were paid to related parties as follows:

	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Peter Dodd Consultancy	43	42	76
Bridge Farm Hatcheries Limited	<u>—</u>	<u>—</u>	<u>40</u>

Consultancy charges were paid as follows:

Wildfire Energy Limited	—	—	63
Bridge Farm Hatcheries Limited	<u>—</u>	<u>—</u>	<u>6</u>

P J Dodd, a director, is a partner in Peter Dodd Consultancy, M I Duckels, a director, is also a director of Bridge Farm Hatcheries Limited, a company registered in the United Kingdom, and A Stockwell, a director (resigned 6 January 2005), is also a director of Wildfire Energy Limited, a company also registered in the United Kingdom.

Included in accounts receivable is an amount of £nil (2004: £153,000, 2003: £123,000) due from Zero-M Limited, being an interest free loan. P J Dodd, M I Duckels and A Stockwell (resigned 6 January 2005) are (or were) directors of Zero-M Limited, a company registered in the United Kingdom.

Included in accounts payable for the period is an amount of £nil (2004: £3,00, 2003: £nil) due to A Stockwell, a director (resigned 6 January 2005) relating to a loan made to the company in May 1998. The interest is based on the yearly average of Bank of England base rate and is backdated to the start of the loan.

13. Commitments under operating leases

At 30 June 2005, Quadrise Limited had no annual commitments under non-cancellable operating leases.

14. Number of employees

There were no employees (excluding the directors) during the three years ended 30 June 2005.

15. Post balance sheet events

On 10 February 2006 Quadrise International Limited entered into an agreement to acquire the entire issued share capital of Quadrise Limited for aggregate consideration valued at £14.3 million, to be satisfied by cash consideration of £1.1 million cash payable before 31 March 2006, further cash consideration of £3.4 million payable before 6 January 2007, £4.3 million in quoted shares to be transferred to the vendors of Quadrise Limited by Masfield Energy, 1,000,000 common shares in Quadrise Canada to be transferred to the vendors by Masfield Energy and certain other contingent consideration and the issue of 750,000 new ordinary shares in Quadrise, credited as fully paid, and representing 7.5 per cent. of the enlarged issued share capital of Quadrise.

16. Ultimate controlling party

During the period ended 31 May 2005 and until the disposal referred to in Note 15 above, Quadrise Limited was ultimately controlled by its shareholders. At 31 May 2005 the directors of Quadrise Limited, PJ Dodd, Dr A Stockwell and I Duckels, held in excess of 75 per cent. of the issued share capital.

17. Nature of financial information

The financial information presented above does not constitute statutory accounts for the period ended 31 May 2005.

PART V

SECTION C

FINANCIAL INFORMATION ON QUADRISE POWER SYSTEMS AG



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The Directors and Proposed Directors
Zareba plc
55 Gower Street
London
WC1E 6HQ

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

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

22 March 2006

Dear Sirs

We report on the financial information set out below relating to Quadrise Power Systems AG which has been prepared for inclusion in the AIM Admission Document dated 23 March 2006 (the 'Document') of Zareba plc on the basis of the Company's accounting policies. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors (as defined in the Document) are responsible for preparing the financial information on Quadrise Power Systems AG as described in the 'Basis of Preparation' set out below and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the 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 financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial information gives for the purposes of the Document dated 23 March 2006 a true and fair view of the state of affairs of Quadrise Power Systems AG as at the dates stated and of its losses and cash flows for the periods then ended in accordance with the basis of preparation set out below and in accordance with applicable International Financial Reporting Standards.

Declaration

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the 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 Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

MRI Moores Rowland LLP
Chartered Accountants

INCOME STATEMENTS

The income statements of Quadrise Power Systems AG for each of the 16 months ended 30 June 2004 and the year ended 30 June 2005, are set out below:

	<i>Notes</i>	<i>16 Months 2004 £'000</i>	<i>Year 2005 £'000</i>
Revenues		—	—
Cost of sales		—	—
		<hr/>	<hr/>
Gross margin		—	—
General and administrative expenses		(4)	(103)
		<hr/>	<hr/>
Loss from continuing operations before income tax		(4)	(103)
Income tax expense	2	—	—
		<hr/>	<hr/>
Loss from continuing operations		<u>(4)</u>	<u>(103)</u>
Net deficit per share			
Basic & diluted		£(3.58)	£(103.11)
 Shares used in net deficit per share calculation			
Basic & diluted		1,000	1,000

BALANCE SHEETS

The balance sheets of Quadrise Power Systems AG as at 30 June 2004 and 2005 are set out below:

	<i>Notes</i>	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Assets			
Current assets			
Cash and cash equivalents		13	3
Total current assets		13	3
Non-current assets			
Property, plant and equipment (net)	3	–	1
Intangible fixed assets	4	617	835
Total non-current assets		617	836
Total Assets		630	839
Liabilities and Shareholders' Deficiency			
Current Liabilities			
Trade and other payables	5	589	902
Total current liabilities		589	902
Shareholders' equity/deficiency			
Issued capital stock	6	44	43
Cumulative foreign currency translation		1	1
Accumulated deficit		(4)	(107)
Total shareholders' equity/deficiency		41	(63)
Total liabilities and shareholders' equity/deficiency		630	839

Analysis of shareholders' equity/deficiency:

The entire shareholders' equity/deficiency throughout the two periods was attributable to equity interests.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY/DEFICIENCY

The statements of changes in equity of Quadrise Power Systems AG for each of the 16 months ended 30 June 2004 and the year ended 30 June 2005, are set out below:

	<i>Share capital £'000</i>	<i>Cumulative foreign currency translation £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
Balance at 28 February 2003	—	—	—	—
Issue of share capital	44	—	—	44
Loss for the year	—	—	(4)	(4)
Foreign exchange differences on translation to presentation currency	—	1	—	1
Balance at 30 June 2004	44	1	(4)	41
Loss for the year	—	—	(103)	(103)
Foreign exchange differences on translation to presentation currency	(1)	—	—	(1)
Balance at 30 June 2005	43	1	(107)	(63)

STATEMENTS OF CASH FLOWS

The statements of cash flows of Quadrise Power Systems AG for each of the sixteen months ended 30 June 2004 and the year ended 30 June 2005 are as follows:

	<i>2004</i> <i>£'000</i>	<i>2005</i> <i>£'000</i>
Cash flows from operating activities		
Net deficit for the period/year	(4)	(103)
Foreign exchange differences on translation to presentation currency	1	(1)
Net operating deficit before working capital changes	(3)	(104)
Changes in working capital:		
Increase in trade and other payables	589	313
Net cash provided by operating activities	586	209
Cash flows from investing activities		
Acquisition of plant and equipment	–	(1)
Development costs capitalised	(617)	(218)
Net cash used in investing activities	(617)	(219)
Cash flows from financing activities		
Issue of capital stock	44	–
Net cash provided by financing activities	44	–
Net increase/(decrease) in cash and cash equivalents	13	(10)
Cash and cash equivalents, beginning of year	–	13
Cash and cash equivalents, end of year	13	3

1. Basis of presentation and summary of significant accounting policies

Basis of presentation

The financial statements are prepared and presented in accordance with International Financial Reporting Standards.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign currency translation

The reporting currency of Quadrise Power Systems AG is the British pound, which is also the measurement currency of Quadrise, its parent company. The operational currency of Quadrise Power Systems AG is the Swiss Franc. Assets and liabilities have been translated into the presentation currency at the closing rates prevailing at the balance sheet dates. Income and expenses for each income statement have been translated into the presentation currency at the average rates prevailing in the period, which reflect the approximate rates of exchange prevailing at the dates of the relevant transactions in the periods. All resulting exchange differences have been recognised as a separate component of equity.

Cash and cash equivalents

Quadrise Power Systems AG considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Property, plant and equipment

Property, plant and equipment at 30 June 2005 represent computer equipment, which is stated at cost and are depreciated on a straight-line basis over its estimated useful life of three years. No depreciation is charged in the year of purchase.

An impairment review is undertaken where there are indicators of impairment. Maintenance and repairs are charged to expenses when incurred.

Intangible assets – deferred development expenditure

Deferred development expenditure represents expenditure incurred in the commercial development of the Quadrise MSAR[®] technology.

Research and development costs are expensed as incurred, except for development costs which are deferred as intangible assets when Quadrise Power Systems AG can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention and ability to use or sell the intangible asset;
- the existence of a market for the output of the intangible asset or the intangible asset itself;
- the availability of adequate technical resources to complete the development;
- the availability of adequate financial and other resources to complete the development and to use or sell the intangible asset; and

- its ability to measure the expenditure attributable to the intangible asset during its development reliably.

Capitalised development costs will be amortised on a straight line basis over the economic life of the projects to which they relate.

Impairment of tangible and intangible assets

At each balance sheet date a review of carrying amounts is undertaken to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset an estimate is made of the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. Estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Net loss per registered share

Basic net loss per share is computed by dividing net loss by the weighted average number of registered shares outstanding in the period.

For the purpose of calculating diluted earnings per share, the net loss attributable to ordinary shareholders and the weighted average number of shares outstanding is adjusted for the effects of all dilutive potential registered shares. The effects of anti-dilutive potential registered shares are ignored in calculating diluted earnings per share. Potential registered shares are anti-dilutive when their conversion to registered shares would decrease loss per share from continuing operations.

Fair value of financial instruments

Carrying amounts of certain financial instruments including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to their short maturities, based on borrowing rates currently available.

Deferred taxation

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Valuation allowances are recorded for deferred tax assets that are not more likely than not to be realised.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is more likely than not.

Leases

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against the statement of operations.

Assets held under finance leases are depreciated at the shorter of the lease term and their useful economic lives.

2. Income tax expense

The income tax expense for the periods is different from a credit based on the standard rate of corporation tax in Switzerland (8.5 per cent.). The differences are explained below:

	2004 £'000	2005 £'000
Loss on ordinary activities before tax	(4)	(103)
Loss on ordinary activities multiplied by the standard rate of corporation tax in Switzerland (8.5%)	1	9
Effects of:		
Losses carried forward	(1)	(9)
Income tax expense for the period	<u>–</u>	<u>–</u>

Factors that may affect future tax charges:

In accordance with IFRS 12, Quadrise Power Systems AG has not recognised deferred tax assets in respect of unrelieved trading losses.

3. Property, plant and equipment

	<i>Total £'000</i>
Computer equipment	
Cost	
28 February 2003 & 30 June 2004	
Additions	1
30 June 2005	1
Depreciation	
28 February 2003, 30 June 2004 and 30 June 2005	—
30 June 2005	—
NBV	
30 June 2004	—
30 June 2005	1

4. Intangible fixed assets

Intangible fixed assets consist of deferred expenditure relating to the commercial development of patented products and applications. Movements in the cost, amortisation and net book value of the assets are as follows:

	<i>Development expenditure £'000</i>
Cost	
28 February 2003	—
Additions at cost	617
30 June 2004	617
Additions at cost	218
30 June 2005	835
Amortisation	
28 February 2003, 30 June 2004 and 30 June 2005	—
NBV	
30 June 2004	617
30 June 2005	835

5. Trade and other payables

	<i>2004 £'000</i>	<i>2005 £'000</i>
Amounts due to Masfield Energy Holdings AG	589	841
Other payables	—	61
	589	902

6. Capital stock

	2004 £'000	2005 £'000
100 ordinary shares of CHF1,000 each	<u>44</u>	<u>43</u>

7. Provisions and contingencies

Quadrise Power Systems AG was not subject to any legal proceeding, claims, or litigation arising in the period to 30 June 2005.

8. Business and geographical segments

For management purposes, Quadrise Power Systems AG is currently organised into one operating division – the commercial exploitation of Quadrise MASR technology. All of its operating results are derived from, and its net assets are utilised in, that single activity. Although development activities are targeted at the world-wide commercial exploitation of Quadrise MASR technology, to date no revenues from these activities have been earned. For these reasons no business or geographical segment information is presented.

9. Related party transactions

During each of the period ended 30 June 2004 and the year ended 30 June 2005, Masefield Energy provided funds for Quadrise Power Systems AG to enter into transactions during the period as part of an intercompany loan. At each of 30 June 2004 and 30 June 2005, the amounts owing to the above were as follows:

	2004 £'000	2005 £'000
Masefield Energy	<u>589</u>	<u>841</u>

10. Post balance sheet events

On 23 February 2006 Quadrise signed an agreement to acquire or confirm it had already acquired from Masefield Energy 1,097,500 common shares in Quadrise Canada, a participating interest of 49.7 per cent. in Quadrise US, the entire issued share capital in Quadrise Power Systems AG, the rights under an alliance agreement with Akzo Nobel and the goodwill and other intangible assets in the commercial development of the Quadrise MSAR® technology for aggregate consideration of £30.7 million, satisfied by the issue of 9,249,900 new ordinary shares in Quadrise to Masefield Energy and certain parties connected to Masefield Energy which, together with Masefield Energy's existing holding, represented 92.5 per cent. of the enlarged issued share capital of Quadrise.

11. Ultimate controlling party

Masefield Energy, a company incorporated in Switzerland, was the direct controlling party of Quadrise Power Systems AG until the disposal referred to in Note 10 above.

12. Nature of financial information

The financial information presented above does not constitute statutory accounts for either the period ended 30 June 2004 or the year ended 30 June 2005.

PART V

SECTION D

PRO FORMA FINANCIAL INFORMATION ON QUADRISE



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The Directors
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Bell Court House
11 Blomfield Street
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22 March 2006

Dear Sirs

We report on the pro forma financial information set out in Part V of the AIM Admission Document dated 23 March 2006 ('the Document') of Zareba plc ('the Company') which has been prepared on the basis of the notes thereto, for illustrative purposes only, to provide information about how the acquisition of Quadrise Limited, Quadrise Power Systems AG, certain investments in Quadrise Canada and Quadrise US by Quadrise might have affected the financial information on Quadrise set out in Part V of the Document, presented on the basis of the accounting policies of Quadrise International Limited. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

It is the responsibility of the Directors (as defined in the Document) to prepare the pro forma financial information in accordance with Schedule Two of the AIM Rules. It is our responsibility to form an opinion on the financial information as to the proper compilation of the pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Quadrise.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of Quadrise.

Declaration

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the 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 Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

MRI Moores Rowland LLP
Chartered Accountants

Set out below is a pro forma statement of consolidated assets, liabilities and shareholders' equity of Quadrise, which has been prepared on the basis of the financial information on Quadrise, Quadrise Limited and Quadrise Power Systems AG, as adjusted for the acquisitions of Quadrise Limited Quadrise Power Systems AG, certain investments in Quadrise Canada and Quadrise US by Quadrise as set out in the notes below. The pro forma has been prepared for illustrative purposes only and, because of its nature, cannot represent the actual combined financial position or results of Quadrise and its subsidiaries.

Notes

	<i>Quadrise</i> <i>(i)</i> <i>£'000</i>	<i>Quadrise</i> <i>Limited</i> <i>(ii)</i> <i>£'000</i>	<i>Quadrise</i> <i>Power</i> <i>Systems</i> <i>AG</i> <i>(iii)</i> <i>£'000</i>	<i>Adjustments</i> <i>(iv)</i> <i>£'000</i>	<i>Pro</i> <i>forma</i> <i>balances</i> <i>£'000</i>
ASSETS					
Current assets:					
Cash and cash equivalents	–	34	3	–	37
Accounts receivable	–	24	–	–	24
Other current assets	–	24	–	–	24
Total current assets	–	82	3	–	85
Property, plant and equipment, net	–	–	1	–	1
Investments	–	1	–	15,075	15,076
Intangible fixed assets	–	8	835	33,627	34,470
Total assets	–	91	839	48,702	49,632
Current liabilities:					
Accounts payable	–	–	902	(841)	61
Current portion of long-term debt	–	–	–	4,571	4,571
Total current liabilities	–	–	902	3,730	4,632
Long-term liabilities:					
Long-term debt, less current maturities	–	272	–	(272)	–
Total long-term liabilities	–	272	–	(272)	–
Total shareholders' equity	–	(181)	(63)	45,244	45,000
Total liabilities and stockholders' equity	–	91	839	48,702	49,632

Notes:

- i The balance sheet of Quadrise at 31 December 2005 has been extracted without adjustment from the financial information on Quadrise set out in Part V, Section A of this Document. With the exceptions of the transactions referred to below, no account has been taken of the activities of that company subsequent to 31 December 2005.
- ii The balance sheet of Quadrise Limited at 31 May 2005 has been extracted without adjustment from the financial information on Quadrise Limited set out in Part V, Section B of this Document. With the exceptions of the transactions referred to below, no account has been taken of the activities of Quadrise Limited subsequent to 31 May 2005.
- iii The balance sheet of Quadrise Power Systems AG at 30 June 2005 has been extracted without adjustment from the financial information on Quadrise Power Systems AG set out in Part V, Section C of this Document. With the exceptions of the transactions referred to below, no account has been taken of the activities of Quadrise Power Systems AG subsequent to 30 June 2005.
- iv The acquisitions of Quadrise Limited, Quadrise Power Systems AG and certain investments in Quadrise Canada and Quadrise US by Quadrise has been accounted for under the acquisition accounting method as follows:
 - the acquisition of Quadrise Limited for aggregate consideration of £14.3 million, satisfied by cash consideration of £1.1 million cash payable before 31 March 2006, further cash consideration of £3.4 million payable before 6 January 2007, £4.3 million in quoted shares to be transferred to the vendors of Quadrise Limited by Masefield Energy, 1,000,000 common shares in Quadrise Canada to be transferred to the vendors by Masefield Energy and certain other contingent consideration and the issue of 750,000 new ordinary shares in Quadrise, credited as fully paid, and representing 7.5 per cent. of the enlarged issued share capital of Quadrise;
 - the acquisition of 1,097,500 common shares in Quadrise Canada, a participating interest of 49.7 per cent. in Quadrise US, the entire issued share capital in Quadrise Power Systems AG, the rights under an alliance agreement with Akzo Nobel and the goodwill and other intangible assets in the commercial development of the Quadrise MSAR® technology for an aggregate consideration of £30.7 million, satisfied by the issue of 9,249,900 new ordinary shares in Quadrise to Masefield Energy and certain parties connected to Masefield Energy as well as unconnected parties which, together with Masefield Energy's existing holding, represented 92.5 per cent. of the enlarged issued share capital of Quadrise; and
 - amounts of £272,000 owed by Quadrise Limited and of £841,000 owed by Quadrise Power Systems AG waived by Masefield Energy on completion of the acquisition.
 - The above gave rise to aggregate goodwill on consolidation and other intangible assets of £33.6 million.

PART VI

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

Set out below is a pro forma statement of consolidated assets, liabilities and shareholders' equity of the Enlarged Group, which has been prepared on the basis of the financial information on the Company and the pro forma financial information on Quadrise, as adjusted for the acquisition of Quadrise and the Placing as set out in the notes below. The pro forma has been prepared for illustrative purposes only and, because of its nature, cannot represent the actual financial position or results of the Enlarged Group.

<i>Notes</i>	<i>The Company (i) £'000</i>	<i>Quadrise (ii) £'000</i>	<i>Acquisition Adjustments (iii) £'000</i>	<i>Placing (iv) £'000</i>	<i>Pro forma balances £'000</i>
ASSETS					
Current assets:					
Cash and cash equivalents	1,279	37	–	11,855	13,171
Accounts receivable	3	24	–	–	27
Other current assets	–	24	–	–	24
Total current assets	1,282	85	–	11,855	13,222
Property, plant and equipment, net	–	1	–	–	1
Investments	–	15,076	–	–	15,076
Intangible fixed assets	–	34,470	(2)	–	34,468
Total assets	1,282	49,632	(2)	11,855	62,767
Current liabilities:					
Accounts payable	16	61	–	–	77
Current portion of long-term debt	–	4,571	–	–	4,571
Total current liabilities	16	4,632	–	–	4,648
Total liabilities	16	4,632	–	–	4,648
Total shareholders' equity	1,266	45,000	(2)	11,855	58,119
Total liabilities and stockholders' equity	1,282	49,632	(2)	11,855	62,767

Notes:

- (i) The balance sheet of the Company at 31 December 2005 has been extracted without adjustment from the financial information on the Company set out in Part IV of this document. With the exceptions of the transactions referred to below, no account has been taken of the activities of the Company subsequent to 31 December 2005.
- (ii) The pro forma balance sheet of Quadrise has been extracted without adjustment from the pro forma financial information on Quadrise set out in Part V, Section D of this Document. With the exceptions of the transactions referred to below, no account has been taken of the activities of Quadrise subsequent to 31 December 2005.
- (iii) The Directors consider that the substance of the acquisition of Quadrise by the Company is that it is a reverse acquisition and that, in order to give a true and fair view, the reverse acquisition accounting method, as permitted by IFRS3 'Business combinations', will be adopted as the basis for consolidation in the first published accounts of the Company following completion of the Acquisition. On the basis of provisional estimates of the fair value of the Company's net assets, negative goodwill amounting to approximately £2,000 is expected to arise under reverse acquisition accounting, which will be credited to Income and Expenditure account consolidation.
- (iv) The Initial Placing and Placing of 647,697,213 Shares at 1.75 and 2p per Share respectively, raising £12.9 million before costs of the transaction of £1.0 million.

