



Phoenix Resources Plc

Offer for Subscription

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OFFER FOR SUBSCRIPTION

PHOENIX RESOURCES PLC
(A public company incorporated with limited liability in England)

Offer for subscription of up to 30,000,000 ordinary shares of 0.1p par value each at 5.5p per share

Share capital immediately following completion of Offer (assuming full subscription):

<i>Authorised</i>		<i>Issued and fully paid</i>	
Amount	Number	Amount	Number
£10,000,000	10,000,000,000	£280,000	280,000,000

This document sets out the terms on which Phoenix Resources Plc (the "Company") proposes to offer up to 30,000,000 ordinary shares of 0.1p par value each in the capital of the Company (the "Shares") at an offer price of 5.5p per ordinary share for subscription (the "Offer").

The contents of this document, which is not a prospectus for the purposes of the Prospectus Regulations 2005, and which are the sole responsibility of the Directors of the Company, constitute a financial promotion communication under the Financial Services and Markets Act 2000 ("FSMA") and have been approved for the purposes of section 21 of FSMA by Ascension Securities Ltd. Ascension Securities Ltd is authorised and regulated by the Financial Services Authority.

The share capital of the Company is not presently listed or dealt on any stock exchange. It is emphasised that no application is being made for admission of these securities to the Alternative Investment Market of the London Stock Exchange plc ("AIM") or the Official List of the UK Listing Authority or to trading on the London Stock Exchange's market for listed securities or to PLUS. Subject to successful drilling results, the Directors' current intention is that, if considered appropriate, an application will be made within 12 months or, if longer, when they consider it to be practicable, for the ordinary share capital of the Company to be admitted to trading on AIM or PLUS.

The Company's shares may go down as well as up, and an investor may not, on realisation, recover the amount originally invested. Prospective investors should only apply to invest in the Company if they are able and willing to accept the high degree of risk connected with an unquoted investment, which could result in the loss of some or all of their investment.

All the Company's advisers named in this document are acting exclusively for the Company and for no one else in connection with the matters described herein and will not be responsible to anyone other than the Company or providing the protections afforded to customers of such advisers or for advising any other person on the contents of this document or any matter referred to herein. No representation or warranty, express or implied, is made by any such advisers as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

An investment in the Company is only suitable for investors who understand the risks of investing in small companies. Investors who act upon this communication and engage in this investment activity may expose themselves to a significant risk of losing all property invested. Investors are accordingly advised to consult a qualified investment adviser who specialises in investments of this kind before making any decision to invest.

This document is not for distribution outside the United Kingdom and, in particular, it should not be distributed to persons with addresses in Canada, Australia, Japan, South Africa or the Republic of Ireland or to persons with addresses in the United States of America, its territories or possessions or to any citizen thereof or to any corporation, partnership or other entity created or organised under the laws thereof. Any such distribution could result in the violation of Canadian, Australian, Japanese, South African, Republic of Ireland or United States of America law.

The subscription list will open at 9.00 am on 1st December 2006, and will remain open until 5.00 pm on 10th January 2007, unless extended by the Directors. The offer may be closed at any time in the discretion of the Directors. The application form for the Offer is included with this documentation.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Adrian John Eyre Bruno Denantes Anthony Baron Hugh Morshead	<i>Executive Director</i> <i>Executive Director</i> <i>Executive Director</i> <i>Executive Director</i>
Secretary	Temple Secretaries Ltd	
Registered Office	788-790 Finchley Road London. NW11 7TJ	
Corporate Finance Advisers	Ascension Securities Limited 120 Fenchurch Street London EC3M 5BA	Competent Person ResourceInvest Pty Limited PO Box 141, Exeter Tasmania
Solicitors to the Company	Kerman & Co LLP 7 Savoy Court London WC2R 0ER	Auditors Horwath Clark Whitehill LLP 10 Palace Avenue Maidstone, ME15 6NF
Receiving Agent	Capita Registrars, Corporate Actions The Registry 34 Beckenham Road, Beckenham Kent, BR3 4TU	Registrars Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA

KEY DEFINITIONS

PARTIES

Phoenix Resources or Phoenix or Company	Phoenix Resources PLC, a public limited company incorporated in England and Wales with registered number 5770314
Ascension	Ascension Securities Limited, the corporate finance advisers to the Company, and sponsor of the Offer, and which is authorised and regulated by the Financial Services Authority
Empire	Empire Oil Company (WA) Limited, a company whose ordinary shares are listed on the Australian Stock Exchange
Empire Group	Empire and its subsidiary companies
Group	The Company and its subsidiary undertakings (as defined by section 736 of the Companies Act 1985)
Competent Person	ResourceInvest Pty Limited of PO Box 141, Exeter, Tasmania

LICENCE INTERESTS

EP104	the exploration permit designated as EP104 relating to an area in the Canning Basin in Western Australia
RL R/1	retention lease designated as RL R/1, issued pursuant to EP104
L98-1	an application for a production licence known as L98-1, in respect of an area adjoining RL R/1
West Kora Interest	a participating interest in Application L98-1
Anderson Formation	means, in effect, those parts of the areas covered by EP104, RL R/1 and Application L98-1 located below approximately 1,600 metres. It is this formation that contains the hydrocarbons to be targeted by the West Kora-1 well and the Point Torment-1 well
EP359	the exploration permit designated as EP359 relating to an area in the Carnarvon Basin in Western Australia
EP435	the exploration permit designated as EP435 relating to an area in the Carnarvon Basin in Western Australia
Licence Interests	EP104, RL R/1, L98-1, EP359 and EP435
Licence Areas	the areas which are the subject of the Licence Interests
Farmin Agreements	the agreements pursuant to which the Company has the right to earn working interests in the Licence Interests, as described in this document
Farmin Interests	the working interests in the Licence Interests and the related joint ventures which the Company has the entitlement to acquire pursuant to the Farmin Agreements

Expert Report the expert report commissioned by the Company written by the Competent Person which reviews the petroleum resource potential of the Licence Interests

OFFER

Minimum Amount £270,000

Offer the offer to subscribe for up to 30,000,000 Ordinary Shares at 5.5p per share made pursuant to this document

Offer Shares the Ordinary Shares that are the subject of the Offer

Ordinary Shares ordinary shares of 0.1p each in the capital of the Company

PLUS the primary market of the PLUS Markets Group (formerly known as Ofex) operated by Ofex plc, which is regulated by the Financial Services Authority, which allows trading in the shares of unquoted companies

TECHNICAL

bopd barrels of oil per day

darcies the units of Darcy's law, an empirical law that governs flow through porous media and describes the relationship among flow rate, pressure drop and resistance

farm in arrangement whereby a company or an individual acquires an interest in an existing exploration permit

graticular cartographic term, for a regular framework of lines forming a grid superimposed over a given mapped area

net pay thickness vertical thickness of geological formation containing hydrocarbon resource

seismic Term for investigative methodologies utilising sound waves to penetrate the ground in order to obtain an image of subsurface geological strata and the interpretation thereof

shut in oil or gas well surface Xmas tree, all valves fully closed

TD target depth

unrisked no allowance has been made for the 'chance of success' of finding oil or gas; an 'unrisked' reserve estimate is often discounted by the 'chance of success' in order to provide a 'risked' estimate

SUMMARY OF THE OFFER

Offer Price	5.5p
Number of existing issued Ordinary Shares	250,000,000
Number of Offer Shares	30,000,000
Capitalisation Pre-Offer	£13,750,000
Capitalisation Post-Offer	£15,400,000
Offer Shares as percentage of enlarged share capital	10.71%

EXPECTED OFFER TIMETABLE

Date of this document	1 st December 2006
Offer Closing Date (subject to prior full subscription)	10 th January 2007
Despatch of Share Certificates	within 10 days of share issue

This information is derived from, and should be read in conjunction with, the full text of this document. In particular, your attention is drawn to the Risk Factors set out on pages 20 to 22.