The Directors and Proposed Directors
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The Directors
Smith & Williamson Corporate Finance Limited
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The Directors
Hichens Harrison & Co. plc
Bell Court House
11 Blomfield Street
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EC2M 1LB

22 March 2006

Dear Sirs

We report on the pro forma financial information set out in Part VI of the AIM Admission Document dated 23 March 2006 ('the Document') of Zareba Plc ('the Company') which has been prepared on the basis of the notes thereto, for illustrative purposes only, to provide information about how the acquisition of Quadrise International Limited and the Initial Placing and Placing of 647,697,213 million Shares of 0.1p each at 1.75p and 2p per Share respectively, might have affected the financial information on the Company, presented on the basis of the accounting policies of the Company. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

It is the responsibility of the Directors (as defined in the Document) to prepare the pro forma financial information in accordance with Schedule Two of the AIM Rules. It is our responsibility to form an opinion on the financial information as to the proper compilation of the pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- (c) the pro forma financial information has been properly compiled on the basis stated; and
- (d) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Paragraph a of Schedule Two of the AIM Rules we are responsible for this report as part of the 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 Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

MRI Moores Rowland LLP
Chartered Accountants

PART VII

FINANCIAL INFORMATION ON MASEFIELD ENERGY

In accordance with Rule 24.2 of the City Code on Takeovers and Mergers, the following information has been extracted without material adjustment from the audited Report and Accounts of Masefield Energy for the financial periods ended 30 June 2004 and 30 June 2005. Masefield Energy was incorporated on 2 June 2004.

Consolidated balance sheet as at June 30

	<i>Notes</i>	<i>US Dollars 2005</i>	<i>US Dollars 2004</i>
ASSETS			
CURRENT ASSETS			
Cash and time deposits		2,203,650	137,544
Accounts receivable – related parties	4	4,328,401	–
Prepayments and other current assets	5	448,285	160,176
Total current assets		<u>6,980,336</u>	<u>297,720</u>
NON CURRENT ASSETS			
Loans receivable	6	2,069,144	–
Equipment	7	4,882,457	4,980,000
Investments held for sale	10	8,535,455	9,510,163
North Sea oilfield licences	8	13,000,000	13,000,000
Other intangible assets			
– Exploration and development costs	9	2,787,093	2,160,565
– Goodwill	9	1,387,143	880,182
Total non current assets		<u>32,661,292</u>	<u>30,530,910</u>
Total assets		<u>39,641,628</u>	<u>30,828,630</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable			
– Third parties	11	369,251	3,504
- Related parties	11	370,210	1,004,712
Trade and other payables	12a	773,033	99,519
Provisions	12b	419,000	–
Total current liabilities		<u>1,931,494</u>	<u>1,107,735</u>
NON CURRENT LIABILITIES			
Loan – related parties	13	27,632,535	27,632,535
Loan – third parties	13	3,625,532	–
Deferred tax liabilities	14	1,014,000	1,014,000
Total non current liabilities		<u>32,272,067</u>	<u>28,646,535</u>
Total liabilities		<u>34,203,561</u>	<u>29,754,270</u>
CAPITAL AND RESERVES			
Share capital		79,214	79,214
Share premium reserve		5,000,000	–
Treasury shares		(5,000,000)	–
Translation reserves		(1,636,520)	–
Retained earnings		(235,995)	(28,333)
Minority interest	15	7,231,368	1,023,479
Total equity		<u>5,438,067</u>	<u>1,074,360</u>
Total liabilities and equity		<u>39,641,628</u>	<u>30,828,630</u>

**Consolidated statement of income
for the year ended June 30**

	<i>Notes</i>	<i>US Dollars 2005</i>	<i>US Dollars 2004</i>
NET SALES		—	—
COST OF GOODS SOLD:		—	—
Gross profit		—	—
OPERATING EXPENSES:			
Wages and salaries		1,691,923	—
Accounting and legal		1,305,671	—
Administration expenses		602,764	—
Other operating expenses	17	756,769	28,333
Total operating expenses		4,357,127	28,333
Operating loss		(4,357,127)	(28,333)
OTHER INCOME (EXPENSES):			
Profit on disposal of investments	3,18	5,893,755	—
Write off of investment	5	(321,702)	—
Interest receivable		169,965	—
Interest payable		(2,288,039)	—
Foreign exchange gain/loss		740,276	—
Total other income/(expenses)		4,194,255	—
Loss before taxes		(162,872)	(28,333)
TAXES	16	(44,790)	—
Net loss		(207,662)	(28,333)
Attributable to:			
— Equity holders of the parent		(207,662)	(28,333)
— Minority interest	15	—	—

**Consolidated cash flow statement
for the year ended June 30**

	<i>Notes</i>	<i>US Dollars 2005</i>	<i>US Dollars 2004</i>
<i>Cash flows from operating activities</i>			
<i>Net profit/(loss) before taxation</i>		(162,872)	—
Foreign exchange loss/(profit)		(740,276)	—
Profit from disposal of investments		(5,893,755)	—
Write off of investment		321,702	—
Provisions		419,000	—
Interest income		(169,965)	—
Interest expense		2,288,039	—
		<u>(3,938,127)</u>	—
Decrease/(increase) in receivables		(5,626,975)	—
Increase/(decrease) in trade payables		(1,143,695)	—
Decrease/(increase) in intangible assets		<u>(369,034)</u>	—
<i>Cash generated from operations</i>		(11,077,831)	—
Interest paid		(96)	—
Interest received		<u>64,678</u>	—
<i>Net cash from operating activities</i>		(11,013,249)	—
<i>Cash flows from investing activities</i>			
Acquisition of subsidiary		2,828,282	58,330
Sale of shares in subsidiaries		7,503,488	—
Purchase of property, plant and equipment		(4,646)	—
Payments to third parties for long-term borrowings		<u>(247,770)</u>	—
<i>Net cash from (used) in investing activities</i>		10,079,354	58,330
Cash flow from financing activities			
Proceeds from issuance of share capital		—	79,214
Proceeds from long-term borrowings		<u>3,000,000</u>	—
<i>Net cash from financing activities</i>		3,000,000	137,544
Net increase/(decrease) in cash and cash equivalents		2,066,106	137,544
Cash and cash equivalents at the beginning of the period		<u>137,544</u>	—
Cash and cash equivalents at the end of the period		<u><u>2,203,650</u></u>	<u><u>137,544</u></u>

For the purposes of the cash flow statement, the period-end cash and cash equivalents comprise the following:

Cash and Cash Equivalents

	2005	2004
Cash on hand and balances with banks	2,203,650	137,544
	<u>2,203,650</u>	<u>137,544</u>

**Consolidated statement of changes in equity
for the period from June 2, 2004 to June 30, 2005**

US Dollars

	<i>Share capital</i>	<i>Share Premium</i>	<i>Translation reserve</i>	<i>Retained earnings</i>	<i>Treasury shares</i>	<i>Total</i>
Opening share capital, June 2, 2004	79,214	—	—	—	—	79,214
Net loss	—	—	—	(28,333)	—	(28,333)
As at June 30, 2004	<u>79,214</u>	<u>—</u>	<u>—</u>	<u>(28,333)</u>	<u>—</u>	<u>50,881</u>
As at July 1, 2004	79,214	—	—	(28,333)	—	50,881
Foreign exchange effects	—	—	(1,636,520)	—	—	(1,636,520)
Acquisition of treasury shares	—	—	—	—	(5,000,000)	(5,000,000)
Net loss	—	—	—	(207,662)	—	(207,662)
Issue of share capital	—	5,000,000	—	—	—	5,000,000
As at June 30, 2005	<u>79,214</u>	<u>5,000,000</u>	<u>(1,636,520)</u>	<u>(235,995)</u>	<u>(5,000,000)</u>	<u>(1,793,301)</u>

The total number of registered shares with restricted transferability is 100,000 with a par value of CHF 1.00 (US\$ 0.79) per share. All issued shares are fully paid.

**Notes to the consolidated financial statements
for the period ended June 30, 2005**

CORPORATE INFORMATION

Masefield Energy Holdings AG and its subsidiaries (the Group) are engaged principally in crude oil exploration and development of discovered reserves, oil field services and related power generation and steam raising activities. Masefield Energy Holdings AG, the parent company, was incorporated on June 2, 2004 as a limited company, with its registered office and domiciled at Baarerstrasse 69, 6300 Zug, Switzerland.

Masefield Energy Holdings AG was founded by Masefield AG as part of a restructuring initiative within the Masefield AG Group. Masefield AG holds a 24 per cent. (2004: 30 per cent.) interest in Masefield Energy Holdings AG. The rest of the shares are principally held by Mr. J.L. Daley and certain other senior executives of the Masefield AG Group. As at June 30, 2005 the Group employed 7 employees (2004: none).

The financial statements were authorised for issue on March 8, 2006 by the board of directors.

BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for available for sale financial and derivative financial instruments which are valued at fair value. The consolidated financial statements are presented in US Dollars, as because of the nature of the Group's activities and the fact that the Group is expected to transact more of its business in US Dollars than any other currency. All values are rounded to one dollar except when otherwise indicated.

As the incorporation of the Group was on June 2, 2004, the prior years financial statements covered 28 days (2 June to 30 June, 2004) only, whereas the financial statements as of 2005 reflect the first full fiscal year of the Group (1 July 2004 to 30 June, 2005). Therefore the comparative amounts for the income statement, statement of changes in equity, cash flow statement and related notes are not entirely comparable.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Basis of consolidation

The consolidated financial statements of the Group comprise of the financial statements of Masefield Energy Holdings AG and its subsidiaries as at 30 June each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Control is normally evidenced when Masefield Energy Holdings AG, or a company which it controls, owns more than 50 per cent. of the voting rights of a company's share capital. Investments in associated companies (generally investments of between 20 per cent. to 50 per cent. in a company's equity) where significant influence is exercised by the company get accounted for using the equity method. An assessment of investments in associates is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist. When the group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued except to the extent of the Group's commitment. Interests in joint ventures get accounted for using the equity method. Companies acquired during the period are consolidated from their date of acquisition and subsidiaries disposed of are included up to the effective date of disposal. A listing of the Group's principal subsidiaries is set out on note 1.

CHANGES IN ACCOUNTING PRINCIPLES

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted certain new/revised standards for financial years beginning on or after 1 July 2005.

The changes in accounting policies result from adoption of the following new or revised standards:

- IFRS 3 Business Combinations, IAS 36 (revised) Impairment of Assets and IAS 38 (revised) Intangible Assets
- IFRS 5 Non-current Assets Held for sale and discontinued Operations
- IAS 16 (revised) Property, Plant and Equipment
- IAS 19 (revised) Employee Benefits

The principle effects of these changes in policies are discussed below.

The adoption of IFRS 3 and IAS 36 (revised) has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (unless an event occurs during the year which requires the goodwill to be tested more frequently) from July 1 2004.

Moreover, the useful lives of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Until the end of the last year, intangible assets were considered to have a finite useful life with a rebuttable presumption that that life would not exceed twenty years from the date when the asset was available for use. In accordance with the revised IAS 38, some of the intangible assets are regarded to have an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Accordingly, patents and licences are considered to have indefinite life. The revised accounting policy applied prospectively for intangible assets is described in the “Summary of significant accounting policies”.

IFRS 5 requires a component of an entity to be classified as discontinued when the criteria to be classified as held for sale have been met or it has been disposed of. An item is classified as discontinued when the criteria to be classified as held for sale have been met or it has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

No depreciation charge has been made for the equipment which was acquired in June 2004. As operations have not started yet, the management have decided to charge depreciation over the useful life of the equipment from the beginning of the use of the equipment.

Estimation uncertainty

The assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least of an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the

present value of those cash flows. The carrying amount of goodwill at 30 June 2005 was USD 1,387,143 (2004: USD 880,182). More details are given in Note 9.

North Sea oilfield licences

The Group determines whether the North Sea oilfield licences are impaired if indications of an impairment come to management's attention. A third party valuation was performed for these licences which required an estimation of the expected future cash flows from these oil fields and choosing a suitable discount rate in order to calculate the present value of those cash flows. In such oil field there are a large range of uncertainties with risks associated with the reservoir size and extent along with the technical challenges of developing the heavy oil. The carrying amount of the North Sea oilfield licences at 30 June 2005 was USD 13,000,000 (2004: USD 13,000,000).

Other intangible assets

The Group determines whether the exploration and development costs are impaired if indication of an impairment come to management's attention. The impairment of the exploration and development costs depend of the development of the heavy oil fields, which are associated with uncertainties and risks as described in the paragraph above.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The consolidated financial statements are presented in US Dollars, which is the Group's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit and loss. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign operations, Nautical Petroleum PLC, Nautical Holdings Ltd, UAH Ltd, Phoenix Mariner Ltd, First Mariner Ltd and Masefield Energy Services Ltd, is GBP. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation of the Group (US Dollars) at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity ("translation difference"). On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement as part of the gain or loss on sale.

The following exchange rates are used in the Group's major currencies:

2005	ISO code	Unit	Balance Sheet	Income Statement
United Kingdom	GBP	1	1.8042	1.8058
Switzerland	CHF	1	0.779	0.7737

Foreign currency transactions

Transactions during the period in foreign currencies are translated into the respective local currencies at the exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into respective local currencies at the exchange rates prevailing at the period-end. Exchange gains and losses are recognised in the income statement.

Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and on call deposits, investments and loans payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies in the note.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, bank balances, call money and unrestricted time deposit balances with an original maturity of 90 days or less, net of short-term bank loans and overdrafts.

Equipment

Equipment is recorded at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met. Depreciation is calculated on a straight line basis over the useful life. Useful lives of major classes of depreciable assets are as follows:

Oil processing equipment	10 years
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The initial cost of equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the income statement in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of equipment beyond its original assessed standard of performance, the expenditures are capitalised as an additional cost of equipment.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of equipment.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Borrowing costs

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds and are expensed as incurred.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating unit) is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit (group of cash-generating unit) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets include North Sea oilfield licences and exploration and development costs. Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised exploration and development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expenses category consistent with the function of the intangible asset. The useful life for this type of project varies but a typical useful life is estimated to be in the range of 5 to 9 years.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Exploration and development costs:

An intangible asset arising from development expenditure on an individual project (oil field) is recognised only when the Group can demonstrate the technical feasibility of exploration of oilfields so that it will be available for use or explore, its intention to complete and its ability to use or explore the asset, how the asset will generate future economic benefits and the availability to measure reliably the expenditure during the development. Following the initial recognition of the exploration and development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future exploration of the related oil field, which is based on a unit-of-production basis by reference to quantities.

The carrying value of the exploration and development costs is reviewed annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year.

A summary of the policies applied to the Group's intangible assets is as follows:

	<i>Licences</i>	<i>Exploration and development costs</i>
Useful lives	Finite	Finite
Method used	Amortised on a unit-of-production basis by reference to quantities using the ratio of oil and gas production in the period to the estimated quantity of commercial reserves at the end of the period plus the production in the period.	Amortised on a unit-of-production basis by reference to quantities using the ratio of oil and gas production in the period to the estimated quantity of commercial reserves at the end of the period plus the production in the period.
Internally generated or acquired	Acquired	Internally generated
Impairment testing/recoverable amount testing	Annually for assets not yet in use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year.	Annually for assets not yet in use and more frequently when an indication of impairment exists. The amortisation method is reviewed at each financial year.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivable, held-to-maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognised initially, they are at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The Group currently only has loans and receivable and available for sale financial assets which correspond to this category of assets.

All regular way purchases and sales of financial assets are recognised on the trade date, e.g. the day the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-for-sale investments

Held-for-sale investments are those non-derivative financial assets that are designated as held-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments

where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; references to the current market value of which is substantially the same; discounted cash flow analysis and option pricing models.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of the Group's own equity instruments.

Minority interests

Minority interests in the profit and loss of the Group are separately disclosed. The profit is attributed to the parent shareholders and minority interests. However losses applicable to the minority may exceed the minority interest in the subsidiary's equity. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings, are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

De-recognition of financial assets and liabilities

Financial assets

A financial asset is derecognised where:

- the right to receive cash flows from the asset have expired
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred the rights to receive cash flows from the asset and a) either has transferred substantially all the risks and rewards of the asset or b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The group assesses at each balance sheet date whether a financial asset or group of financial asset is impaired

Assets carried at amortised costs

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at the initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Held-for-sale financial assets

If an held-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement.

Pension and other post employment benefits

The Group maintains various defined contribution plans for providing employee benefits, which conform to laws and practices in the countries concerned. Retirement benefit plans are generally funded by contributions by both the employees and the companies to independent entities (multi employer plans) that operate the retirement benefit schemes. Current service cost for defined contribution plans is equivalent to the employer's contributions due for the period.

The Group's contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate.

Taxes

Current taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred taxes

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary difference, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable
- that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Notes to the consolidated financial statements for the period ended June 30, 2005

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- whether the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the costs of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included

the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest income is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipt through the expected life of the financial instrument to the net carrying amount of the financial asset).

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior year. Such reversal is recognised in profit or loss unless the asset is carried at revaluated amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in further periods to allocate the asset's revised carrying amount, less any residual value on a systematic basis over its remaining useful life.

Commitments and Contingencies

Commitments and contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Events after balance sheet date

Post period–end events that provide additional information about a company’s position at the balance sheet date are reflected in the financial statements. Post period–end events that are not adjusting events are disclosed in the notes when material.

1. Changes in Group structure

There were several changes in the group structure during the year. The principal ones were:

On August 18, 2004 Masefield Energy Holdings AG formed Nautical Holdings Ltd (UK) and transferred into it part of its interest in Nautical Petroleum AG and the oil processing equipment by way of capital contribution. On March 30, 2005 Masefield Energy Holdings AG, together with certain minority interests, sold Nautical Holdings Limited to Bullion Resources Plc, a listed company on the Alternative Investment Market (AIM) of the London Stock Exchange, through a reverse takeover transaction. On April 1, 2005 Bullion Resources Plc changed its name to Nautical Petroleum Plc upon the readmission of its shares on AIM. As of June 30, 2005 Masefield Energy Holdings AG held a 65.95% interest Nautical Petroleum Plc.

On 1 March 2005, Masefield Energy Holdings AG transferred its remaining 25% interest in Nautical Petroleum AG into UAH Limited and then subsequently sold 49% to third parties for the sum of USD 5.86 million.

On 30 June 2005, Masefield Energy Holdings AG purchased 4,082 of its own shares from Masefield AG for a consideration of USD 5 million which was satisfied by the transfer of a third party loan obligation of Masefield AG. The repurchased shares were held in treasury as of June 30, 2005.

The principal subsidiaries of Masefield Energy Holdings AG (“MEHAG”) are the following as at June 30, 2005:

<i>Name</i>	<i>Ownership</i>	<i>Country of incorporation</i>	<i>Subsidiary of</i>
Nautical Petroleum Plc	65.95	UK	MEHAG
UAH Ltd (former Nautical Petroleum UK Ltd)	51%	UK	MEHAG
Nautical Holdings Ltd.	100%	UK	Nautical Petroleum PLC
Nautical Petroleum AG	75%	Switzerland	Nautical Holdings Ltd.**
Phoenix Mariner Limited	84%	UK	MEHAG
Masefield Energy Services Ltd	100%	UK	MEHAG
First Mariner Limited ^^	100%	UK	MEHAG
QPS AG	78%	Switzerland	MEHAG

** 25 % of the shares in Nautical Holdings AG are held by UAH Ltd., a subsidiary of MEHAG.

^^ Incorporated on 20 June 2005.

2. Acquisition of subsidiaries, equipment and investments

Acquisition of subsidiaries

Acquisition in 2005

On March 30, 2005, Masfield Energy Holdings AG acquired Bullion Resources Plc (renamed to Nautical Petroleum Plc on April 1, 2005) through a reverse takeover transaction. The purchase consideration for acquiring Bullion Resources Plc was:

US Dollars	
Shares transferred to the seller	2,744,501
Total purchase consideration	2,744,501
Interest in fair value of net assets acquired	1,905,807
Goodwill	838,694

Fair value of assets and liabilities arising from the acquired subsidiaries, summarised by each major category:

<i>US Dollars</i>	<i>Nautical Petroleum Plc</i>
Cash and cash equivalents	3,091,571
Prepayments and other current assets	68,056
Accounts payable and accruals	269,852
Total net assets	2,889,775
Minorities	983,968
Total after minority interests	1,905,807

As the acquisitions were made as of March 30, 2005, a loss from the date of acquisition to the financial year end of USD 0.527 Mio. is included in the statement of income of the Group.

Acquisitions in 2004

On June 30, 2004 Masfield Energy Holdings AG acquired the following subsidiaries from Masfield AG: QPS AG, Nautical Petroleum AG and Nautical Petroleum UK Ltd (of which Phoenix Mariner was a subsidiary). All acquisitions were accounted for by use of the purchase method. The acquired subsidiaries are principally engaged in crude oil exploration and development of discovered reserves, oil field services and related power generation and steam raising activities.

Total purchase consideration for acquisition of subsidiaries was:

<i>US Dollars</i>	
Cash paid	0
Loans payable (disclosed under loans – related parties)	11,970,920
Total purchase consideration	11,970,920
Interest in fair value of net assets acquired	-11,090,738
Goodwill	880,182

Fair value of assets and liabilities arising from the acquired subsidiaries, summarised by each major category:

US Dollars

	<i>Nautical Petroleum AG</i>	<i>Aggregate amount of other acquisitions</i>	<i>Total</i>
Cash and cash equivalents	13,464	44,866	58,330
Prepayments and other current assets	0	183	183
North Sea oilfield licences	13,000,000	0	13,000,000
Exploration and development costs	1,045,937	1,114,628	2,160,565
Goodwill	870,145	10,037	880,182
Accounts payable – third parties	0	(3,504)	(3,504)
Accounts payable – related parties	(996,379)	(1,086,459)	(2,082,838)
Other provisions and accruals	0	(4,519)	(4,519)
Deferred tax liabilities	(1,014,000)	0	(1,014,000)
Total	12,919,167	75,232	12,994,399
Minorities	(1,024,167)	688	(1,023,479)
Total after minority interests	<u>11,895,000</u>	<u>75,920</u>	<u>11,970,920</u>

As the acquisitions were made as of June 30, 2004 (the reporting date of the Group), no profit or loss from the acquired subsidiaries is included in the statement of income of the Group.

Had the acquisitions been made at the beginning of the prior period, there still would have been no revenue for the Group's current period. As the acquired subsidiaries do not produce interim financial statements, it is impractical to determine the amount of net loss which would have resulted had the acquisitions been made as of June 2, 2004.

Acquisition of equipment and investments

On June 30, 2004 the Group acquired equipment (note 7) and investments (note 10) with an aggregate cost of USD 14,490,163 from Masefield AG. The total consideration is due and disclosed under "loans – related parties".

3. Partial sale of subsidiaries and held for sale assets

Masefield Energy Holdings AG has sold 49% of UAH Ltd during the year ended June 30, 2005. The net gain from this transaction were recognised in the profit and loss statement at USD 4.265 million.

In October 2004 Masefield Energy Holdings AG sold 9.848 per cent. of its holding in Nautical Holdings Limited. The net loss from this transaction was recognised in the profit and loss statement at USD 116 thousand. The takeover of Bullion Resources PLC resulted in a further reduction of Masefield Energy Holdings AG holding in Nautical Holdings Limited of 7.3 per cent. which resulted in a gain on disposal of USD 1.68 million.

Masefield Energy Holdings AG sold 22 per cent. of QPS AG during the year ended June 30, 2005 at par value. There was no effect on the profit and loss statement resulting from this transaction.

Welgas Holdings Ltd. which was accounted for as an held-for-sale investment in previous period (note 10) was sold on 30 June 2005 to Masefield Energy Resources AG. The purchase price was financed as by way of loan from Masefield Energy Holdings AG. There was no effect on the profit and loss statement due to this transaction. During the year additional purchase consideration of USD 300,000 was paid by Masefield Energy Holdings AG to Masefield AG to reflect a more accurate valuation when the investment was acquired.

4. Accounts receivable – related parties

<i>US Dollars</i>	<i>2005</i>	<i>2004</i>
Masefield Energy Resources AG	2,014,503	0
Masefield AG	2,313,898	0
Total	<u>4,328,401</u>	<u>0</u>

The accounts receivables consist of balances with related parties of Masefield AG group. The receivables have no maturity date.

For terms and conditions relating to related party receivables, refer to Note 20 (“related party transactions”).

5. Prepayments and other current assets

<i>US Dollars</i>	<i>2005</i>	<i>2004</i>
Prepaid expenses	430,523	160,176
Receivable in respect of disposal of Investment (note 2)	17,762	–
Total	<u>448,285</u>	<u>160,176</u>

The prepaid expenses consist of the USD 110,504 (2004: none) for service fees; USD 123,467 (2004: none) for VAT receivable, USD 82,272 (2004: none) for rent and USD 114,280 (2004: 160,176) of other sundry prepayments.

The prepaid expenses in 2004 related to the development of a captive energy fund. These were added to in 2005 before the total project costs amounting to USD 321,702 were written off in the year.

6. Loans receivables

<i>US Dollars</i>	<i>2005</i>	<i>2004</i>
Mariner Expro Limited	247,771	0
Alba Resources Limited	1,820,846	0
Other	527	0
Total	<u>2,069,144</u>	<u>0</u>

The interest rate of the loan “Mariner Expro Limited” is LIBOR + 1 per cent. and is repayable as per February 20, 2007. The loan to Alba Resources Limited was provided in order to fund the development of the Mariner oil field on the UK continental shelf. No interest is payable on the loan and repayment is due 60 business days after field development consent has been granted, estimated to be in 18 to 24 per cent. Alba Resources Limited was acquired in October 2005 as part of the acquisition of Alba Resources (Holdings) Limited group (further details to this transaction see note 21 (“Events after balance sheet date”). The fair value of this receivable approximates USD 1,592,617.

7. Equipment

<i>US Dollars</i>	<i>Equipment</i>	<i>Total</i>
Gross value		
As at June 2, 2004	0	0
Additions	4,980,000	4,980,000
As at June 30, 2004	<u>4,980,000</u>	<u>4,980,000</u>
Depreciation		
As at June 2, 2004	0	0
Charge for the period	0	0
As at June 30, 2004	<u>0</u>	<u>0</u>
Gross value		
As at July 1, 2004	4,980,000	4,980,000
Foreign exchange translation movement	(97,543)	(97,543)
Additions	0	0
As at June 30, 2005	<u>4,882,457</u>	<u>4,882,457</u>
Depreciation		
As at July 1, 2004	0	0
Charge for the year	0	0
As at June 30, 2005	<u>0</u>	<u>0</u>
Net book value at June 30, 2004	<u>4,980,000</u>	<u>4,980,000</u>
Net book value at June 30, 2005	<u>4,882,457</u>	<u>4,882,457</u>

The equipment was acquired as at June 30, 2004. No depreciation charge has been recorded in the year as the equipment was not put to use. The nature of the equipment is Extended Well Testing equipment specifically for use on offshore oil rigs, the specification and technical nature of this type of equipment have remained relatively unchanged for several years. The change in value from 2004 is due to foreign exchange rate movements.

8. North Sea oilfield licences

US Dollars

North Sea
oilfield
licence

Cost	
Gross amount	
As at June 2, 2004	0
Additions	13,000,000
As at June 30, 2004	<u>13,000,000</u>
Depreciation	
Charge for the period	0
As at June 30, 2004	<u>0</u>
Gross amount	
As at July 1, 2004	13,000,000
Additions	0
As at June 30, 2005	<u>13,000,000</u>
Depreciation	
As at July 1, 2004	0
Charge for the year	0
As at June 30, 2005	<u>0</u>
Net book value at June 30, 2004	<u>13,000,000</u>
Net book value at June 30, 2005	<u>13,000,000</u>

The licence (P1077 over block 9/2b) relates to the right to extract heavy crude oil from the North Sea oilfields within the UK Continental Shelf. The licence was awarded by the Department of Trade & Industry (DTI) to Nautical Petroleum AG in October 2003 and was acquired through the acquisition of Nautical Petroleum AG at June 30, 2004 at fair market value based on independent professional valuation.

In November 2005 the DTI confirmed the extension of the licence (P10777 over block 9/2b). Nautical has also been appointed Exploration Operator in the Block. The Secretary of State agreed that the conditions for the continuation of the licence past its second anniversary had been met and that the licence may therefore continue into a third year.

In August 2004 a revaluation of this licence was performed by an independent professional, which resulted in a net present value of USD 48 Mio. The fair value estimated using this valuation technique is sensitive to the valuation assumptions that are not supported by observable market prices.

The actual recovery factors for such type of heavy oil can vary from around 15 per cent. to around 60 per cent. Using existing, new and emerging technology, the valuation expert's assumption is that a recovery factor of 30 per cent. is achievable over a production cycle of a 6 to 7 year period. The net present value of USD 48 Mio. is based on a 15 per cent. discount rate.

A second licence (P1203 over block 3/27a) was offered to Nautical Petroleum AG on 17 October 2004 and received the licence for signature on 9 February 2005. No value for the licence has been carried as of June 30, 2005.

9. Other intangible assets and Goodwill

US Dollars

	<i>Development costs</i>	<i>Exploration and evaluation assets</i>	<i>Goodwill</i>	<i>Total</i>
Cost				
Gross value				
As at June 2, 2004	0	0	0	0
Additions	1,114,628	1,045,937	880,182	3,040,747
As at June 30, 2004	<u>1,114,628</u>	<u>1,045,937</u>	<u>880,182</u>	<u>3,040,747</u>
Depreciation				
As at June 2, 2004	0	0	0	0
Charge for the period	0	0	0	0
As at June 30, 2004	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Gross amount				
Cost As at July 1, 2004	1,114,628	1,045,937	880,182	3,040,747
Additions	683,003	443,000	838,694	1,964,697
Disposals	–	(499,475)	(299,702)	(799,177)
Currency differences	–	–	(32,031)	(32,031)
As at June 30, 2005	<u>1,797,631</u>	<u>989,462</u>	<u>1,387,143</u>	<u>4,174,236</u>
Depreciation				
As at July 1, 2004	0	0	0	0
Charge for the year	0	0	0	0
As at June 30, 2005	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net book value at June 30, 2004	1,114,628	1,045,937	880,182	3,040,747
Net book value at June 30, 2005	<u>1,797,631</u>	<u>989,462</u>	<u>1,387,143</u>	<u>4,174,236</u>

The additions to goodwill in 2005 relate to the acquisition of Bullion Resources Plc (renamed to Nautical Petroleum Plc) on March 30, 2005 and the disposals the reduction in the indirect holding in Nautical Petroleum AG which resulted from this transaction.

The additions in 2004 relate to the acquisition of Nautical Petroleum AG, QPS AG and Nautical Petroleum UK Ltd. as of June 30, 2004.

The exploration and evaluation assets are costs incurred in relation to topographical and geological studies and activities in relation to evaluating technical feasibility and commercial viability of extracting oil from the said oilfield.

The development costs mainly relate to the commercialisation of a fuel processing technology and its application in power generation and steam raising, vested in QPS AG.

No depreciation charge has been recorded as per June 30, 2005 as the assets to which they relate have not entered into production and/or revenue.

10. Investments

Held for sale investments

US Dollars

	<i>Country of incorporation</i>	<i>% of ownership</i>	<i>2005</i>	<i>2004</i>
Welgas Holdings Ltd	Mauritius	0%(20.2%)	0	1,714,504
Quadrise Canada Fuel Systems Inc	Canada	16.0%(18.2%)	8,535,455	7,795,659
			<u>8,535,455</u>	<u>9,510,163</u>

The above listed investments are classified as held-for-sale investments due to the intended resale of the companies. Welgas Holdings Ltd was sold to Masfield Energy Resources AG. For details refer to Note 3 (“Disposal of subsidiaries”)

The acquisition values reflect fair values. The fair value of Welgas Holdings Ltd. in 2004 is based on the underlying equity; the fair value of Quadrise Canada Fuel Systems Inc. is based on the second round of funding received by the company. The present situation of Quadrise Canada Fuel Systems Inc. confirms the sustainability of the fair value as per June 30, 2005. The change in value from 2004 is due to currency exchange rate fluctuations.

11. Accounts payable

<i>US Dollars</i>	<i>2005</i>	<i>2004</i>
Trade creditors	272,609	3,504
Payroll taxes	33,809	0
Corporation tax	44,789	0
Audit	18,044	0
Accounts payable – third parties	<u>369,251</u>	<u>3,504</u>
Mas Masfield Limited	<u>370,210</u>	<u>1,004,712</u>
Accounts payable – related parties	<u>370,210</u>	<u>1,004,712</u>

12a. Trade and other payables

<i>US Dollars</i>	<i>2005</i>	<i>2004</i>
Audit and consultancy fees	97,593	95,000
Other accrued expenses	675,440	4,519
	<u>773,033</u>	<u>99,519</u>

The other accrued expenses consist of the following items:

<i>US Dollars</i>	<i>2005</i>	<i>2004</i>
Accrued interests	94,855	0
Accrued bonuses	330,000	0
Directors fees	11,276	0
Deferred income	12,969	0
Accrued royalty payments	173,203	0
Other	53,137	4,519
	<u>675,440</u>	<u>4,519</u>

12b. Provisions

The provision of USD 419,000 (2004: nil) relates to various tax and legal matters relating to the ongoing business.

13. Non-current liabilities

<i>US Dollars</i>	<i>2005</i>	<i>2004</i>
Masfield AG	27,632,535	27,632,535
Loans payable – related parties	27,632,535	27,632,535
Rivertrade Limited & Harvey McGrath	<u>3,625,532</u>	<u>–</u>
Loans payable – third parties	<u>3,625,532</u>	<u>–</u>

Masefield Energy Holdings AG acquired various asset-based business interests from Masefield AG on June 30, 2004. The transaction is supported by an arm's length purchase/sale agreement, the terms of which allow for a deferred repayment program with the first instalment not due until July 2006. Under the deferred repayment program, an amount of USD 22,020,000 is repayable by 12 quarterly instalments with effect from July 1, 2006. The balance, amounting to USD 5,612,535, is repayable in one lump sum on June 30, 2014. Interest is payable at a rate of Libor + 1 per cent. The fair value of the payable approximates USD 29,204,095. The repayment terms were rescheduled after the year end, see note 21.

In January 2005 Masefield Energy Holdings AG entered into a loan agreement with Rivertrade Limited and Harvey McGrath. The principal amount of this loan was USD 3,000,000 and its fair value at 30 June 2005 USD 3,625,532 which will be amortised down to USD 3,600,000 over the life of the loan. The Interest rate on the Rivertrade loan is LIBOR + 4 per cent. and will be repayable on January 10, 2008. Under the loan agreement the lenders had the option to convert the loan to equity in Quadrise Power Systems AG or Masefield Energy Holdings AG. In December 2005 agreement was reached to convert the loan, more details of this are given in note 21.

During the year to June 2004, Masefield AG received a subordinated loan of USD 5,000,000 from Marc Rich Agriculture AG. The loan was repayable over a period of 3 years, with the first payment due in September 2005. Interest was payable at the rate of 5 per cent. or the aggregate of USD LIBOR plus 3 per cent. whichever was higher. In addition to interest, the lender was also entitled to profit participation at the rate of 15 per cent. of the Combined Group's net profit.

On June 30, 2005, Masefield AG entered into a new agreement, whereby it agreed to sell part of its investment in Masefield Energy Holdings AG (MEHAG). Masefield AG sold 4,048 shares, which will then be transferred back to MEHAG. In respect of this, Masefield AG received a total consideration of USD 5,000,000. This consideration was settled by the transfer from Masefield AG to MEHAG of the USD 5,000,000 subordinated loan detailed above.

14. Deferred income tax

Deferred income taxes are calculated on all temporary differences under the balance sheet liability method using the future expected tax rates based on the home country of the company.

The movement on the deferred income tax account is as follows:

<i>US Dollars</i>	<i>2005</i>	<i>2004</i>
Beginning of the period	1,014,000	–
Deferred tax liabilities on assets acquired	–	1,014,000
At June 30	<u>1,014,000</u>	<u>1,014,000</u>

Deferred income tax liabilities have not been established for the withholding tax and other taxes that would be payable on the un-remitted earnings of certain subsidiaries as such amounts are permanently reinvested.

Deferred tax liabilities are attributable to the following items:

<i>US Dollars</i>	<i>2005</i>	<i>2004</i>
Deferred tax liabilities:		
North Sea oilfield licences	1,014,000	1,014,000
	<u>1,014,000</u>	<u>1,014,000</u>

15. Minority interests

<i>US Dollars</i>	<i>2005</i>	<i>2004</i>
Share of minority holding at June 1, 2005	7,231,368	1,023,479
Additions–	–	–
At June 30	<u>7,231,368</u>	<u>1,023,479</u>

The losses are charged to the minority interests in the proportion in which they hold an interest in each company in the group.

16. Tax expenses

Taxes on the Group's profit before tax differ from the theoretical amount that would arise using the basic rate of the home country of the Company as follows:

<i>US Dollars</i>	<i>2005</i>	<i>2004</i>
loss before tax	(162,872)	(28,333)
Tax calculated at a tax rate Parent Company at 7.8%	(12,704)	(2,210)
Use of prior year tax losses not capitalised	2,210	0
Effect of different tax rates	(34,628)	0
Tax loss carry forwards not capitalized	252,784	(2,210)
Tax charge	<u>44,790</u>	<u>0</u>

The tax losses of USD 842,613 have no expiry date. Tax losses amounting to approximately USD 6.5 million were acquired with Nautical Petroleum Plc and have no expiry date.

The Group has not capitalized any deferred tax assets for unused tax loss carry forward as the utilisation of the tax losses are uncertain.

17. Other operating expenses

<i>US Dollars</i>	<i>2005</i>	<i>2004</i>
Geological storage cost	157,869	0
Travel expenses	143,868	0
Others	455,032	28,333
	<u>756,769</u>	<u>28,333</u>

18. Profit on disposal of investments

The profit on disposal of investment relates mainly to the sale of 49 per cent. interest in UAH Ltd.

19. Financial risk management objectives and policies

The main risks arising from the Group's activities are cash flow interest rate risk, liquidity risk, foreign currency risk, embedded derivatives risk, price risk (fair value) and credit risk. The executive committee reviews and agrees policies for managing each of these risks and they are summarized below.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's non-current liabilities (loan payables) with a floating interest rate. The Group's policy is to manage its interest cost using variable rate debts which representing market rate.

Liquidity risk

Liquidity risks arise from the possibility that the Group is unable to fund its ongoing projects. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans of third party investors and related parties. The Group is in contact with potential investors to finance the projects planned and is confident of raising the required funding for its ongoing projects.

Foreign currency risk

The Group's significant investments operations are in the UK; the Group's balance sheet can be affected significantly by movements in the USD/GBP exchange rates. The Group does not hedge this exposure at present.

The Group has also transactional currency exposures in GBP and Swiss Franc as certain administration and operating expenses are paid those currencies. The Group enters into limited forward currency contracts as the transactional foreign currency exposure is not considered material to the Group at present.

Embedded derivatives risk

The group enters into certain agreements from time to time for working capital purposes. These agreements contain certain share option conversion rights. The risk is minimised by contracting in certain clauses which restrict the conversion to shareholding amounting to a certain value.

Price risk

The carrying amount of the following financial assets and liabilities approximate to their fair values due to their short term nature: cash accounts, accounts receivables and accounts payable. Available for sale investments are valued at fair value based on recent shareholder transactions or the underlying net asset base.