KEY INFORMATION

- the Company was formed in April 2006 in order to take advantage of opportunities to acquire working interests in three oil and gas prospects in Western Australia through farmin arrangements with wholly owned subsidiaries of Empire or Victoria Petroleum Limited, companies listed on the Australian Stock Exchange. Farmin arrangements, whereby the owner of a permit grants an interest in the permit to a third party in return for that party paying an agreed amount of exploration and/or development costs, are a common mechanism for the financing of exploration opportunities in the natural resources sector
- the Company has the entitlements, through the Farmin Agreements, to acquire:
 - 10% interests in EP104, R1 and L98-1, being an exploration permit, a retention lease and an application for a production licence in respect of potential hydrocarbon (oil and gas) fields in the Canning Basin 1,800 km north of Perth. The cost of the interest in EP104 and R1 is A\$450,000, of which A\$100,000 has already been paid by the Company. These monies must be applied towards the drilling of an appraisal well, Stokes Bay -1. that will test an updip culmination of the Point Torment gas discovery. The cost of the interest in L98-1 is A\$45,000 to be applied towards a makeover of the West Kora-1 Well
 - a 25% interest in EP435, an exploration permit in the Carnarvon Basin in Western Australia. The Company has agreed to contribute A\$800,000 to the cost of drilling the Parrot Hill 2 well, which has already been paid, and will contribute an estimated additional A\$225,000 for completion in the event of a discovery
 - a 50% interest in EP359, an exploration permit in the Carnarvon Basin in Western Australia. The Company has already contributed the A\$100,000 for the option to acquire the interest. This sum is to be used for an airborne Transient Electromagnetic (TEM) survey and ground geochemical surveys. To exercise the option the Company must contribute A\$1.5 million to the drilling of one of four prospects in EP359
- The Licence Interests have the following hydrocarbon potential:
 - **EP104, R1 and L98-1.** Stokes Bay -1 will test an updip culmination of the Point Torment gas discovery. The Competent Person believes this well has the potential to establish unrisks recoverable gas reserves of between 24 and 261 billion cubic feet (bcf) of gas, with a most likely assessment of 132 bcf of gas. It also believes a gas reserve of approximately 40 bcf could be economically developed to provide a source for regional power generation. There is the potential for the Stokes Bay well to also encounter an oil sand that could contain an unrisks recoverable reserve of approximately 20 million barrels of oil. The Valentine Prospect has the potential to contain unrisks recoverable reserves of the order of 200 million barrels of oil, or over 1 trillion cubic feet of gas. The West Kora-1 Well has previously recovered over 23,000 barrels of oil
 - **EP435:** Parrot Hill 2 is an updip appraisal well of the 1987 Parrot Hill 1, which encountered a 6.2 metre oil column, recovered some oil but failed to flow fluids to surface. The prospect is relatively small, with an expected recoverable reserve size of 500,000 barrels, but the chance of intersecting oil is high. The economics of a small oil discovery in this area are attractive and the Competent Person believes there is technical and financial merit in drilling Parrot Hill 2.
 - **EP359:** The Wogatti and Whaleback prospects are ready to drill, while Paterson North and Cape Range East require further geophysical or geochemical definition. Wogatti has the potential to contain 11.5 million barrels of oil. Whaleback has a potential recoverable reserve of 900,000 barrels. Although a smaller target, Whaleback is considered the lower risk prospect. Cape Range East is a large, but poorly defined base Cretaceous target, while Paterson North is a large stratigraphic trap of Late Jurassic sands on the western flank of the Paterson Trough. The Competent Person believes that the expenditure committed by the Company in EP359 will offer valid evaluation of two large leads in this permit and that the option to then earn a substantial interest in the permit by drilling is an attractive one.
- the Company has an experienced oil and gas management team:
 - Mr Adrian Eyre (aged 52) (Managing Director) – highly experienced petroleum industry technologist with 28 years technical and managerial experience within the international oil and gas, exploration, project management and production sectors. He has worked for, or provided consultancy services, at middle and senior levels to companies including the Qatar Petroleum Corporation, DuPont Chemicals Corporation (Spain), the Bechtel Corporation (Qatar), Pertamina (Indonesia) and Shell Exploration (Scotland). He is the Managing Director of Wharf Resources plc, a company with petroleum interests in Slovakia, as well as a Farmin Interests in the Northern Perth Basin secured from Empire. Adrian is also a director of Allied Oil & Gas plc which has farm in agreements in relation to hydrocarbon permits in the Perth area of Western Australia.
 - Dr Bruno Denantes (aged 57) (Executive Director) – very experienced oil and gas executive having been the founder and managing director of Kappa International Company, an oil and gas consultancy whose clients include such major petroleum companies as Amoco, Total, and BP. Bruno is a qualified petroleum engineer (ENSIC, ENSPM) and holds a PhD in business administration from Colombia University. Between 1981 and 1991, Bruno was the International Development Program Director for Gaz de France. During 1980 to 1984, Bruno was Field