Credit risk

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and time deposits, accounts receivables, loans receivables and held for sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The credit risk on cash is limited as cash is placed with substantial financial institutions.

20. Related party transactions

Approximately 24 per cent. of Masfield Energy Holdings AG's share capital is currently held by Masfield AG. As part of a group restructuring initiative of Masfield AG Group in 2004, Masfield Energy Holdings AG acquired various asset-based business interests from Masfield AG on June 30, 2004. The transaction was supported by an arm's length sale/purchase agreement and the assets were transferred at fair value. Fair value was calculated on the basis of the underlying net asset base of the carrying entity, the price of recent shareholder transactions and independent professional valuations. The assets, of which the main ones are listed below, were purchased for a total amount of USD 28,628,913:

Oil processing equipment
Shares in Quadrise Canada Fuels Systems Inc.
Shares in Welgas Holdings Ltd
Shares in Nautical Petroleum AG
Receivables relating to subsidiaries purchased.

In addition, during the year ended June 30, 2005 the following transactions took place between Masfield Energy Holdings AG group and Masfield AG group:

- (a) Temporary working capital advance from Masfield Energy Holdings AG to Masfield AG amounting to USD 2,313,898 as of June 30, 2005. This was discharged by Masfield AG on November 25, 2005. Interest at the rate of LIBOR + 1 per cent. was charged on this advance for the duration of the advance.
- (b) The repurchase of own shares ("treasury shares") by Masfield Energy Holding AG from Masfield AG on 30 June 2005 for a consideration of USD 5 million which was satisfied by the assumption of the loan obligations of Masfield AG to Marc Rich Agriculture AG for USD 5 million.

Other material related party transactions which took place during the year ended June 30, 2005 were:

- I. On 30 June 2005, Masfield Energy Holdings AG sold its interest in Welgas Holdings Ltd., which was accounted for as an held-for-sale investment in previous period, to Masfield Energy Resources AG for an amount of USD 2,014,503. The purchase consideration is shown as a receivable from Masfield Energy Holdings AG.
- II. During the year 20 ordinary shares in UAH Limited were purchased by Philippe Jaccard, a director of Masfield Energy Holdings AG for consideration of USD 240,000. This was an arms length price at which shares were also sold to third parties. More details of this transaction are provided in note 3.
- III. By option deeds dated 7 March 2005 the company granted options to the following directors of Nautical Petroleum PLC to subscribe for 20,000,000 ordinary shares at 4.0p per share for a period of 3 years from 1 April 2005 as follows:

P Dimmock	1,500,000
S Jenkins	5,000,000
P Jennings	4,000,000
PW Kennedy	1,500,000
H Thanawala	4,000,000
I Williams	4,000,000

Each option may be exercised in respect of 50 per cent of the number of ordinary shares at any time after 1 April 2006 and in respect of the balance at any time after 1 April 2007. All options must be exercised before 1 April 2008.

21. Events after balance sheet date

On October 6 2005, Masfield Energy Holdings AG reduced the share capital by 4,082 registered shares at nominal value of CHF 1.00 each (by eliminating the treasury shares). At the same time, 6,122 registered shares at nominal value of CHF 1.00 each were issued to Marc Rich + Co Holdings GmbH for a value of USD 7.5 million, the consideration of which was satisfied by the conversion of the loan of USD 5 million and a cash injection of USD 2.5 million.

Nautical Petroleum Plc acquired 100 per cent. of Alba Resources (Holdings) Limited on August 16, 2005 for a consideration of USD 25 million, satisfied through a combination of cash (USD 6 million) and shares of Nautical Petroleum Plc (USD 19 million). On July 4, 2005 Masfield Energy Holdings AG sold its interest in First Mariner Limited to Nautical Petroleum Plc for a consideration of GBP 3 million, satisfied by the issue of 23,588,184 ordinary shares by Nautical Petroleum Plc to it. First Mariner Limited's principal asset was the Development Agreement between Masfield Energy Holdings AG and Alba Resources Limited dated January 6, 2005 which was assigned to it by Masfield Energy Holdings AG prior to its sale to Nautical Petroleum Plc. The Development Agreement provided for an indirect interest of 13.33 per cent. in the Mariner oilfield in the UK North Sea prior to the acquisition of Alba Resources (Holdings) Limited group.

On November 23, 2005 Masfield Energy Holdings AG reached an agreement with Masfield AG for an early repayment of USD 5,505,000 to be made against the related party loan (note 13). As consideration for this Masfield AG agreed to receive a further 9 quarterly instalments of \$1,790,000 commencing on April 1, 2007 together with a final payment of USD 5,467,535 payable on June 30, 2014. This reduces the total amount due under the Sale/Purchase agreement by USD 550,000.

In December 2005, an agreement was reached with Rivertrade Limited & Harvey McGrath to convert their loan (note 13) into equity of Masfield Energy Holdings AG. The conversion provides them with an effective 2.88 per cent. interest in Masfield Energy Holdings AG.

On 23 February 2006, Masfield Energy Holdings AG transferred all its Quadrise related interests into Quadrise International Limited for consideration shares, with the planned intention of reversing Quadrise International Limited into an AIM listed cash shell.

PART VIII

ADDITIONAL INFORMATION

1. Responsibility

- (a) The Existing Directors and the 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 (other than the information for which the Quadrise Directors and James Daley accept responsibility as detailed in paragraph 1(b) below) including collective and individual responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Proposed Directors and the Existing 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.
- (b) The Quadrise Directors together with James Daley, a director and a major shareholder of Masefield Energy, accept responsibility for the information relating to Masefield Energy, the information contained in paragraph 5(e) of this Part VIII and the information contained in paragraph 9 of this Part VIII (except for the information in paragraph 9 which also appears elsewhere in this document). James Daley alone accepts responsibility for the financial information on Masefield AG contained in Part II of this document. To the best of the knowledge and belief of the Quadrise Directors and James Daley (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

- (a) The Company is registered and domiciled in England and Wales, having been incorporated on 22 October 2004 under the Act with registered number 5267512 as a public company limited by shares with the name Shellco PLC. On 2 December 2004, the company changed its name to Zareba PLC. The liability of members is limited.
- (b) On 11 January 2005, the Registrar of Companies issued a certificate to the Company entitling it to do business under section 117 of the Act.
- (c) The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- (d) The Company's registered office is Third Floor, 55 Gower Street, London WC1E 6HQ. The Company's telephone number is 020 7580 6075. Following Admission, the registered office will be Parnell House, 25 Wilton Road, London SW1V 1YD. The telephone number will be 020 7550 4930.
- (e) Following the Acquisition, the Company's main activity will be that of a holding company and the main activity of the Enlarged Group will be as described in Part I under the heading "Intentions Regarding the Company".
- (f) As at the date of this document, the Company has no subsidiaries.
- (g) Following the Acquisition, the Company will have the following subsidiaries 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>
Quadrise International Limited	100.0%	England and Wales
Quadrise Limited ^{note 1}	100.0%	England and Wales
Quadrise Power Systems AG ^{note 1}	100.0%	Switzerland
Quadrise Canada Fuel Systems Inc ^{notes 2}	20.6%	Canada
Quadrise Fuels US LP ^{notes 1, 3}	49.7% (prospective)	Delaware

Notes:

- Share capital owned through Quadrise International Limited.
- Comprises 6.3 per cent. owned by Quadrise International Limited and 14.3 per cent. owned by Quadrise Limited.
- Quadrise Fuels US LP is still in formation. Quadrise Canada Fuel Systems Inc will also own a 29.7 per cent. interest in its share capital.

3. Share capital

- (a) The Company was incorporated with an authorised share capital of £50,000 divided into 50,000 Shares of £1.00 each, of which, two were issued, fully paid, to the subscribers to the memorandum of association of the Company. The Shares were created under the Act.
- (b) On 3 December 2004, resolutions were passed, *inter alia*, increasing and sub-dividing the authorised share capital of the Company to £1,000,000 divided into 1,000,000,000 Shares of 0.1p each, authorising the Existing Directors to allot relevant securities up to a maximum aggregate nominal amount of £499,998, such authority to expire on 3 December 2005, dis-applying pre-emption rights and authorising the Existing Directors to grant options in an amount not exceeding 9,000,000 Shares of 0.1p each. On 31 December 2004, the number of shares issued and fully paid was increased from 2,000 Shares of 0.1p each to 50,000,000 Shares of 0.1p.
- (c) On 8 February 2005, the Company issued a further 150,000,000 Shares for cash at 1p per Share pursuant to a placing.
- (d) On 7 March 2005, the Company issued 3,300,000 Shares at a price of 1p per Share in satisfaction of commissions in relation to the placing referred to in paragraph 3(c) above.
- (e) The existing authorised and issued fully paid up share capital of the Company as at the date of this document is:

<i>Authorised Shares</i>		<i>Issued and fully paid up Shares</i>	
<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
1,000,000,000	£1,000,000	203,300,000	£203,300

- (f) Pursuant to Resolution 7 to be proposed at the EGM, the Company proposes to consolidate the ordinary shares of 0.1p each into ordinary shares of 1p each on the basis of 10 ordinary shares of 0.1p for each new ordinary share of 1p. The authorised and issued fully paid up share capital of the Company as it is expected to be on Admission (assuming that the allotment of all of the Consideration Shares, the Initial Placing Shares and all of the Placing Shares takes place on completion of the Acquisition) is set out below and indicates the relevant amounts prior to and following Consolidation:

	<i>Shares</i>		<i>New Shares (following Consolidation)</i>	
	<i>Number</i>	<i>Nominal Amount</i>	<i>Number</i>	<i>Nominal Amount</i>
Authorised	10,000,000,000	£10,000,000	1,000,000,000	£10,000,000
Issued	4,611,268,630	£4,611,269	461,126,811	£4,611,269

- (g) The Existing Directors do not currently have any general authority pursuant to section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act).
- (h) Pursuant to Resolutions 4 and 5 to be proposed at the EGM to be held on 18 April 2006, it is proposed that:
- the Existing Directors and Proposed Directors be generally authorised pursuant to section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £9,796,700, such authority to expire at the conclusion of the Company's annual general meeting in 2007; and
 - the Existing Directors and Proposed Directors be empowered, pursuant to the provisions of section 95(1) of the Act, to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the general authority referred to in paragraph 3(h)(i) above as if section 89(1) of the Act did not apply to such allotment provided that such power shall be limited to (a) allotments of equity securities by way of rights or open offer to Shareholders in proportion as nearly as may be to their existing holdings, (b) the allotment of equity securities in connection with the Initial Placing and the Placing and the options granted by the Company prior to the date hereof and (c) other allotments of cash up to an aggregate

nominal amount of £1,500,000 (such power to expire at the conclusion of the Company's annual general meeting in 2007).

The Consideration Shares, the Initial Placing Shares and the Placing Shares will be allotted pursuant to the authority referred to at paragraph 3(h)(i) above. As an allotment of shares otherwise than for cash, the allotment of the Consideration Shares will not utilise the power referred to at 3(h)(ii) above.

- (i) There are currently outstanding options over 9,000,000 Shares exercisable at 1p per Share (or, following Consolidation, 900,000 New Shares exercisable at 10p per New Share) which expire in February 2010 granted to the professional advisers to the Company on its admission to AIM in February 2005, as follows:

<i>Option Holder</i>	<i>Number of Shares granted at an exercise price of 1p per share</i>	<i>Number of New Shares, following Consolidation, at an exercise price of 10p per share</i>
NWCF LLP	3,000,000	300,000
Hichens, Harrison & Co Plc	3,000,000	300,000
Stephen Frank Ronaldson, Roger Charles France-Hayhurst and Neil Rodney Hayter trading as Ronaldsons	3,000,000	300,000

- (j) The Company has, conditional on Admission, granted options to Bircham Dyson Bell Nominees Limited over 2,000,000 Shares at an exercise price of 2p per Share (or, following Consolidation, 200,000 New Shares at an exercise price of 20p per New Share). The Company has also, conditional on Admission, granted options to Smith & Williamson over 2,000,000 Shares at an exercise price of 2p per Share (or, following Consolidation, 200,000 New Shares at an exercise price of 20p per New Share) or the Placing Price, if different. These options, which are in each case assignable, may be exercised at any time within the five year period commencing six months from Admission.
- (k) The Company has, conditional on Admission, granted options to certain individuals (in addition to those options disclosed in paragraphs 3(i) and 3(j) above) over 165,000,000 Shares at an exercise price of 2p per Share (or, following Consolidation, 16,500,000 New Shares at an exercise price of 20p per share). The earliest date on which the options can be exercised is 12 months from the date of Admission when 50 per cent. of the options become exercisable. As from the second anniversary of Admission all unexercised options become exercisable. The options expire on the 10th anniversary of Admission. Details of the options and the grantees are given in paragraphs 5 and 9 of this Part VIII with the exception of information on Simon Craige who has been granted an option over 15,000,000 Shares or, following Consolidation, 1,500,000 New Shares, on the terms stated above.
- (l) The Shares or, following Consolidation, New Shares will rank *pari passu* in all respects including the right to receive all dividends and other distributions declared, made or paid on the Shares or New Shares from the date of this document.
- (m) The International Securities Identification Number (ISIN) for the Shares is GB00B0661N17. The ISIN for the New Shares is GB00B11DDB67.
- (n) Following Admission, the Shares, or the New Shares as the case may be, may be held in either certificated or uncertificated form.
- (o) The Existing Shares, the Consideration Shares, the Initial Placing Shares and the Placing Shares will be in registered form. Otherwise than pursuant to the Acquisition, none of the issued or to be issued Shares or New Shares have been sold or are available in whole or in part to the public in conjunction with the application for such Shares or New Shares to be admitted to AIM.
- (p) The Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company.

- (q) The Existing Shares have been admitted to trading on AIM. They are not listed or dealt in on any other recognised investment exchange. Trading in the Existing Shares was suspended, pursuant to the requirements of the AIM Rules, on 12 December 2005. Application will be made for the Enlarged Share Capital to be admitted to trading on AIM.
- (r) The holders of Existing Shares will be diluted by the issue of the Consideration Shares, the Initial Placing Shares and the Placing Shares. The effective dilution rate is 22.7 times (assuming that all of the Consideration Shares, Initial Placing Shares and Placing Shares have been allotted on completion of the Acquisition).

4. Memorandum and articles of association

The memorandum of association of the Company provides that the Company's principal object includes carrying on the business of a general commercial company. The objects of the Company are set out in full in clause 4 of the memorandum of association which is available for inspection at the address specified in paragraph 2(d) of this Part VIII.

In this paragraph 4, references to the "Statutes" are references to the Act and every other act for the time being in force concerning companies and affecting the Company.

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

(a) *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), on a show of hands, every member present in person or by proxy (if an individual) or duly authorised representative (if a corporation) shall have one vote, and on a poll every member shall have one vote for every share held by him.

(b) *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 a 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 in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the members of the class. The creation or issue of shares ranking *pari passu* with or subsequent to the shares of any class shall not (unless otherwise expressly provided by the Articles or the rights attached to such shares as a class) be deemed to be a variation of the rights of such shares.

(c) *Transfer*

Except as may be required by any procedures implemented pursuant to the Articles in accordance with the Statutes following the introduction of paperless trading, all transfers of shares must be in the usual form or any other form, which the Directors may approve. The instrument of transfer must be signed by or on behalf of the transferor and, if the shares being transferred are not fully paid, by or on behalf of 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. The Directors may also refuse to register a transfer of any share in favour of more than four persons jointly, 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 and a transfer in respect of more than one class of share.

(d) *Dividends*

- (i) Subject to the Act or any other statutes in force, the Company may by resolution in general meeting declare dividends. Such dividends so declared shall be paid out of the profits of the Company available for distribution and 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.

- (ii) Subject to the rights of holders of any shares entitled to any priority preference or special privilege (if any), all dividends shall be declared and paid to members in proportion to the amounts paid up on the shares in respect of which the dividend is paid. No amount paid up on a share in advance of calls shall be treated for the purpose of the Articles as paid up on the share. Subject to the foregoing, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. If any share is issued on terms that it shall rank for dividend as if paid up in full or in part from a particular date whether past or future, it shall rank accordingly.
 - (iii) The Directors may from time to time declare and pay an interim dividend to the members and may also pay the fixed dividends payable on any shares of the Company half yearly or otherwise on fixed dates.
 - (iv) All dividends, interest or other sums payable and unclaimed for six months after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after the date the dividend became due for payment shall be forfeited and shall revert to the Company.
 - (v) The Directors may deduct from any dividend or other monies payable to any member on or in respect of a share all such sums as may be due from him to the Company on account of calls or otherwise in relation to shares of the Company.
 - (vi) The Directors may offer the holders of ordinary shares the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of all or part of such dividend or dividends as may be declared by the Company (or the directors as an interim dividend) subject to such exclusions or restrictions as the Directors may in their absolute discretion deem necessary or desirable in relation to compliance with legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory in so far as they may relate to the Company.
- (e) *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 the members or classes of members.
- (f) *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 a 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 reserves and any share premium account in any way.
- (g) *Purchase by the Company of its own shares*
- Subject to the provisions of the Statutes and to the authority of the Company in general meeting required by the Statutes, the Company may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase its own shares if at the time of any approval or authorisation by the Company in general meeting of such a purchase or contract relating thereto there are in issue any shares of the Company which are capable of being converted into equity share capital of the Company, unless such a purchase has been sanctioned by an extraordinary resolution passed at a separate general meeting of the holders of each class of such convertible shares.
- (h) *Borrowing powers*
- The Directors may exercise all the powers of the Company to borrow money and, in the case of any security convertible into shares, subject to section 80 of the Act, to mortgage or charge the

Company's assets, property and uncalled capital to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

(i) *Directors*

- (i) Save as mentioned below, a Director shall not vote in respect of any matter in which he has, directly or indirectly, any material interest otherwise than by virtue of his interests in shares or debentures or other securities of the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
- (ii) A Director shall (in the absence of material interests other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
- 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;
 - 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 by the giving of security;
 - 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;
 - 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 1 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 purposes of the relevant provisions to be a material interest in all circumstances);
 - 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 relevant taxation authorities 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;
 - 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 as the employees and which does not accord to any director as such, any privilege or advantage not generally accorded to the employee as to whom such scheme relates;
 - 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.
- (iii) Subject to the provisions of the Act, the prohibitions detailed in i(ii) above, may at any time be suspended or relaxed by an ordinary resolution of the Company.
- (iv) The Directors shall be paid as fees out of the funds of the Company as the Directors may from time to time determine, an annual sum not exceeding £250,000 (or such larger amount as the Company may by ordinary resolution determine) such sum to be divided amongst the Directors in such proportion and manner as the Directors may agree or, failing

agreement, equally. The maximum amount set out in the Articles increases yearly with reference to the Index of Retail Prices or other comparable index. The Directors shall also be entitled to be repaid all hotel expenses and other expenses of travelling to and from board meetings, committee meetings, general meetings or other wise incurred while engaged on the business of the Company.

- (v) Subject to the Act, the Directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office.
- (vi) Pursuant to the Act, the maximum age limit for Directors is 70. No shareholding qualification for directors is required.
- (vii) Unless and until otherwise determined by ordinary resolution of the Company the Directors shall not be less than two in number. There is no maximum number of Directors.

(j) *General Meetings*

- (i) An annual general meeting shall be held in each year in addition to any other meetings which may be held in that year and at such time and place as may be determined by the Directors, but so that not more than fifteen months shall elapse between the holding of any two successive annual general meetings.
- (ii) The Directors may convene an extraordinary general meeting whenever they think fit. An extraordinary general meeting shall also be convened on such requisition or, in default, may be convened by such requisitionists as provided by the Act.
- (iii) Twenty one clear days' notice of every annual general meeting and of every extraordinary general meeting at which it is proposed to pass a special resolution and fourteen clear days' notice of every other extraordinary general meeting shall be given to all members (other than those who, under the provisions of the Articles or otherwise, are not entitled to receive notices from the Company) and to the Directors and the auditors for the time being of the Company but the accidental omission to give such notice to, or the non-receipt of such notice by, any person entitled to receive the same shall not invalidate the proceedings at any such meeting.
- (iv) Every notice of meeting shall specify the place, the day and the hour of the meeting, and in the case of a notice calling an annual general meeting shall specify the meeting as such and in the case of a 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. Such notice shall also state with reasonable prominence that a member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on a poll thereat instead of him and that the proxy need not also be a member.
- (v) No business shall be transacted at any general meeting unless the requisite quorum shall be present when the meeting proceeds to business and throughout the duration of the meeting. The quorum for a general meeting shall be two members present in person or by proxy and entitled to vote.
- (vi) The chairman may, with the consent of any meeting at which the quorum is present (and shall, if so directed by the meeting) adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. Whenever a meeting is adjourned for twenty eight days or more, at least seven clear days' notice in writing specifying the place, the day and hour of the adjourned meeting shall be given to the members, the Directors and the auditors. It is not necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting.

(k) *Ownership Threshold for Shareholder Disclosure*

A shareholder is required pursuant to sections 198 to 210 of the Act to notify the Company when he acquires or disposes of a material interest in shares in the capital of the Company equal to or in excess of three per cent. of the nominal value of that share capital.

(l) *Pre-emption Rights*

- (i) There are no rights of pre-emption under the Articles in respect of transfers of issued shares.
- (ii) In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. The statutory pre-emption rights would require the Company to offer new shares for allotment to existing shareholders on a pro-rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.
- (iii) Section 428 to 430F of the Act contain provisions which apply in certain circumstances to require and entitle persons making a takeover offer for the shares in the Company and who acquire ninety per cent. or more of the shares to which such offer relates (if all other conditions of that offer have been satisfied or waived) to acquire, and for the holders of shares in the Company to be entitled and required to sell, the shares held by the non-acceptors of that offer, in each case on a mandatory basis and on the same terms of the takeover offer.

The above is a summary only of certain provisions of the Articles, the full provisions of which are available for inspection as set out in paragraph 18(a) of this Part VIII.

5. Interests of Directors and others

- (a) The interests, all of which are beneficial unless stated otherwise, of the Existing Directors and the Proposed Directors and their immediate families and of persons connected with them within the meaning of section 346 of the Act in the share capital of the Company (which have been notified or in the case of a Proposed Director would if he were an Existing Director be required to be notified to the Company pursuant to section 324 of the Act or which are or would be required to be entered in the Register of Directors' interests maintained under the provisions of section 325 of the Act or which could, with reasonable diligence, be ascertained by an Existing Director or a Proposed Director) are as at 22 March 2006 (being the latest practicable date prior to publication of this document) and as they are expected to be immediately following Admission, as follows:

<i>Director</i>	<i>At present</i>		<i>After the Placing and Admission</i>			
	<i>Number of of Shares</i>	<i>Percentage of Existing Shares</i>	<i>Number of Shares</i>	<i>Number of New Shares following Consolidation</i>	<i>Percentage of Enlarged Share Capital</i>	<i>Number of New Shares over which options are held</i> ^{note 4}
B Moritz* ^{note 1}	10,000,000	4.92%	10,000,000	1,000,000	0.22%	—
J Woolgar*	3,500,000	1.72%	3,500,000	350,000	0.08%	—
J Burgess* ^{note 2}	12,300,000	6.05%	25,157,142	2,515,714	0.55%	—
I Williams+ ^{note 3}	—	—%	93,965,805	9,396,580	2.04%	1,500,000
W Howe+	—	—%	20,798,274	2,079,827	0.45%	2,000,000
A Kallis+	—	—%	—	—	—%	1,500,000
H Thanawala+	—	—%	83,441,894	8,344,189	1.81%	2,000,000
L Mutch+	—	—%	—	—	—%	750,000
A Lowrie+	—	—%	258,517,059	25,851,705	5.61%	750,000
Existing Directors*						
Proposed Directors +						

Notes

1. Includes 5,000,000 Shares held by Brian Moritz's wife, Sonia Moritz.
2. Includes 5,000,000 Shares held by James Burgess' wife, Katherine Burgess.
3. Tilehouse Limited will also own 2,500,000 shares, or following consolidation, 250,000 New Shares. Tilehouse Trust is the owner of Tilehouse Limited and Ian Williams is a beneficiary of Tilehouse Trust.
4. The options are exercisable at a price of 2p per Share or, following consolidation, 20p per New Share and the earliest date on which they can be exercised is 12 months from Admission as to 50 per cent. of the options. The entire unexercised balance can be exercised after 24 months from the date of Admission. The options expire 10 years from Admission.

Irrevocable undertakings to vote in favour of all the Resolutions to be proposed at the EGM have been given by the following Shareholders in respect of the following numbers of Shares (the only circumstances in which these irrevocables will cease to be binding is if the EGM has not been held by 30 April 2006):

<i>Shareholder</i>	<i>Number of Shares</i>	<i>Percentage of Existing Shares</i>
B M Moritz	5,000,000	2.46%
J Woolgar	3,500,000	1.72%
J E Burgess	7,300,000	3.59%
S Moritz	5,000,000	2.46%
K Burgess	5,000,000	2.46%

- (b) No loan or guarantee has been granted or provided by the Company to any Existing Director or Proposed Director or any person connected with them.
- (c) Save as disclosed above, none of the Existing Directors or the Proposed Directors nor any member of their respective immediate families nor any person connected with them (within the meaning of Section 346 of the Act) has any interest, whether beneficial or non-beneficial, in any share capital of the Company.
- (d) Save for the following holdings and those disclosed in paragraph 5(a) above, the Company is not aware of any holdings which, at the date of this document and after Admission, are required to be notified pursuant to Section 198 of the Act which represent an interest (within the meaning of the Act) directly or indirectly, jointly or severally, in 3 per cent. or more of the ordinary issued share capital of the Company:

<i>Shareholder</i>	<i>At present</i>		<i>After the Placing and Admission</i>		
	<i>Number of Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Shares</i>	<i>Number of New Shares following Consolidation</i>	<i>Percentage of issued share capital</i>
First Investors Guarantee Limited	15,750,000	7.7%	15,750,000	1,575,000	0.34%
Masefield Energy	–	–	2,724,747,152	272,474,715	59.59%
Anthony Davies	–	–	167,034,118	16,703,411	3.65%

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

- (e) The following parties have an indirect interest of 5 per cent. or more of the ordinary issued share capital of the Company as a result of their interest in Masefield Energy:

<i>Name</i>	<i>Percentage holding in Masefield Energy</i>	<i>Effective holding in the Company</i>
Masefield AG	20.63%	11.49%
James Daley	22.94%	12.78%

James Daley is also indirectly interested in 3,000,000 Shares or, following Consolidation, 300,000 New Shares representing 0.07 per cent. of the Enlarged Share Capital through TCF Holding AG of which he is the sole shareholder.

- (f) Neither the Company, the Existing Directors nor the Proposed Directors are aware of any arrangements which may at a subsequent date result in a change of control of the Company.

- (g) Save as set out below, no directorship of any company, other than the Company, has been held or occupied over the previous five years by any of the Existing Directors or Proposed Directors nor over that period has any of the Existing Directors or Proposed Directors been a partner in a partnership:

	<i>Current</i>	<i>Past</i>
John Woolgar	All African Resources PLC Genesis Petroleum Corporation Plc (formerly Zari Resources plc) Qualified Investor Services Limited	Cooper Owen PLC European Business Jets plc New Nationwide Securities Limited Shell Management Services Limited The Web Shreshop Limited Western Registrars Limited
Brian Moritz	African Platinum plc All African Resources plc Capricorn Resources plc Central African Gold plc Chromex Mining plc Copper Resources plc Dimension Resources Limited (Bermuda) European Business Jets plc Metal Bulletin plc MSP Secretaries Limited Namibian Resources plc Navigator Holdings plc Navigator Corporate Finance Limited Palandri Limited (Australia) White Nile Limited (Guernsey)	Aspen Clean Energy plc (formerly Shield Capital plc) Grant Thornton LLP (formerly Grant Thornton) Green Power Generation Limited Green Power Rights Limited Namibian Resources Limited (Bermuda) Nyati Resources plc Phillips Newman (Holdings) plc (formerly Shield Investments plc) Shield Resources Limited Sonnberg Diamonds (Namibia) Pty Limited (Namibia) Genesis Petroleum Corporation Plc (formerly Zari Resources plc)
James Burgess	All African Resources plc Chromex Mining plc Copper Resources Limited Cooper Owen plc European Business Jets plc Fleetvine Limited Investor-info.co.uk Limited J&K Property Investment Limited Shawall Limited Simrose Limited	Everett Financial Management Limited Everettnet Limited Genesis Petroleum Corporation Plc (formerly Zari Resources plc) Plus Stockbrokers Limited (formerly Setdean Limited) Qualified Investor Services Limited Sky Capital UK Limited Sky Capital UK Nominees Limited Sky Investor Relations UK Limited The Racing Club Limited
Ian Williams	Alba Resources (Holdings) Limited Alba Resources Limited First Mariner Limited Kiruscott Pty Ltd Masfield Energy Services Limited Mountwest 560 Limited Mountwest 561 Limited Mountwest 562 Limited Nautical Holdings Limited Nautical Petroleum plc Phoenix Mariner Limited Quadrise Canada Fuel Systems Inc. Quadrise Limited Quadrise International Limited Quadrise Power Systems Limited UAH Limited (formerly Nautical Petroleum UK Limited)	Constantia Car Hire (Pty) Ltd Quadrise Power Systems AG

Bill Howe	Quadrise International Limited	Aquafund (Pty) Limited Bateman Engineering Inc Bateman Project Holdings Limited Bateman Projects Limited Bateman Water (Pty) Limited Bateman-Merrick Group LLC
Tony Kallis	Farmfert Manf (Pty) Limited Nekst UK Ltd Nekst SA (Pty) Limited Nekst Australia Sillak Consulting (Pty) Ltd Quadrise International Limited	Easigas SA (Pty) Limited Blendcor JV (Pty) Limited Shell Swaziland (Pty) Limited Shell Namibia (Pty) Limited Tepco Petroleum (Pty) Limited Tanker Logistics (Pty) Limited Saipex (Pty) Limited
Hemant Thanawala	Alba Resources (Holdings) Limited Alba Resources Limited First Mariner Limited Masefield Energy Services Limited Masefield Trading (Kenya) Limited Mountwest 560 Limited Mountwest 561 Limited Mountwest 562 Limited Mvelamasefield (Proprietary) Limited Nautical Holdings Limited Nautical Petroleum plc Quadrise International Limited Quadrise Limited Quadrise Power Systems Limited United Petroleum and Gas Services S.A. UAH Limited (formerly Nautical Petroleum UK Limited)	Premier Telesports Limited Quadrise Power Systems AG SI Protech Holdings Limited
Laurie Mutch	Laurie Mutch Associates Limited Toltec Network Limited	DCG Media Limited TriStrata Inc Vision River Limited
Tony Lowrie	ABN AMRO Bank NV The Thai-Euro Fund Edinburgh Dragon Trust plc	ABN Amro Asia Securities Limited Commodity Systems Limited HGIS Nominees Limited JD Wetherspoon plc Oriental Development Company Dragon Oil plc The Singapore SESDAQ Fund (Govett Singapore Growth Fund) The Scottish Asian Investment Company Limited

John Woolgar was a director of New Nationwide Securities Limited. An administrative receiver was appointed over that company on 13 June 1997. The insolvency practitioner's report, issued on 12 September 1997, was not critical of John Woolgar.

John Woolgar entered into an individual voluntary arrangement ("IVA") with his creditors in 1992 following the breakdown of his marriage. John Woolgar complied with the terms of the IVA and the IVA was declared fully implemented on 5 August 1996.

In 1994 Cape & Dalgleish, a firm in which Brian Moritz was a partner, and which has subsequently merged with Grant Thornton, was reprimanded by the Institute of Chartered Accountants in England & Wales and ordered to pay a fine of £1,000, equivalent to £83 per partner, and costs of £500. This arose out of breaches of an Institute bye-law occurring in 1991 and 1992 which did not give rise to any loss by any third party. Although Brian Moritz was not personally involved in this matter in any capacity he was nevertheless reprimanded in his capacity as partner.

Hemant Thanawala was a director of Nexone International Limited, a distributor of consumer goods, when it was put into voluntary liquidation in March 1998. All creditors were paid in full.

- (h) Save as disclosed above, none of the Existing Directors or Proposed Directors:
- (i) has any unspent convictions in relation to any indictable offences or has been made bankrupt or has been made the subject of an individual voluntary arrangement; or
 - (ii) has been a director of any company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration or voluntary arrangement of the company or any composition or arrangement with its creditors generally or any class of creditors; or
 - (iii) has been a partner of any partnership at the time of or within twelve months preceding any compulsory liquidation, administration or partnership voluntary arrangement of the partnership; or
 - (iv) has had any asset which has been subject to a receivership or has been a partner of any partnership at the time of or within the twelve months preceding any assets of the partnership being subject to a receivership; or
 - (v) has been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or has been disqualified by a court from acting as a director of, or in the management or conduct of, the affairs of any company.
- (i) No Existing Director or Proposed Director nor any member of the immediate family of an Existing Director or Proposed Director nor any persons connected with such persons within the meaning of section 346 of the Act has any financial product (including a fixed odds bet) whose value is determined directly or indirectly by reference to the price of the Shares.

6. Existing Directors' and Proposed Directors' Service Contracts

(a) *The Proposed Directors*

The Proposed Directors whose names appear in the section entitled "New Board" in Part I of this document, have been or will be following the Acquisition appointed to the offices set out against their respective names. Set out below are summaries of the terms of their appointments.

Ian Williams

The services of Ian Williams, as Executive Chairman from Admission, are provided pursuant to a consultancy agreement between the Company, Masfield Energy Services Limited, Mr Williams, Mr Thanawala and Mr Jennings dated 22 March 2006 which is conditional upon Admission for which Masfield Energy Services Limited will receive £12,000 per annum payable monthly in arrears. In addition, in consideration of Mr Williams providing his services to the Company, the Company will pay a fee to Masfield Energy Services Limited to be determined between the Company and Masfield Energy Services Limited and subject to approval by the Compensation Committee. The agreement commences on Admission and may be terminated by either party on 6 months' notice.

Bill Howe

Bill Howe entered into a service contract with the Company on 22 March 2006 which is conditional upon Admission. In respect of his appointment as Chief Executive Officer from Admission, he will receive £130,000 per annum and a contribution of 7 per cent. of his salary made to the Company's group personal pension plan. Mr Howe will also be entitled to participate in the Company's incentive programme which comprises a target related cash plan and bonus plan. The contract may be terminated by either party on 12 months' notice.

Tony Kallis

The services of Tony Kallis, as Commercial Director from Admission, are provided pursuant to a Consultancy Agreement between the Company, Masfield Limited and Mr Kallis dated 22 March 2006 which is conditional upon Admission for which Mr Kallis will receive £12,000 per annum

payable monthly in arrears. In addition, in consideration of Mr Kallis providing his services to the Company, the Company will pay an initial fee of £67.20 per hour plus any reasonable out of pocket expenses to Masfield Limited. This fee is subject to review between the Company and Masfield Limited from time to time and on review is subject to approval by the Compensation Committee. The agreement commences on Admission and may be terminated by either party on 6 months' notice.

Hemant Thanawala

The services of Hemant Thanawala, as Finance Director from Admission, are provided pursuant to a consultancy agreement with the Company, Masfield Energy Services Limited, Mr Williams, Mr Thanawala and Mr Jennings dated 22 March 2006 which is conditional upon Admission for which Masfield Energy Services Limited will receive £12,000 per annum payable monthly in arrears. In addition, in consideration of Mr Thanawala providing his services to the Company, the Company will pay a fee to Masfield Energy Services Limited to be determined between the Company and Masfield Energy Services Limited and subject to approval by the Compensation Committee. The agreement commences on Admission and may be terminated by either party on 6 months' notice.

Tony Lowrie

Tony Lowrie entered into a non-executive appointment letter with the Company on 22 March 2006 in respect of his appointment effective from Admission as a non-executive director of the Company. The letter of appointment states that his position as a non-executive director of the Company is terminable on not less than three months' notice by either party. In respect of his services to the Company as a non-executive director Mr Lowrie will receive a minimum fee of £12,000 per annum on the basis of six meetings per year plus an additional £2,000 for any further board meetings. Moreover, he will receive £125 per hour for any additional services provided to the Company.

Laurie Mutch

Laurie Mutch entered into a Loan-Out Agreement with the Company and Laurie Mutch & Associates Limited, dated 22 March 2006 (the "Loan-Out Agreement") which is conditional on Admission pursuant to which Laurie Mutch & Associates Limited ("LMAL") agrees to loan Mr Mutch's services as a non-executive director to the Company. The Loan-Out Agreement states that his position as a non-executive director of the Company is terminable on not less than three months' notice by either party. In respect of Mr Mutch's services to the Company as a non-executive director LMAL will receive a minimum fee of £12,000 per annum on the basis that there will be six board meetings in each year plus an additional £2,000 for any further board meetings. Moreover, LMAL will be entitled to receive £125 per hour for any additional services provided to the Company by Mr Mutch.

(b) *The Existing Directors*

John Woolgar, aged 66

John Woolgar executed a service agreement on 8 February 2005 in respect of his appointment as a director of the Company. The agreement provides for an annual fee of £9,600. The contract is terminable on six months notice. This agreement will terminate on Admission and Mr Woolgar will receive £4,800 in lieu of his notice period. In addition, the Board has agreed to pay Mr Woolgar a fee of £10,000 in respect of his services in connection with the Proposals.

James Burgess, aged 42

James Burgess executed a service agreement on 8 February 2005 in respect of his appointment as a director of the Company. The agreement provides for an annual fee of £9,600. In addition, Mr Burgess receives £4,800 per annum as contribution to maintaining an office at his home. The contract is terminable on six months notice. This agreement will terminate on Admission and Mr Burgess will receive £4,800 in lieu of his notice period.

Brian Moritz, aged 69

Brian Moritz executed a service agreement on 8 February 2005 in respect of his appointment as a director of the Company. The agreement provides for an annual fee of £9,600. The contract is terminable on six months notice. This agreement will terminate on Admission and Mr Moritz will receive £4,800 in lieu of his notice period.

Save as disclosed in this paragraph 6(b) and in paragraph 14 of this Part VIII in respect of James Burgess, no contracts with any of the Existing Directors or Proposed Directors have been entered into or amended within six months of the date of this document.

- (c) The aggregate emoluments (including benefits in kind and pension contributions) of the Existing Directors in respect of the current financial period ending on 31 March 2006 is estimated to amount to £39,400 and, from Admission, the aggregate emoluments (including benefits in kind and pension contributions) of the Proposed Directors in respect of the current financial period ending on 31 March 2006, assuming Admission, is estimated to amount to £nil under the arrangements in force at the date hereof.
- (d) Save as disclosed in this document, none of the Existing Directors nor the Proposed Directors has or has had any interest in transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.
- (e) Save as disclosed above there are no service contracts between any director and the Company providing for benefits upon termination.

7. Interests and dealings

- (a) Save for their interests pursuant to the Acquisition, neither Masfield Energy, the Masfield Energy Directors, nor any other member of the Concert Party owned, controlled or was interested, directly or indirectly, in or had rights to subscribe for or short positions in any Existing Shares or other securities convertible into, or exchangeable for, rights to subscribe for and options (including traded options) in respect of, or derivatives referenced to, any of the foregoing on 22 March 2006 (the latest practicable date prior to the publication of this document); nor has any such person dealt for value in or lent or borrowed any Existing Shares or other securities convertible into, or exchangeable for, rights to subscribe for and options (including traded options) in respect of, or derivatives referenced to, any of the foregoing during the disclosure period (as referenced in paragraph (g) below).
- (b) Save as disclosed in paragraph 5 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 22 March 2006 (the latest practicable date prior to the publication of this document), nor has any such person dealt for value in or lent or borrowed any relevant securities during the disclosure period. Save as disclosed in paragraph 5 above neither the Company nor the Existing Directors nor any member of their immediate families have owned, controlled or been interested, directly or indirectly, in or had rights to subscribe for or short positions in any securities of Masfield Energy.
- (c) As at the close of business on 22 March (the latest practicable date prior to the publication of this document) Smith & Williamson Investment Management Limited owned 1,000,000 Shares in the Company. Smith & Williamson Investment Management Limited manages funds on an advisory basis on behalf of a client which holds in aggregate 1,000,000 Shares in the Company. 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 Shares within the disclosure period as follows:

<i>Date</i>	<i>Transaction</i>	<i>Number of Shares</i>	<i>Price per Share (p)</i>
07/04/05	Sale ⁽¹⁾	45,000	1.30
12/10/05	Purchase ⁽²⁾	500,000	1.25
14/10/05	Purchase ⁽²⁾	250,000	1.25
17/10/05	Purchase ⁽²⁾	250,000	1.30
16/11/05	Purchase ⁽³⁾	236,000	1.59

Notes:

1. Smith & Williamson Investment Management Limited sold shares on behalf of 1 client on an execution only basis.
2. Smith & Williamson Investment Management Limited purchased Shares on behalf of 1 client whose funds are managed on an advisory basis.
3. Smith & Williamson Investment Management Limited purchased Shares on behalf of 1 client whose funds were managed on a discretionary basis. The Shareholder is no longer a client of Smith & Williamson Investment Management Limited.