Assets Development Leader for Total Exploration. Bruno is a part-time executive director of Dome Petroleum Resources plc, a petroleum exploration company which also has Farmin Interests in Australia (in Queensland). He is also a co-director with Adrian Eyre of Allied Oil & Gas plc and Wharf Resources plc.

- Mr Anthony Baron (aged 56) (Executive Director) – Anthony had a career in the City over 30 years. After graduating from the London School of Economics, Anthony became Economics Writer for the UK government. Subsequently he was the UK Economist for Savory Milln and Chief Economist for Laurie Milbank. & Co. In the 1990s, Anthony was Managing Director, Chase Investment Bank, Executive Director, Sakura Finance International, Senior Vice President, Paine Webber International and Chief Economist, Guinness Mahon. Anthony was a member of the Executive Committee of the Economic Research Council of Great Britain and a columnist for the Sunday Telegraph. Presently he is director of water and technology companies.
- Mr Hugh Morshead (aged 51) (Executive Director) – Hugh is a qualified Chartered Management Accountant (ACMA). Hugh has had a wide City career of 25 years, firstly as an accountant at the commodities broker, C Czarnikow, then as a sugar broker and trader with the same company. Financial futures broking positions followed at Rudolf Wolff and CRT. In 1986, Hugh joined GNI Ltd, a subsidiary of Gerrard & National, the UK money market house, becoming Director in 1992. His main responsibilities at GNI were institutional marketing and sales in the broking of futures, options, FX, energy and OTC derivatives. Since leaving in 2003, Hugh has run a small equity fund raising company and acted as consultant to a selection of businesses.
- The Offer, if fully subscribed, will raise gross proceeds of £1,650,000, which will be used to finance the balance payment of A\$350,000 due to earn its 10% interest in EP104 and as general working capital. The Company has already paid A\$1,000,000: A\$800,000 to earn a 25% interest in EP435, A\$100,000 for the option payment to acquire drilling rights to 50% of EP359 and A\$100,000 towards acquiring the farmin interest on EP104 and R1. The Minimum Amount of £270,000 will enable the Company to make the further farmin payments and to pay the expenses of the Offer.
- Investors will receive an aggregate interest of 10.71% (assuming full subscription) valuing the Company, post Offer, at £15,400,000.
- The Company intends, if it is considered appropriate, to make an application for admission of the Company to PLUS or AIM within 12 months.

INTRODUCTION

Phoenix Resources Plc was incorporated in April 2006 in order to carry out oil and gas exploration and production activities, through farmin into the Licence Interests, in Western Australia.

Members of the Board of the Company have relationships with certain listed and private oil and gas exploration and production companies which they have used to secure the Farmin Agreements in relation to hydrocarbon prospects in Western Australia. The Directors believe that they will be able to source additional opportunities to acquire interests and farmin opportunities in Australia as well as to develop the existing fields should drilling be successful.

The risk profile of the Company's proposed farmin interests is spread through the ability to farm into three separate licence areas, one of which, EP104, and the associated RL R/1 and L98-1, is in the Canning Basin, circa 1,800km to the north of Perth, and the other two, EP435 and EP359 are in the Carnarvon Basin which lies to the south of the Canning Basin.