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 7 and in paragraph 3 of this Part VIII, no associate (as defined in paragraph 7(g) below) of Zareba, nor any pension fund of Zareba nor any pension fund of any associate of Zareba nor any connected adviser (as defined in the City Code) of Zareba or of any associate of Zareba including persons 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 Zareba or of any associate of Zareba, 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.

- (d) Save as disclosed in this paragraph 7, no associate (as defined in paragraph 7(g) below) of Quadrise or Masfield Energy, nor any pension fund of Quadrise or Masfield Energy nor any pension fund of any associate of Quadrise or Masfield Energy nor any of their subsidiaries nor any connected adviser (as defined in the City Code) of Quadrise or Masfield Energy or of any associate of Quadrise or Masfield Energy including persons 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 Quadrise or Masfield Energy or of any associated company of Quadrise or Masfield Energy, 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.
- (e) Save as disclosed in this document neither Masfield Energy nor the Company nor any associate (as defined in paragraph 7(g) 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.
- (f) Save as disclosed in this document there are no arrangements for any Shares to be acquired by Masfield Energy pursuant to the Acquisition to be transferred to any other person.
- (g) In this paragraph 7:
 - (i) references to an “associate” of a company are to:
 - (aa) 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).
 - (ii) 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;

- (iii) “relevant securities” means the Shares, the ordinary share capital of any of the Quadrise Group or Masfield Energy and other securities convertible into, or exchangeable for, rights to subscribe for and options (including traded options) in respect of, or derivatives referenced to, any of the foregoing;
- (iv) “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;
- (v) the “disclosure period” is the period commencing on 8 December 2004 (being the date 12 months prior to the date on which the Company announced that it had entered into heads of terms to acquire Quadrise) and ending 22 March 2006 (being the latest practicable date prior to the posting of this document); and
- (vi) “interest” or “interested” have the same meaning as “interest in securities” as defined in the City Code.

8. Employees

- (a) The Company has no employees.
- (b) Following Admission, the Enlarged Group will have a total of three permanent employees, two of which will be based in the United Kingdom and the third in Denmark. Quadrise currently has no permanent employees.

9. 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 City Code. The members of the Concert Party are shareholders in Quadrise.

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

<i>Shareholder</i>	<i>Number of Shares</i>	<i>Number of New Shares following Consolidation</i>	<i>Percentage of Enlarged Share Capital</i>	<i>Number of New Shares over which options are held⁽⁴⁾</i>	<i>Percentage of Enlarged Share Capital after exercise of options⁽⁵⁾</i>
Masfield Energy	2,724,747,152	272,474,715	59.04%	–	57.50%
TCF Holding AG ⁽¹⁾	3,000,000	300,000	0.07%	–	0.06%
Tony Lowrie	258,517,059	25,851,705	5.61%	750,000	5.61%
Paul Jennings	115,014,380	11,501,438	2.49%	2,000,000	2.85%
Ian Williams ⁽²⁾	93,965,805	9,396,580	2.04%	1,500,000	2.30%
Hemant Thanawala	83,441,894	8,344,189	1.81%	2,000,000	2.18%
Stephen Jenkins	62,769,522	6,276,952	1.36%	2,000,000	1.75%
Bill Howe	20,798,274	2,079,827	0.45%	2,000,000	0.86%
Ian Hole	61,556,352	6,155,635	1.33%	1,250,000	1.56%
Brendan Daley	20,797,898	2,079,789	0.45%	1,250,000	0.70%
Peter Dodd ⁽³⁾	110,380,432	11,038,043	2.39%	–	2.33%
Ian Duckels	50,933,973	5,093,397	1.10%	–	1.07%
Alan Stockwell	59,418,271	5,941,827	1.29%	–	1.25%
Total	3,665,341,012	366,534,097	79.49%	12,750,000	80.04%

Notes:

- (1) James Daley is the sole shareholder of TCF Holding AG.
- (2) Tilehouse Limited will also own 2,500,000 Shares, or following Consolidation, 250,000 New Shares. Tilehouse Trust is the owner of Tilehouse Limited and Ian Williams is a beneficiary of Tilehouse Trust.
- (3) Includes shares held by Mr Dodd’s wife, Francesca Dodd.
- (4) The options are exercisable at a price of 2p per Share or, following Consolidation, 20p per New Share and the earliest date on which they can be exercised is 12 months from the date of Admission as to 50 per cent. of the options. The entire unexercised balance can be exercised after 24 months from the date of Admission. The options expire 10 years from Admission.
- (5) Assumes that all members of the Concert Party exercise their options.

Profiles of Messrs Williams, Thanawala and Howe are set out in the section entitled “New Board” in Part I of this document and profiles of Messrs Hole, Dodd, Jennings, Jenkins, Duckels and Stockwell are set out in the section entitled “Key employees and consultants” in Part I of this document.

Information on Masfield Energy is set out in Part II and Part VII of this document. The issued share capital of Masfield Energy is owned as to 20.63 per cent. by Masfield AG, 22.94 per cent. by James Daley and as to the balance of 56.43 per cent. by senior executives of Masfield Energy and its associates. Effective holdings in the Company for James Daley and Masfield AG are set out in paragraph 5(e) of Part VIII of this document.

The Masfield Directors are:

James Laurence Daley

Mr Daley, aged 58, is the Executive Chairman of Masfield Energy and Masfield AG and the principal shareholder. He was raised and educated in the USA and spent several years with Chase Manhattan Bank, specialising in commodity trade finance prior to joining Marc Rich and Co in 1977 (subsequently re-named Glencore) as primary financial officer of the oil division. In 1984 he assumed responsibility for the global crude oil trading activities, including physical trading and derivatives, and left the company in 1990, after 13 years, to form Masfield AG as an independent business. Mr Daley has directed the development of the Masfield Group from a single office business to a global organisation, and has a worldwide network of business relations in the energy, banking and government sectors.

Philippe Jaccard

Mr Jaccard, aged 54, is a director of Masfield Energy and Masfield AG. Born and educated in Switzerland, gaining a degree in Economics, he later went on to publish research papers in economics and industrial cooperation. In 1978 he entered the Swiss Diplomatic Service, becoming Chief of Staff in 1983, serving in the Ministry of Foreign Affairs and then in 1987, serving in the Ministry of Public Economy. Mr Jaccard is on the boards of a number of Swiss and international companies and operates International Project Financing, a company specialising in structuring and developing projects for governments in South America, Africa, Eastern Europe and the Far East.

Peter Biberstein

Mr Biberstein, aged 55, is a Senior Partner, Director and original founder of Gestinor AG, a Swiss based international business advisory and consulting and management company. He was educated in Austria where he received a business degree and pursued higher education in Switzerland where he studied Finance and Tax. He holds several Chairman and Director posts in Swiss based companies including Masfield Energy Holdings AG, and since 2003, has acted as President for Sugira Limited, a manufacturer of knitting needles for industrial knitting machines that employs approximately 150 people.

Information on Masfield AG is set out in Part II of this document.

10. Market quotations

The following table shows the closing price for an Existing Share on the first dealing day of each month from 1 July 2005 (being six months prior to the announcement of the Acquisition) to 1 December 2005 and on 12 December 2005 (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 Share (p)</i>
1 July	1.00
1 August	1.00
1 September	0.90
3 October	1.17
1 November	1.25
1 December	1.20
12 December	1.80

Shares in Quadrise are not publicly traded and save as otherwise disclosed in this document there have been no transactions in such shares in the six months preceding the date of this document.

11. Material contracts

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

The Company

- (a) The conditional acquisition agreement dated 22 March 2006 between the Company and the Vendors (the “Acquisition Agreement”) for the purchase by the Company of the entire issued and to be issued share capital of Quadrise in consideration of the issue to the Vendors of 3,758,271,417 Shares or, following consolidation, 375,827,136 New Shares to be issued by the Company on completion of the Acquisition. Pursuant to the Acquisition Agreement, the Company has conditionally agreed to purchase and the Vendors have conditionally agreed to sell all of the shares of Quadrise held by both the Minority Shareholders and Masefield Energy. As at 22 March 2006 Masefield Energy held 7,250,001 and the Minority Shareholders held 2,749,999 representing 100 per cent. of the issued shares of Quadrise. The Acquisition Agreement is conditional upon the satisfaction of certain other conditions precedent including, *inter alia*, the passing of Resolutions 1 to 5 and Admission. The Acquisition Agreement provides for rescission by either Zareba or Masefield Energy in certain circumstances and that the party rescinding will be entitled to a contribution in respect of its fees and expenses in connection with the Acquisition. In the case of Zareba, its contribution is capped at £24,800. In the case of Masefield Energy the cap is £75,000. The Acquisition Agreement contains warranties by Masefield Energy (for the benefit of the Existing Shareholders) and by the Company (for the benefit of the Vendors). Liability under the warranties is in each case capped at £2 million and no claims may be made in either case more than 12 months after Admission.
- (b) On 23 November 2005 the Company and Smith & Williamson entered into an agreement under which Smith & Williamson agreed to act as advisor to the Company in connection with the Acquisition and Admission. The fee arrangements set out in that agreement have been superseded by the terms of the Placing Agreement as described in 11.1(d) below. This agreement is subject to Smith & Williamson’s standard terms and conditions.
- (c) The Company and Masefield Energy entered into a relationship agreement on 22 March 2006 which is conditional on Admission (the “Relationship Agreement”). Pursuant to the Relationship Agreement, Masefield Energy has agreed to exercise its rights as a shareholder of the Company at all times, and to procure that its associated companies who may also be shareholders in the Company exercise their rights, so as to ensure that the Company is capable of carrying on its business independently of Masefield Energy or any control which Masefield Energy or its associates may otherwise be able to exercise on the Company. For the purposes of the Relationship Agreement the term “associate” has the same meaning as given in the Listing Rules of the UK Listing Authority. Moreover, Masefield Energy has

undertaken to ensure, so far as it is able to, that all transactions, relationships and agreements between Masfield Energy or its associates and the Company or any of its subsidiaries are on arms' length terms on a normal commercial basis. In addition, Masfield Energy has agreed, amongst other things, that neither it nor any Proposed Director who is also a director or employee of Masfield Energy will participate in the deliberations of the board of directors of the Company in relation to any proposal to enter into any commercial arrangements with Masfield Energy or its associates.

- (d) The Company entered into a Placing Agreement with Hichens and Smith & Williamson on 22 March 2006 which is conditional *inter alia* on Admission occurring on or before 27 April 2006 or such later date, being not later than 30 April 2006, as Hichens and Smith & Williamson may agree. The principal terms of the Placing Agreement are as follows:
 - (i) Hichens has agreed to use its reasonable endeavours to procure subscription for the Placing Shares at the Placing Price;
 - (ii) the Company has agreed to pay a fee of £30,000 to Hichens and to Smith & Williamson a fee, in aggregate, of £165,000 excluding applicable VAT, £40,000 of which shall be satisfied by the allotment and issue to Smith & Williamson credited as fully paid of 2,000,000 Shares or, following Consolidation, 200,000 New Shares at the Placing Price and the issue to Smith & Williamson of options to purchase 2,000,000 Shares, or, following Consolidation, 200,000 New Shares, at the Placing Price, together with the reasonable out-of-pocket expenses and disbursements incurred by Hichens and Smith & Williamson in connection with the Placing. If Smith & Williamson were to exercise all of its options, it would hold 400,000 New Shares representing a maximum of 0.09 per cent. of the Enlarged Share Capital;
 - (iii) the Company has agreed to pay all other costs of, or incidental to, the Placing and related matters including Admission. Such fees shall include without limitation the fees payable to London Stock Exchange, the fees of the Company's professional advisors in connection with the Placing and Admission, the fees of the Reporting Accountants, the fees of the financial public relations consultants, the cost of printing and distribution of the documents in connection with the Placing, all advertising and postage costs, stamp duty and stamp duty reserve tax (where applicable) and the reasonable out-of-pocket expenses and disbursements of Hichens in all cases together with VAT where applicable;
 - (iv) the Company has given certain warranties to Hichens and Smith & Williamson as to the accuracy of the information in this document. In addition, the Company has given an indemnity to Hichens and certain persons connected to Hichens against all losses, damages, claims, actions and liabilities which Hichens or certain other persons connected to Hichens may incur whilst discharging their obligations under the Placing Agreement; and
 - (v) Hichens may terminate the Placing Agreement in certain circumstances prior to Admission.
- (e) the Consultancy Agreement dated 22 March 2006 between the Company, Masfield Energy Services Limited ("MESL"), Mr Williams, Mr Thanawala and Mr Jennings pursuant to which MESL is providing the services of Mr Williams and Mr Thanawala as directors and of Mr Jennings as a consultant as referred to in paragraph 6 of this Part VIII.
- (f) the Consultancy Agreement dated 22 March 2006 between the Company, Masfield Limited ("ML") and Mr Kallis pursuant to which ML is providing the services of Mr Kallis as a director as referred to in paragraph 6(a) of this Part VIII
- (g) the Consultancy Agreement dated 22 March 2006 between the Company, Nautical Petroleum PLC ("Nautical") and Mr Jenkins pursuant to which Nautical is providing the services of Mr Jenkins as a consultant.

- (h) a service contract between the Company and Ian Hole dated 22 March 2006 pursuant to which the Company has, conditional upon Admission, appointed Mr Hole as its Vice-President, Marketing Economics and Logistics. The agreement is terminable on 6 months' notice.
- (i) a service contract between the Company and Dr Simon Craige dated 22 March 2006 pursuant to which the Company has, conditional upon Admission, appointed Dr Craige as its Vice-President, Technical Services. The agreement is terminable on 6 months' notice.
- (j) a Lock-In Deed between the Company, Hichens, Smith and Williamson and the Vendors, Proposed Directors and others containing the lock-in and orderly market arrangements described on page 21 of this document.

11.2 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by Quadrise and Masefield Energy in the two years preceding the date of this document and are or may be material:

11.2.1 *Quadrise*

- (a) On 25 November 2005, Quadrise entered into a frame contract with SNC Lavalin UK Limited ("SNC") for the performance by SNC, on a project by project basis, of the project management, process design, engineering, procurement, construction, commissioning, operation and maintenance of the envisaged MSAR[®] fuel production plants. To minimise Quadrise risk, SNC will provide these services on a substantially lump sum, turnkey basis, utilising NEC Option A. The frame contract includes for open book examination by Quadrise of SNC estimates and anticipated project costs which will be based on multiple competitive quotations for all major equipment and construction contracts. The contract calls for provision of financial, schedule, process performance and mechanical guarantees by SNC typical of the process plants industry. The contract has provisions for continuous project execution improvement against key performance indicators as a means of driving down successive project costs. Quadrise retains the right to utilise other contracts or contractors in the event SNC is not deemed competitive.
- (b) An assignment agreement dated 2 December 2005 between Akzo Nobel, Masefield Energy and Quadrise pursuant to which Masefield Energy has assigned all of its rights and entitlements in and to and/or arising under the Alliance Agreement, details of which are set out below, (the "Assignment Agreement") to Quadrise, including all rights accrued since the date of the Alliance Agreement. Further, in accordance with the terms of the Assignment Agreement, Akzo Nobel has agreed to release Masefield Energy from its obligations under the Alliance Agreement (both future and accrued) and Quadrise has undertaken to perform the Alliance Agreement as if Quadrise were a party to the Alliance Agreement at the date of its signature. The Assignment Agreement also provides, among other matters, for each reference to a 'Masefield Affiliate' to be deemed to include a reference to Masefield Energy itself, an Affiliate of Masefield Energy, Quadrise and an Affiliate of Quadrise. The Assignment Agreement has been made subject to Swedish law and mediation/arbitration in accordance with the rules of the Mediation/Arbitration Institute of the Stockholm Chamber of Commerce.

The Alliance Agreement sets out the basis on which Akzo Nobel and Masefield Energy have agreed to establish a strategic alliance for the marketing and general commercialisation of technology (the "MSAR[®] Technology"), processes (the "Licensed Process") and systems owned by Akzo Nobel and/or its affiliates used in the manufacture of MSAR[®] fuels ("MSAR[®] Fuels") from heavy oil or bitumen, which fuels are suitable for use in steam raising, power generation and other similar applications. The Alliance Agreement applies to all countries of the world other than the members of the North American Free Trade Agreement, Japan, and the Peoples Republic of China (the "Territory").

On the terms of the Alliance Agreement, Akzo Nobel and Masefield Energy have agreed to develop projects for the commercialisation of the MSAR[®] Technology and the Licensed Process (the "Projects") in accordance with an agreed procedure in terms of which each

party undertakes certain defined responsibilities in accordance with their respective expertise for the purpose of marketing the MSAR[®] Technology and Licensed Process to prospective customers (the “MSAR[®] Customers”) through a defined Masfield Energy/Akzo Nobel joint-confirmation procedure with a view to Masfield Energy (or a Masfield Energy affiliate) concluding an agreement with MSAR[®] Customers for the development, manufacture and/or sale of MSAR[®] Fuels and Akzo Nobel granting a licence for the MSAR[®] Technology and the Licensed Process (the “Licence”) in consideration for the payment by the relevant licensee (or Masfield Energy) of an agreed royalty. The Alliance Agreement, in addition, provides for Akzo Nobel, to supply or procure the supply of the emulsion plant, emulsifiers and other chemicals, and logistical and technical support required for the manufacture of MSAR[®] Fuels for each Project (the “System”). The terms of the Licence and supply of the System are to be agreed on a case by case basis in relation to each Project, subject to certain guidelines set out in the Alliance Agreement.

The Alliance Agreement also provides Masfield Energy (or its wholly owned subsidiary, Quadris Power Systems AG) with the opportunity to identify and enter into business relationships in defined geographic areas with suitable third parties to develop Projects, defined in the Alliance Agreement as ‘Business Associations’. It is envisaged that the parties shall negotiate with a view to Akzo Nobel granting these Business Associations either exclusive or non-exclusive mandates for the development of the MSAR[®] Fuels business in defined geographical areas falling within the Territory (the “Mandates”). Each Project developed in the context of a Business Association is also subject to the same joint confirmation procedure described above in relation to individual Projects.

The Alliance Agreement further provides that the grant of exclusivity or preferred partner status in respect of any Mandate or generally in relation to an individual Project shall be subject to performance targets to be agreed with Akzo Nobel, which targets will relate to the quantity of emulsifiers purchased from Akzo Nobel to produce MSAR[®] Fuels and which will entitle Akzo Nobel, following a joint consultation process, on 90 days written notice to withdraw exclusivity or preferred partner status (as generally conferred by the Alliance Agreement for the development of the Projects) for the area for which the performance target was established.

The term of the Alliance Agreement is indefinite with each party being entitled to terminate the agreement on not less than 12 months written notice on or after the fourth anniversary of the Alliance Agreement. However, any party may terminate the Alliance Agreement by giving one year’s prior written notice to the other in certain defined circumstances, including a failure by the parties to jointly establish a performance target system within 15 months of the date of the Alliance Agreement and where there are repeated and consistent failures by the parties in jointly confirm Projects for development.