The Expert Report concludes in respect of each of the Licence Interests that the expenditure of the Company in acquiring the Farmin Interests is merited by the hydrocarbon potential of the relevant Licence Areas.

The Company's proposed activities should be viewed in the context of the world-wide increase in oil and gas exploration which has arisen due to the demand for oil and gas and the substantial increase in prices. The Directors, based on opinions expressed by industry experts, expect the demand and current high prices to remain prevalent for the foreseeable future. If correct, this means firstly that potential rewards now balance exploration risk which generally must be regarded as high, and secondly that properties which might historically have been regarded as uneconomic are now economic, and should remain so for the foreseeable future.

The Company's current focus is on exploiting its existing interests, but it also has the objective of seeking, acquiring and exploiting additional oil and gas opportunities in Australia.

The Company's business is at present its proposed participation as a joint venture partner in the Licence Interests. Phoenix has no material assets (other than its interests in the Licence Interests).

LOCATION

According to the Western Australia Department of Industry and Resources, Western Australia ("WA") ranks among the best areas in the world for petroleum exploration. Western Australia's sedimentary basins hold more than 80% of Australia's discovered natural gas resources, despite being one of the least explored territories in the world. Onshore there is only approximately one well per 2,647 sq km. Compare this to Texas where there is approximately one well per 2 sq km.

The Company believes there is continuing potential in both onshore and offshore hydrocarbon prospects in Western Australia, and has entered into the Farmin Agreements which gives it the right to earn various interests in the onshore Canning Basin area, which lies 1,800 km to the north of Perth, and in the onshore Carnarvon Basin area which lies to the south of Canning Basin.

THE LICENCE INTERESTS

CANNING BASIN - EP104, RL R/1 AND APPLICATION L98-1

Overview

This Licence Area is situated in the Fitzroy Sub-basin, onshore Canning Basin, in Western Australia, about 1,800 kms north of Perth, and between 100-150 kms northeast of the port of Broome.

EP104 was renewed for the fifth time on 4 April 2005 for a further five years. The permit consists of 9 graticular blocks covering an area of 740 sq km (185,000 acres). RL R/1 was awarded pursuant to EP104 for an initial five year term on 29 August 2003. The lease consists of 3 graticular blocks covering an area of 250 sq km (60,000 acres). The Application L98-1 adjoins RL R/1 to the west and consists of 2 graticular blocks covering an area of 160 sq km (40,000 acres). Both tenements cover the Valentine Prospect with 70% in R 1 and 30% in L98-1. The Licence Interests are the subject of joint ventures of which Gulliver is presently the majority interest's holder and is the operator. Gulliver is a wholly owned subsidiary of Empire, an Australian Stock Exchange listed company.

The Canning Basin is a northwest-south east trending basin covering over 430,000 sq km in the north of Western Australia. Comprised of principally Palaeozoic sediments, it extends to over 10,000 m in depth in parts.

The EP104 permit is located on the Lennard Shelf, bounding the northern flank of the northwest-south east trending Fitzroy Sub-Basin, which in turn is situated on the northernmost flank of the Canning Basin (Figure 2). Created by Palaeozoic rifting, the sub-basin is comprised of two main tectonic elements, the Fitzroy Trough and the Lennard Shelf. The Fitzroy Trough is bounded by the Pinnacle Fault system in the permit area.

There are four wells located within EP104, R1 and the L98-1, including two discoveries; West Kora-1, which has produced 23,000 barrels of oil from the Carboniferous Anderson Formation and Point Torment-1, which flowed gas on DST from the Anderson Formation at rates up to 4.3 MMCFD, with minor amounts of condensate. Additional zones in Point Torment-1 have been identified on logs as hydrocarbon bearing. West Kora-1 is presently shut in pending an application for a Production Licence (L98-1).