In addition, the Alliance Agreement prohibits Masfield Energy and its affiliates (subject to limited exceptions) from being directly or indirectly engaged with any competitor of Akzo Nobel within the area of processing feedstocks to fuel, from having any direct or indirect involvement in the development or promotion of any technology which competes with the MSAR[®] Technology or from sourcing chemicals and technical services for MSAR[®] Fuel production otherwise than through Akzo Nobel. The terms of the Alliance Agreement restrict Akzo Nobel from granting any Licence in the Territory to any competitor of Masfield Energy in the field of trading feedstock and/or fuel but otherwise Akzo Nobel is entitled (subject to certain express provisions in the Alliance Agreement granting Masfield Energy exclusivity) to engage with any other person in the Territory for the purpose of exploiting the MSAR[®] Technology or otherwise in relation to the development and/or manufacture of MSAR[®] Fuels.

The Alliance Agreement includes certain reciprocal warranties and indemnities given by Akzo Nobel and Masfield Energy including Akzo Nobel warranting that it is the legal and beneficial owner of the Licensed Process and the MSAR[®] Technology free from all encumbrances and third party rights.

The Alliance Agreement is made subject to Swedish law and mediation/arbitration in accordance with the rules of the Arbitration/Mediation Institute of the Stockholm Chamber of Commerce.

- (c) A memorandum of understanding dated 1 November 2005 between Quadrise America Inc (1) RJL Holdings LP (2) and Quadrise (3) (the “MOU”) in accordance with which the parties have set out the terms for the formation of a limited partnership named Quadrise Fuels US LP which, when formed, will operate in the United States and Mexico in the business of processing hydrocarbons using fractionation for the manufacture, distribution and marketing of MSAR Fuels for power generation and any associated marketable steam. The MOU states that it is intended to be an expression of intent between the parties and that the parties are not bound or legally obligated by its terms.

The General Partner of Quadrise US, which will own 1 per cent. of Quadrise US, is intended to be Quadrise Fuels Management Inc. The limited partners of Quadrise US are intended to be Quadrise holding an interest of 49.67 per cent., Quadrise America Inc with 29.67 per cent. and RJL Holdings LP with 19.67 per cent., after taking into account the general partner’s interest. Ownership of Quadrise US is intended to be Quadrise holding 50 per cent., Quadrise America Inc with 30 per cent. and RJL Holdings LP with 20 per cent.

It is intended that Quadrise US will form a separate company to progress the opportunity to acquire and sell power generation plants. It is also intended that the company will form a joint venture with a power generation acquisition entity for this opportunity.

The MOU sets out the contributions to Quadrise US by each of the parties.

- (d) A put and call option agreement dated 10 February 2006 between the shareholders of Quadrise Limited listed in schedule 1 to that agreement (the “Selling Shareholders”) (1), Quadrise (2) and Masefield Energy (3) (the “Put and Call Option Agreement”) pursuant to which the Selling Shareholders granted a call option to Quadrise to acquire the entire issued share capital of Quadrise Limited (the “Quadrise Limited Shares”), and Quadrise granted the Selling Shareholders a put option to require Quadrise to purchase the Quadrise Limited Shares (the “Options”). On 10 February 2006, Quadrise exercised the call option by giving notice to the Selling Shareholders, and completion of the Put and Call Option Agreement occurred on 10 March 2006 (“Put and Call Option Completion”). The consideration for the Quadrise Limited Shares is as follows: (i) a total of £4,571,428 payable in cash on or before the dates set out in the Put and Call Option Agreement for payment of this sum; (ii) a further £4,285,715, together with interest, to be satisfied in shares (which may, following the expiry of the lock-in arrangements described in Part I of this document, include New Shares) held by Masefield Energy on the dates as specified in the Put and Call Option Agreement, such sum to be satisfied by Masefield without recourse to Quadrise; (iii) 7.5 per cent. of the fully diluted issued and allotted share capital of Quadrise at completion of the Put and Call Option Completion; (iv) 5 per cent. of any consideration received by Quadrise or QFI from Quadrise Canada in return for Quadrise or QFI relinquishing Quadrise Canada’s obligations, at any time between Put and Call Option Completion and 30 June 2006, under the Net Revenue Royalty Agreement, to pay Quadrise Limited and Masefield AG a net revenue royalty (as provided for in that agreement) or 5 per cent. of any consideration received following the disposal of Quadrise’s interest in that net revenue royalty; and (v) one million common shares in Quadrise Canada.

The Selling Shareholders and Quadrise have each given certain warranties to the other under the Put and Call Option Agreement. Each of the parties’ respective maximum liability for any claim under the warranties is £4,000,000 and the time limit for bringing a claim is 14 months from Put and Call Option Completion. The Selling Shareholders have also given a tax indemnity to Quadrise (where the maximum liability is included in the £4,000,000 aforementioned) and the time limit for bringing claims under this indemnity is seven years from the date of Put and Call Option Completion.

- (e) A consultancy agreement dated 10 March 2006, between Quadrise (1) Denex Limited (2) Michael Ian Duckels (3) and Peter Jeremy Dodd (4), pursuant to which Denex Limited has

agreed to provide the consultancy services of Michael Ian Duckels and Peter Jeremy Dodd to Quadrise and its subsidiaries in connection with the production, manufacture, development, marketing and sale of MSAR® fuels.

- (f) A consultancy agreement dated 10 March 2006, between Quadrise (1) Wildfire Energy Limited (2) and Dr Alan Stockwell (3), pursuant to which Wildfire Energy Limited has agreed to provide the consultancy services of Dr Alan Stockwell to Quadrise and its subsidiaries in connection with the production, manufacture, development, marketing and sale of MSAR® fuels.
- (g) An agreement dated 1 March 2004, between Quadrise Canada (1) Quadrise Limited (2) and Masefield AG (3) (the “Net Revenue Royalty Agreement”) pursuant to which Quadrise Canada, in consideration for the payment to it of USD\$10 and the entry into of the Non-Competition Agreement referred to below, has agreed to pay to Quadrise Limited and Masefield AG commission on a quarterly basis in arrears of, respectively, 5 per cent. and 1.67 per cent. of Quadrise Canada’s net revenue received from its business in Canada (as the term “Net Revenue” is defined in the Net Revenue Royalty Agreement).
- (h) An agreement dated 1 March 2004, between Quadrise Canada (1) Quadrise Limited (2) and Masefield AG (3) (the “Non-Competition Agreement”), pursuant to which Quadrise Limited and Masefield AG, in consideration for the receipt by Quadrise Limited and Masefield AG of USD\$10 and a net revenue royalty granted to them under the Net Revenue Royalty Agreement, are restricted, for a period of 15 years from the date of the Non-Competition Agreement, from becoming involved in Canada in any activity or business which competes (either individually or in conjunction with another entity) with the business of Quadrise Canada, being the business carried on in Canada or contemplated as at that date by Quadrise Canada or which may be conducted at any time two years after that date in relation to the production of emulsified hydrocarbon fuels in Canada. Quadrise Canada is restricted, for a period of 15 years from the date of the Non-Competition Agreement, from actively seeking out business opportunities outside North America and, unless obligated by Akzo Nobel Chemicals Limited or Colt Engineering Corporation or any of their affiliates, it will not become involved in manufacturing and selling emulsified fuels outside of North America either individually or in conjunction with any another person.
- (i) An agreement dated 1 March 2004 between Quadrise Canada (1) Quadrise Limited (2) and Masefield AG (3) (the “Confidentiality Agreement”), pursuant to which Quadrise Limited and Masefield AG, in consideration of the receipt of USD\$10 and a Net Revenue Royalty under the Net Revenue Royalty Agreement, have agreed to certain confidentiality restrictions in relation to confidential information relating to Quadrise Canada, for a period of 180 months from the date of the Confidentiality Agreement.
- (j) An agreement dated 28 April 2003 between Quadrise Canada (1) and Quadrise Limited (2) (the “License, Technical Services and Non-Disclosure Agreement”), pursuant to which Quadrise Limited, in consideration of the receipt of USD\$10 and the grant to it by Quadrise Canada of a net revenue royalty of 10 per cent., under an agreement dated 28 April 2003 between Quadrise Limited (1) Masefield AG (2) Niven Fisher Energy Management Inc (3) T Ross Lennox (4) and Norman R Gish (5) (which has since been terminated by an agreement between the parties dated 1 March 2004 and replaced with the Net Revenue Royalty Agreement described in (g) above), has agreed to grant to Quadrise Canada (i) a non-exclusive licence in the United States for the gas turbine patent number US6,663,680 (the “Gas Turbine Patent”); (ii) an exclusive licence in Canada to any rights Quadrise Limited obtains in any enhancements or improvements relating to the Gas Turbine Patent; and (iii) a non-exclusive licence in the United States and Mexico to the Gas Turbine Patent and to any rights it obtains in any enhancements or improvements relating to the Gas Turbine Patent, for a period of 15 years and for so long thereafter as Quadrise Canada is using or relying on the Gas Turbine Patent as part of its business.
- (k) An agreement dated 15 February 2006 between Masefield AG (1) and Masefield Energy (the “Informal Assignment”) pursuant to which Masefield AG assigned the benefit under

the Net Revenue Royalty Agreement to Masfield Energy with effect from 30 June 2004. Further, the parties agreed, pending execution of a formal novation and assignment agreement, to pass on the benefits received under the Net Royalty Revenue Agreement to Quadrise as from the date of the Informal Assignment.

- (1) An agreement dated 23 February 2006 between Masfield Energy (1) Ian Williams, Hemant Thanawala, Stephen Jenkins, Paul Jennings, Ian Hole, Brendan Daley and William Howe (together with Masfield Energy, the “Sellers”) (2) and Quadrise (3) (the “Quadrise Asset and Share Agreement”) pursuant to which Masfield Energy and the Sellers agreed to sell and Quadrise agreed to buy, *inter alia*: (i) 6.3 per cent. of the entire issued share capital of Quadrise Canada; (ii) the entire issued share capital of Quadrise Power Systems AG; (iii) the benefit (subject to the burdens) of the net revenue royalty agreement between Quadrise Canada (1) Quadrise Limited (2) and Masfield AG (3) dated 1 March 2004; (iv) the benefit (subject to the burdens) of the Alliance Agreement as assigned to Quadrise under the Assignment Agreement; (v) the benefit (subject to the burdens) of a memorandum of understanding between Quadrise, Quadrise America, Inc. and RJL Holdings LP dated 1 November 2005, in relation to the formation of a limited partnership in the United States of America to be named “Quadrise Fuels US LP”, in which Quadrise is to have a 50 per cent. interest; and (vi) the goodwill of the Sellers in relation to the manufacturing and marketing of MSAR fuels. The consideration payable for these assets by Quadrise to the Sellers is the allotment, at completion of the Quadrise Assets and Share Sale Agreement, of 9,249,900 ordinary shares of 1 pence each in Quadrise to the Seller. Completion of the Quadrise Assets and Share Sale Agreement occurred on 9 March 2006.

11.2.2 *Masfield Energy*

- (a) A share sale and purchase agreement dated 7 March 2005 between Masfield Energy (1) and Bullion Resources Plc (now Nautical Petroleum Plc) (“Bullion”) (2) (the “Nautical Acquisition Agreement”) pursuant to which Masfield Energy agreed to sell and Bullion agreed to purchase 73.28 per cent. of the entire issued share capital of Nautical Holdings Limited (“Nautical”) for the consideration of £15,334,258.50, to be satisfied by the allotment and issue of 511,141,950 ordinary shares of 1 pence (credited as fully paid up at a price of 3 pence per share) in the capital of Bullion, to Masfield Energy (the “Nautical Consideration Shares”). The Nautical Acquisition Agreement was conditional upon the satisfaction of various conditions including, *inter alia*: (i) the execution of a conditional share sale agreement between Bullion and Stephen Jenkins in relation to shares in Nautical held by him; and (ii) the minority shareholders of Nautical identified in Part II of Schedule 1 of the Nautical Acquisition Agreement agreeing to sell to Bullion on or before completion of the Nautical Acquisition Agreement all of the shares in Nautical held by him or it free and clear from any liens, claims, encumbrances or charges whatsoever for the consideration of £5,088,541.50 to be satisfied by the issue of a further 169,618,050 ordinary shares of 1 pence each (credited as fully paid up at a price of 3 pence per share) in the capital of Bullion.

Pursuant to the Nautical Acquisition Agreement, Masfield Energy is subject to certain lock-in arrangements in respect of its Nautical Consideration Shares. Masfield Energy further irrevocably agreed on the terms of the Nautical Acquisition Agreement, that if it (or any of its subsidiaries or subsidiary undertakings) acquires, in certain specified circumstances, or becomes aware of the possibility of acquiring further interests in Heavy Crude Oil (as defined in the Nautical Acquisition Agreement) it shall give Bullion the right to acquire such interest(s) with the price payable for the purchase of such interest(s) to be determined in accordance with the provisions of the Nautical Acquisition Agreement. Pursuant to the Nautical Acquisition Agreement, Masfield Energy is also subject to certain non-solicitation and non-competition covenants for a period of 2 years after the date of completion of the Nautical Acquisition Agreement (“Nautical Completion”) which restrict Masfield Energy from, among other matters, soliciting clients, customers or employees from Nautical or Nautical Petroleum AG and engaging in any business similar to any business carried on by Nautical or Nautical Petroleum AG at the date of the Nautical Acquisition Agreement. Masfield Energy and Bullion have each given certain warranties to the other on the terms of the Nautical Acquisition Agreement.

- (b) A development agreement dated 6 January 2005 between Alba Resources Limited (“Alba”) (1) and Masfield Energy (2) (the “Development Agreement”). Alba is a licensee of the United Kingdom Petroleum Production Licence No P335 dated 2 April 1981 (the “Licence P335”) covering the United Kingdom Continental Shelf Block 9/11, within which the hydrocarbon accumulation underlying Block 9/11, known as the Mariner Field, is located. Pursuant to the Development Agreement, Alba has agreed to transfer to Masfield Energy: (i) its interest in Licence P335; (ii) its rights and interests in the United Kingdom Offshore Operating Agreement dated 16 December 1980, relating to Licence P335 (the “Operating Agreement”) but only to the extent of 13.3333 Percentage Interest, as defined in the Operating Agreement ; (iii) its interests in specified agreements relating to Licence P335; and (iv) 50 per cent. of Alba’s interest due from ENI AEP Limited under an agreement between Unocal UK Limited (1) and Unocal North Sea Limited (2) dated 11 March 1993, (together the “Transferred Interests”) on the grant by the Secretary of State for Trade and Industry of development consent relating to Licence P335.

In consideration for the above, Masfield Energy has agreed to pay all the Financial Obligations of Alba (as defined in the Development Agreement) including, *inter alia*: (i) the sum of £1,500,000 to Alba in 15 equal instalments commencing on 1 January 2005 (unless certain specified consents are granted by the Secretary of State for Trade and Industry in relation to Licence P335 before 31 March 2006, in which case the outstanding balance shall be paid within 7 days of the grant of such consent), (the “Development Loan”) such sum being repayable in accordance with the terms of a loan note instrument and loan note (as appended to the Development Agreement in agreed form); (ii) the sum of USD\$2,000,000 (the “FDP Consideration”); (iii) any Cash Calls or Invoices (as defined in the Development Agreement), which *inter alia*, relate to calls or requests made on Alba in relation to Alba’s interest in Licence P335 on or after 1 January 2005 relating to payments incurred from 1 October 2004 to 31 March 2006, up to an aggregate of £1,000,000 (but subject to a minimum payment of £800,000). After 31 March 2006, Masfield Energy shall pay one half of any Cash Calls or Invoices received; (iv) 50 per cent. of the sums owed by Alba to Amerada Hess Limited (“Amerada”) under a sale and purchase agreement between Alba and Amerada dated 16 June 2003 relating, *inter alia*, to the acquisition of the Mariner Field; (v) the sum of USD\$ 1,388,889 on the date the first barrel of hydrocarbons is produced from the Mariner Field; and (vi) on the achievement of two specified targets of crude oil and natural gas from the Mariner Field being reached, Masfield Energy is obliged to pay certain further consideration to Alba totalling USD\$2,500,000.

In an agreement dated 30 June 2005 between Alba (1), Masfield Energy (2) and First Mariner Limited (“First Mariner”) (3) (the “Development Assignment”), Masfield Energy novated to First Mariner all of its rights and obligations under the Development Agreement, the loan note instrument and the loan notes, effective as from the date of the Development Assignment.

- (c) An agreement dated 1 July 2005 between Masfield Energy, Stephen Jenkins, Paul Jennings, Helm Trust Company Ltd, Hemant Thanawala and Brendan Daley (the “First Mariner Vendors”) (1) and Nautical Petroleum plc (“Nautical Plc”) (2) (the “First Mariner Share Sale Agreement”) pursuant to which the First Mariner Vendors sold the entire issued and allotted ordinary shares in the capital of First Mariner Limited to Nautical Plc for a consideration of £3,000,000 satisfied by the allotment and issue on completion of the First Mariner Share Sale Agreement, of such number of ordinary shares of 1 pence each in the capital of Nautical Plc credited as fully paid as having an aggregate value of £3,000,000. The First Mariner Vendors severally gave certain warranties, not limited in time or value, to Nautical Plc.
- (d) A relationship agreement dated 23 November 2005 between Nautical Petroleum Plc (“Nautical Plc”) (1) and Masfield Energy (2) (the “Nautical Relationship Agreement”) pursuant to which Masfield Energy undertakes to exercise its rights as a shareholder of Nautical Plc (which at the date of the Nautical Relationship Agreement represented 54.87 per cent. of the voting rights exercisable at general meetings of Masfield Energy) to ensure that Nautical Plc is capable of carrying on its business independently of Masfield Energy and that all transactions, relationships and agreements between Masfield Energy and

Nautical Plc are on arms length terms on a commercial basis and that, in particular, Masfield Energy (nor any of its associates) shall seek to: (i) exercise day to day operational or management control over the business of Nautical Plc (or any of its subsidiaries); or (ii) remunerate any executive director of Nautical Plc, save pursuant to the Consultancy Agreement (summarised below). The Nautical Relationship Agreement also deals with Masfield Energy's undertakings in relation to the appointment of independent non-executive directors to the board of directors of Nautical Plc. The Nautical Relationship Agreement shall continue to remain in force for so long as Masfield Energy and its associates (as defined) hold on aggregate (directly or indirectly) 30 per cent. or more of the issued shares in Nautical Plc.

- (e) An agreement dated 29 September 2004 between Masfield AG (1) and Masfield Energy (2) (the "Inter-Company Asset Purchase Agreement"), pursuant to which Masfield AG agreed to sell and Masfield Energy agreed to buy certain assets including, among other items: oil processing equipment, shares in Welgas Holdings Ltd, Quadrise Canada Fuel Systems Inc, Nautical Petroleum AG, Nautical Petroleum UK Ltd and QPSAG and related party receivables (the "Assets") on 30 June 2004. The consideration for the Assets was US\$27,632,535.27, plus interest at a rate of LIBOR plus 1 per cent. per annum and in the event of default a rate of LIBOR plus 3 per cent. per annum. The consideration is payable in quarterly tranches beginning on 1 July 2006 and a final lump sum on 30 June 2014. Masfield Energy is entitled to make earlier payment of outstanding amounts (without bonus or penalty) and is obliged to do so if specified events occur. Masfield AG has not given any express warranties with respect to the Assets under the terms of the Inter-Company Asset Purchase Agreement. Masfield Energy has agreed to indemnify Masfield AG for all losses, liabilities, damages and expenses which Masfield AG may sustain or incur as a consequence of any default by Masfield Energy in the performance of its obligations under the Inter-Company Asset Purchase Agreement.
- (f) A term loan facility agreement dated 21 November 2005 between Masfield Energy and Masfield AG (the "Borrowers") (1) and Banque Commerciale pour l'Europe du Nord - Eurobank (the "Lender") (2) (the "Term Loan Facility Agreement") pursuant to which the Lender agreed to provide a term loan facility of up to USD\$10,000,000 (the "Facility") to the Borrowers to finance their working capital requirements. The term loan is available for a minimum of one month from the date of the Term Loan Facility Agreement to such later date as the parties may agree. The term loan is available upon the Borrowers delivering a drawdown request to the Lender and is repayable, together with all accrued interest, in five equal instalments on specified dates spanning an 18 month period commencing on 24 November 2006. The interest due is set at a rate of LIBOR plus 3 per cent. per annum with a further 2 per cent. per annum interest in specified default circumstances. Throughout the duration of the Term Loan Facility Agreement and until such times as all unpaid sums have been repaid, the Borrowers are obliged to fulfil certain conditions precedent including an undertaking by Masfield Energy to provide certain security to the Lender as specified in the Term Loan Facility Agreement.