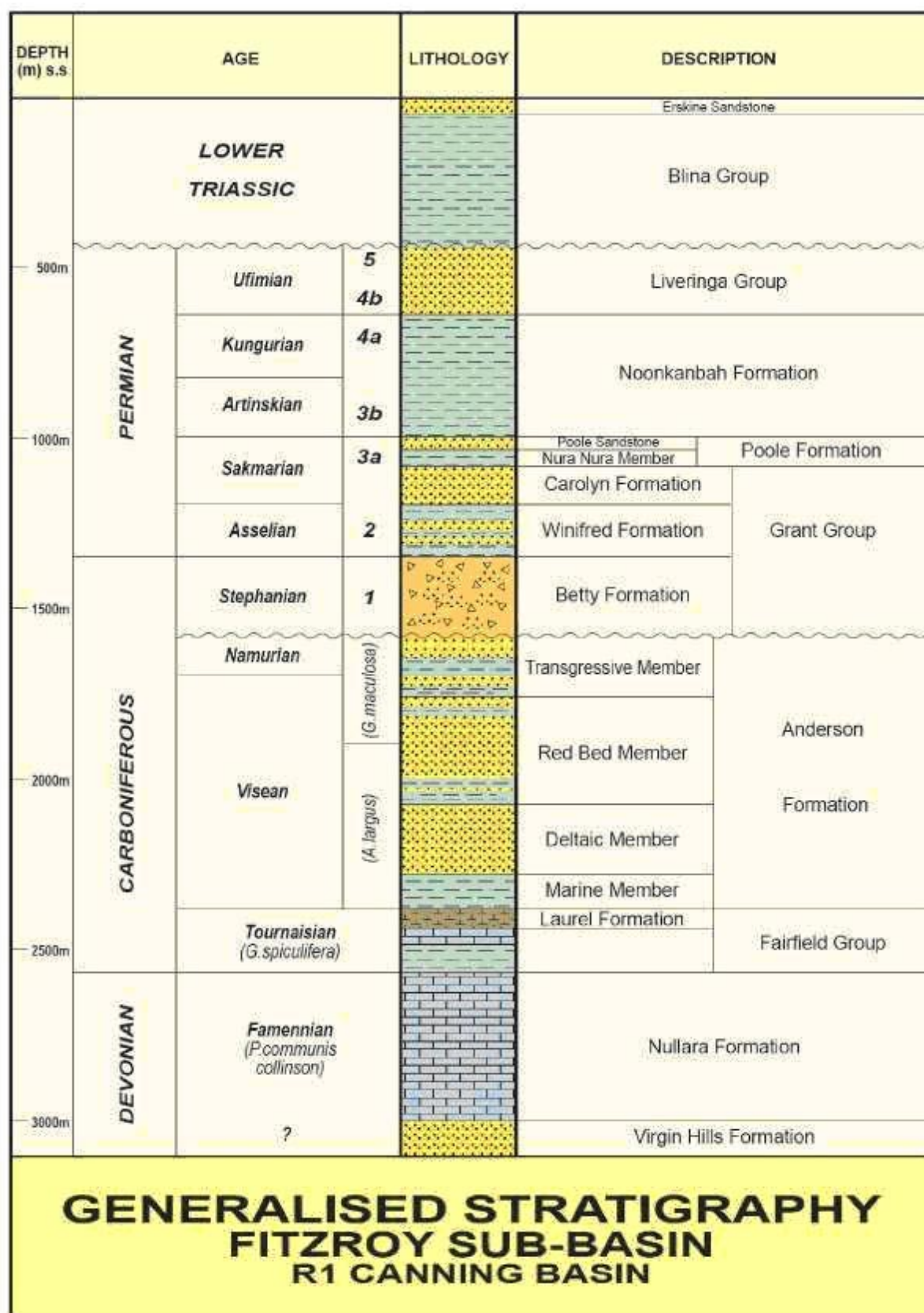


Figure 2 - Fitzroy Sub-basin, Canning Basin, generalised stratigraphy.