Masfield Energy and Masfield AG have entered into an agreement dated 23 November 2005 (the "Payment and Loan Agreement") pursuant to which the parties agreed how Masfield Energy would draw down and use the Facility. Under the terms of the Payment and Loan Agreement Masfield Energy has agreed to: (i) apply USD\$5,505,000 of the Facility to the early repayment of the first three instalments under the Inter-Company Asset Purchase Agreement (summarised above) and (ii) make a loan payment of USD\$3,495,000 to Masfield AG (the "Loan") which Masfield AG agrees to immediately apply to the re-payment of inter-company debt between Masfield Energy and Masfield AG, outstanding at the date of payment of the Loan.

- (g) A loan agreement dated 10 January 2005 between Masfield Energy (1), Rivertrade Limited (2) and Harvey McGrath (3) (the "Loan Agreement"), pursuant to which Rivertrade Limited and Harvey McGrath (together the "Lender") have lent and advanced to Masfield Energy the sum of US\$3,000,000 repayable with interest after 3 years (the "Rivertrade Loan"). Masfield AG has agreed to subordinate its claims to repayment of a loan made to Masfield Energy in favour of the Lender. In addition, the Lender has the right to convert

the loan into shares of Masfield Energy, the number of which is to be determined according to a formula but subject to a maximum of 24 per cent. of the equity. Alternatively, the Lender has the right to enhance the repayment terms which could result in the Lender receiving an additional 20 per cent. of the principal sum or 20 per cent. of the increase in value of shares owned by Masfield Energy in Quadrise Canada Fuel Systems Inc. Repayment of the Rivertrade Loan is secured on the terms of a deed dated 1 February 2006 between the Lender and Masfield Energy (the “Share Pledge Agreement”). Under the Share Pledge Agreement, the parties agreed, among other matters, for Masfield Energy to grant security to the Lender by way of a pledge over 23,588,184 existing ordinary shares of 1p each in the capital of Nautical Petroleum Plc, provided that such security is not capable of being exercised prior to the expiry of applicable lock-in restrictions by which Masfield Energy is bound.

- (h) Share sale agreements dated various dates in October 2004 between Masfield Energy and each of Diamond Honour Limited, Perca Consulting Limited, Joanne Frimpong, Valuevisions Limited, Fosco International Limited, Kevin Browne, Letar Holdings Limited, Walbrook Trustees (IMO) Limited as trustee for KAGB Trust, Relabell Properties Limited, NYD Limited, Philippe Jaccard and Ruudowen Limited, (“the Purchasers”) pursuant to which Masfield Energy sold 11.9 per cent. of its shareholding in Nautical Holdings Ltd to the Purchasers. The agreements provide that if within the period of twelve months from the date of the agreement, Masfield Energy has not obtained a listing (the “Put Option Date”) then Purchasers will each have the right (the “Put Option”) to require Masfield Energy to purchase all (but not some only) of the shares in Nautical Holdings Ltd. This option may be exercised within 60 days of the Put Option Date. Additionally, the agreements provide that if during the period of twelve months commencing from the date of the share purchase agreement, Masfield Energy announces that it is in the process of obtaining a listing (the “Call Option Date”) then it shall have the right (the “Call Option”) to require the Purchasers to sell the shares in Nautical Holdings Ltd. This option may be exercised at any time. The consideration for the shares will be £150 per share. In December 2004 and January 2005 Masfield Energy and each of the Purchasers executed letters of variation waiving their rights to the Put and Call Options.
- (i) An agreement dated 21 March 2006 between Masfield Energy (1), ABN AMRO Nominees Limited (2) and Anthony Carmel Lowrie (3) (the “Buyer”), pursuant to which Masfield Energy agreed to sell and the Buyer agreed to purchase 222,222 issued ordinary shares of 1 pence each of Quadrise held by Masfield Energy, for a consideration of £ 1,000,000. Completion of this agreement is conditional upon Admission occurring on or before 30 April 2006.
- (j) An agreement dated 21 March 2006 between Masfield Energy and Ruudowen Limited (the “Buyer”), pursuant to which Masfield Energy agreed to sell and the Buyer agreed to purchase 111,111 issued ordinary shares of 1 pence each of Quadrise held by Masfield Energy, for a consideration of £500,000. Completion of this agreement is conditional upon Admission occurring on or before 30 April 2006.
- (k) An agreement dated 21 March 2006 between Masfield Energy and Catriona Investments Limited (the “Buyer”), pursuant to which Masfield Energy agreed to sell and the Buyer agreed to purchase 111,111 issued ordinary shares of 1 pence each of Quadrise held by Masfield Energy, for a consideration of £500,000. Completion of this agreement is conditional upon Admission occurring on or before 30 April 2006.
- (l) An agreement dated 21 March 2006 between Masfield Energy (1) and Anthony Davies (2) (the “Quadrise-Davies Agreement”), pursuant to which Masfield Energy agreed to sell and Anthony Davies agreed to purchase 444,444 issued ordinary shares of 1 pence each of Quadrise held by Masfield Energy (the “Quadrise Shares”), for a consideration of £2,000,000 (the “Quadrise-Davies Consideration”), the payment of which is deferred until 21 April 2006. Completion of the Quadrise-Davies Agreement is conditional upon Admission occurring on or before 30 April 2006. As security for the payment of the Quadrise Davies Consideration, Anthony Davies has agreed to pledge the Quadrise Shares to Masfield Energy subject to the terms of an agreement between the parties dated 21 March 2006.

11.3 *The Company*

The following contracts have been entered into in the ordinary course of business by the Company since incorporation and are, or may be, material:

- (a) On 8 December 2005, the Company and Smith & Williamson entered into an agreement under which Smith & Williamson has agreed to act as nominated adviser and joint broker to the Company for an annual fee of £30,000 (plus VAT) together with a time based fee charged at normal rates where specific advice is required. The Company has given warranties and indemnities typical for this kind of engagement. The agreement is for an initial fixed period of 12 months and thereafter may be terminated by either party on three months' written notice.
- (b) On 8 February 2005, the Company and Nabarro Wells & Co Limited ("Nabarro Wells") entered an agreement under which Nabarro Wells agreed to act as the Company's nominated adviser for one year from the original admission to AIM of the Company and thereafter, unless terminated by six months' written notice by Nabarro Wells or the Company. Under this agreement, the Company agreed to pay Nabarro Wells a fee of £20,000 (plus VAT) on Admission, options over 3,000,000 Shares and an ongoing nominated adviser fee of £10,000 per annum to be reviewed on completion of the first transaction. On 3 December 2005, the Company gave notice to Nabarro Wells terminating this agreement.
- (c) On 8 February 2005, the Company and Hichens entered an agreement pursuant to which Hichens agreed to act as the Company's broker from the original admission to AIM of the Company until terminated by 30 days' written notice by Hichens or the Company. Under this agreement, the Company agreed to pay Hichens an annual fee of £10,000 (plus VAT) to be reviewed on completion of the first transaction and options over 3,000,000 Shares.

12. **United Kingdom taxation**

The comments set out below summarise certain aspects of the UK taxation treatment of the Acquisition. They are based on existing law and on what is understood to be current Inland Revenue practice. They are intended as a general guide and apply to Shareholders resident or ordinarily resident for tax purposes in the UK (save where express reference is made to persons resident outside the UK) who hold Shares as an investment and who are the absolute beneficial owners thereof. The comments below are not directed at corporate shareholders (except as expressly stated) and may not apply to certain classes of persons such as dealers or persons holding Shares in a personal equity plan or an individual savings account. Shareholders who are in any doubt about their taxation position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers immediately.

(a) Taxation of chargeable gains

A subsequent disposal of all or any of the Shares may, depending on the Shareholder's individual circumstances, give rise to a liability to UK taxation on chargeable gains. Shareholders will normally be subject to UK taxation on chargeable gains, unless such holders are neither resident nor ordinarily resident in the UK. Such Shareholders should take further advice in connection with liabilities in the UK and overseas.

(b) Dividends

There is no withholding tax on dividends nor is the Company liable to account for any tax to the Inland Revenue on dividends.

A Shareholder who is an individual resident for tax purposes in the UK and who receives a dividend will be entitled to a tax credit equal (at current rates) to one ninth of the dividend. The individual will be taxable on the total of the dividend and the related tax credit ("the gross dividend") which will be regarded as the top slice of the individual's income. The tax credit will discharge in full the income tax liability of a starting rate, lower rate or basic rate tax payer, but a higher rate tax payer will have an additional liability. Currently, an individual subject to the higher

rate of tax will pay tax on the gross dividend at the rate of 32.5 per cent. of the gross dividend; normally the tax credit will then be deducted in order to arrive at the individual's net tax liability on the dividend.

It will not be possible for UK resident Shareholders to claim repayment of the tax credit in respect of dividends.

A Shareholder that is a company resident for tax purposes in the UK will not generally be taxable on any dividend it receives from the Company, unless it is treated as trading in Shares.

The right of a Shareholder who is not resident for tax purposes in the UK to a tax credit in respect of a dividend received from the Company will depend on the existing terms of any double taxation convention between the UK and country in which the holder is resident. Holders who are not solely resident in the UK should consult their own tax advisers concerning their tax liabilities on dividends received, whether they are entitled to claim any part of that tax credit and, if so, the procedure for doing so.

(c) Stamp Duty and Stamp Duty Reserve Tax

The following comments are intended as a guide to the general position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons concerned with depository arrangements or clearance services to which special rules apply.

The issue of the Placing Shares by the Company will not give rise to a charge to stamp duty or stamp duty reserve tax ("SDRT").

An agreement to sell Shares will usually give rise to a liability on the purchaser to pay SDRT normally at the rate of 0.5 per cent. of the amount or value of the consideration given. If an instrument of transfer of the Shares is subsequently executed, it will generally be subject to stamp duty normally at the rate of 0.5 per cent. of the amount or value of the consideration given. When such stamp duty is paid within six years of the agreement to sell, the SDRT charge will be cancelled and any SDRT already paid will be refunded.

13. Working capital

In the Existing Directors and the Proposed Directors' opinion, having made due and careful enquiry, the working capital available to the Company will, from Admission, be sufficient for its present requirements, that is, for at least the next twelve months.

14. Related party transactions

The following transactions have been conducted by the Company and Quadrise since incorporation with parties that are, or may be, considered related:

- (a) By a letter dated 30 November 2005 (the "Underwriting Letter") James Burgess agreed to underwrite the raising of up to £250,000 equity capital in the Company. Under the terms of the Underwriting Letter, for the first two months that Mr Burgess remains liable to underwrite the above amount, the Company has an obligation to pay Mr Burgess a commission of 2 per cent. on the maximum amount payable by Mr Burgess, namely £5,000. Following the expiration of the first two months, the Company has an additional obligation to pay Mr Burgess a rate of 1 per cent. of £250,000 namely £2,500 for each month or part month, commencing on 30 January 2006, for any amounts which Mr Burgess remains liable to pay under the terms of the Underwriting Letter. Mr Burgess' obligations under the Underwriting Letter will expire on 31 March 2006. Mr Burgess has signed a letter agreement whereby his obligations under the Underwriting Letter will continue until 30 April 2006.
- (b) On the Company's admission to AIM in February 2005 the Company paid Mr Burgess £23,000 and Mr Woolgar £14,052 in commissions in connection with a placing of shares in the Company. The sum payable to Mr Burgess was satisfied by the allotment to Mr Burgess of 2,300,000 Shares at a price of 1 p per share.

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, Quadrise or any member of the Enlarged Group prior to the date of this document.

15. Litigation

Since incorporation neither the Company nor any other member of the Enlarged Group has been engaged in, or is currently engaged in, any governmental, legal or arbitration proceedings which have had or may have a significant effect on the financial position or profitability of the Enlarged Group and, so far as the Existing Directors and the Proposed Directors are aware, there are no such proceedings pending or threatened against the Company or any other member of the Enlarged Group.

16. General

- (a) The accounting reference date of the Company is 31 March.
- (b) MRI Moores Rowland LLP has given and not withdrawn its written consent to the inclusion of their reports in the form set out in Parts IV, V and VI of this document and the references to such reports in the form and context in which they appear and accepted responsibility for such reports.
- (c) Smith & Williamson has given and not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which it appears.
- (d) Hichens has given and not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which it appears.
- (e) On admission to AIM in February 2005, the Company's auditors were Nexia Audit Limited of no. 1 Bishops Wharf, Walnut Tree Close, Guildford GU1 4RA. Nexia Audit Limited resigned as auditors to the Company on 13 March 2006. MRI Moores Rowland LLP of 3 Sheldon Square, Paddington, London W2 6PS (Members of the Institute of Chartered Accountants for England and Wales) were appointed as auditors to the Company on 13 March 2006.
- (f) The total costs and expenses payable by the Company (in cash) in connection with the Proposals (including professional fees, commissions, the costs of printing and the fees payable to the registrars) are estimated to amount to approximately £1.0 million (excluding VAT). This amount includes a fee of £150,000 to Simmons & Co Limited in respect of their services in relation to the Placing and a fee of £100,000 to KAGB Trust in respect of Kevin Norville's services in relation to the Placing.
- (g) The Shares or New Shares will be in registered form and may be held in uncertificated form in CREST. In the case of Shares or New 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 Shares or New Shares to be held in uncertificated form as soon as practicable after Admission. For those Vendors who elect to receive Shares or New Shares to be issued pursuant to the Acquisition in certificated form, definitive share certificates are expected to be despatched 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.
- (h) The Company's principal investments in progress and since incorporation are as set out in Part I of this document and, from Admission, its investment in Quadrise. Neither Quadrise nor any member of the Group has made any other firm commitment in respect of any other investments, including in relation to the Enlarged Group.
- (i) Save as disclosed Section D of Part V and Part VII 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 Company to 31 December 2005 and the audited accounting information on Quadrise to 31 May 2005 set out in Section B of Part V of this document or of Masfield Energy since the last published audited accounts to 30 June 2005 set out in Part VII of this document.

- (j) Save as disclosed in this document, there are no patents, licences, commercial or financial contracts or new manufacturing processes which are material to the business or profitability of Quadrise or any member of the Group.
- (k) Save for the acquisition of Quadrise, 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 Shares.
- (l) Save as otherwise disclosed in this document, no person (excluding professional advisers as stated in this document and trade suppliers) has received directly or indirectly, from the Company, within the 12 months preceding the date of the Company's application for Admission, and no persons have entered into contractual arrangements to receive, directly or indirectly from the Company on or after Admission:
 - (i) fees totalling £10,000 or more;
 - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- (m) 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.
- (n) Save as disclosed in this document, there is no agreement, arrangement or understanding (including any compensation arrangement) that exists between the Concert Party or any person acting in concert with it and any of the Existing Directors, recent Directors, the Proposed Directors, recent Shareholders or Shareholders which has any connection with or dependence on the Acquisition.
- (o) Save as disclosed in this document, there is no agreement, arrangement or understanding that exists for the transfer of any Shares held by the Concert Party following the Acquisition to any other person.
- (p) No company in the Enlarged Group has declared or paid a dividend since incorporation.

17. 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.

18. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Bircham Dyson Bell at 50 Broadway, London SW1H 0BL 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 Zareba, Quadrise and Masefield Energy;
- (b) the audited financial statements of Zareba for the period ended 30 June 2005;
- (c) the shortform report on Quadrise for the period ended 31 December 2005;
- (d) the audited financial statements of Masefield Energy for the year ended 30 June 2005;
- (e) the material contracts referred to in paragraph 11 above;
- (f) the service and other contracts referred to in paragraph 6 above;
- (g) the written consents referred to in paragraph 16 above;
- (h) the Preliminary Merger Agreement;
- (i) the irrevocable commitments referred to in paragraph 5(a) above; and
- (j) this document.

23 March 2006

ZAREBA PLC (the “Company”)

(Registered in England and Wales No.5267512)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 3.00 p.m. on 18 April 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. Resolutions (1) to (5) are conditions of the Acquisition and the Placing, which in each case will only proceed if all those Resolutions are passed.

ORDINARY RESOLUTIONS

1. THAT the acquisition by the Company of the entire issued share capital of Quadrise International Limited (“Acquisition”) on the terms summarised in a circular to Shareholders dated 23 March 2006, comprising an AIM admission document (“Admission Document”) accompanying this notice of meeting, be approved in accordance with Rule 14 of the AIM Rules for Companies published by London Stock Exchange plc.
2. THAT 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 of shares of the Company to them pursuant to the Acquisition (equivalent to 79.49 per cent. of the Enlarged Share Capital as defined in the Admission Document (or 80.04 per cent. of the Enlarged Share Capital assuming the members of the Concert Party exercise all their options)) be and is hereby approved.
3. THAT the authorised share capital of the Company be increased from £1,000,000 to £10,000,000 by the creation of an additional 9,000,000 ordinary shares of 0.1p each ranking *pari passu* in all respects with the existing ordinary shares of 0.1p each in the capital of the Company.
4. THAT the directors of the Company be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (the “Act”) to exercise all powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities within the meaning of that section in connection with the Acquisition and, conditional upon Admission, otherwise to such persons at such times and on such terms as the directors think proper up to an aggregate nominal amount of £9,796,700 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Company’s annual general meeting in 2007 or if earlier, the date fifteen months from the date of passing this resolution, but so that the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTIONS

5. THAT, in substitution for all existing authorities to the extent unutilised, the directors of the Company be and are hereby generally empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 4 above, as if section 89(1) of the Act did not apply to the allotment PROVIDED THAT this power:
 - (a) expires at the conclusion of the Company’s annual general meeting in 2007 or if earlier, the date fifteen months from the date of passing this resolution, but so that the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this authority and the directors may allot equity securities in pursuance of that offer or agreement; and

(b) is limited to:

- (i) allotments of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offer as they may deem necessary or expedient:
 - (A) to deal with equity securities representing fractional entitlements; and
 - (B) to deal with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and
 - (ii) allotments of equity securities pursuant to the Initial Placing and the Placing (as in each case defined in the Admission Document) and the options granted by the Company prior to the date hereof up to an aggregate nominal amount of £825,698;
 - (iii) allotments (other than pursuant to sub-paragraphs (b)(i) and (b)(ii) above) of equity securities for cash up to an aggregate nominal amount of £1,500,000.
6. THAT, subject to the passing of resolutions 1, 2, 3, 4 and 5 above, the name of the Company be changed to Quadrise Fuels International plc.

ORDINARY RESOLUTION

7. THAT immediately prior to the admission of the issued capital of the Company (as enlarged by the Acquisition, the Initial Placing and the Placing) to trading on the AIM market of London Stock Exchange plc (such admission being expected to occur on or about 19 April 2006) all of the ordinary shares of 0.1p in the capital of the Company be consolidated into ordinary shares of 1p on the basis of 10 ordinary shares of 0.1p for each new ordinary share of 1p. Any fractions of ordinary shares of 1p each to which any holder of ordinary shares would otherwise be entitled arising from such consolidation shall not be allotted but shall be aggregated and consolidated so far as is possible into ordinary shares of 1p each and retained or (if any such arrangement can be made) sold for the benefit of the Company. For the purposes of implementing the provisions of this paragraph the Board may appoint some person to execute transfers or renunciations on behalf of persons otherwise entitled to such fractions and generally may make all arrangements which appear to them to be necessary or appropriate for the settlement and disposal of fractional entitlements.

Registered Office:

Third Floor
55 Gower Street
London WC1E 6HQ

Dated: 23 March 2006

By Order of the Board

Audrey Clarke FCIS

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 Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company's share register at 5.00 p.m. on 16 April 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.

ZAREBA PLC (the “Company”)

(Registered in England and Wales No.5267512)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at 4.00 p.m. on 18 April 2006, or soon thereafter as the Extraordinary General Meeting to be held at 3.00 p.m. on the same date shall have concluded, at the offices of Smith & Williamson Corporate Finance Limited, 25 Moorgate, London EC2R 6AY for the following purposes:

1. To re-elect John Woolgar as a director of the Company.
2. To transact any other ordinary business.

Registered Office:

Third Floor
55 Gower Street
London WC1E 6HQ

By Order of the Board

Audrey Clarke FCIS

Dated: 23 March 2006

Notes:

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 Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company's share register at 5.00 p.m. on 16 April 2006 in order to be entitled to attend and vote at the Annual 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.