Prior Exploration

A substantial amount of work has been undertaken in the EP104 region. Drilling commenced in the area in 1955 when WAPET drilled Fraser River-1, with subsequent gravity, aeromagnetic and seismic acquisition. EP104 was originally granted in 1977.

Initial drilling in EP104 focused on Devonian (Pillara) carbonates. Three wells, including Puratte-1, which is located immediately adjacent to the present boundary of the block, were drilled to test this play, but all were plugged and abandoned.

In 1982, Home Energy drilled Sundown-1 in the adjacent permit, EP 129. The well encountered oil in sandstones in the Permo-Carboniferous Grant Group and caused a change in exploration emphasis in EP104.

In late 1982, Kora -1 was drilled in EP104 to a depth of 3100m, in the Devonian Virgin Hills Formation. The well was designed to test sandstones in the Carboniferous Grant and Anderson formations and limestones in the Devonian section. Although hydrocarbon shows were encountered throughout the target sections, including the recovery of 3 gallons of oil (and water) from a sand at the top of the Anderson red-bed sequence, no commercial hydrocarbons were encountered and the well was plugged and abandoned.

West Kora-1 was drilled in 1984 approximately 2 km northwest of the Kora-1 well to a depth of 2,606m. The well was designed primarily to test sandstones in the Carboniferous section in a closure updip of those that exhibited oil and gas shows in Kora-1. Devonian carbonates comprised a secondary target. The well encountered tight Devonian limestones (Nullara Fm) at total depth. The Carboniferous section had shows in eight zones in the Anderson Fm and three in the Laurel Fm. The well recovered oil from a zone in the lower part of the Anderson Transgressive Member (the Transgressive A sand) and following a production test West Kora-1 was suspended as an oil producer. The well is presently shut-in, having produced 23,350 barrels of oil during extended production tests.

In 1987, Padilpa-1 was drilled by Command Petroleum to test an interpreted Pillara Reef. The reefal buildup was, in fact, a Carboniferous gabbro intrusion and the well was subsequently plugged and abandoned.

The last well drilled in the current permit was Point Torment-1, drilled by Ansoil in 1992 to test Permo-Carboniferous sandstones. The well encountered a number of hydrocarbon shows prior to initial TD at 1918m. During a sole-risk deepening by Stirling Resources NL and Basin Oil NL, the well flowed a stabilised 4.3 MMCFGD from a 3 metre zone in the Anderson Marine Member (Marine A Sand). The well was cased and suspended after reaching a final TD at 2,130m within the Anderson Formation.

In 1994, Point Torment-1 was deepened to 2,603m to test the basal section of the Anderson Formation, the Fairfield Group and the Devonian Nullara Limestone. While the well encountered good hydrocarbon shows, testing revealed that the sandstones were not of a sufficient quality to produce economic flows of hydrocarbons. No other drilling or seismic acquisition has taken place in the permit.

Prospective Areas

Point Torment and Stokes Bay

The Point Torment gas discovery is located along the Pinnacle Fault System to the northwest of West Kora-1. The trap is a three way dip closed structure bounded to the northeast by the Pinnacle Fault. The prospective Anderson Formation sands are downthrown against marine and prodelta shales in the lower part of the Formation.

Point Torment-1 intersected a sand between 2,092.76 - 2,095.96 metres in the Anderson Formation that had excellent gas shows. Open Hole DST#1 over the interval 2,085.8 -2,096.5 metres flowed gas at a rate of 4.3 mmcfd. Log analyses indicated 3 metres of net pay with 20% porosity. There is a Marine 'A' sand (2,101.44 - 2,130.4m) with gas shows, and two sands in the Deltaic member, one with gas shows (Deltaic 'B' sand 2,025.4 - 2,029.82m) and one with oil shows (Deltaic 'A' sand 2,043.23 - 2,057.55m). Neither of the Deltaic member sands was tested. In December, 1996, the well was re-entered and worked over. Oil (49° API) was recovered in the tubing during the pressure gradient survey. Oil flowed to surface but the well gradually died. This oil is interpreted to have come from the Deltaic 'A' sand.

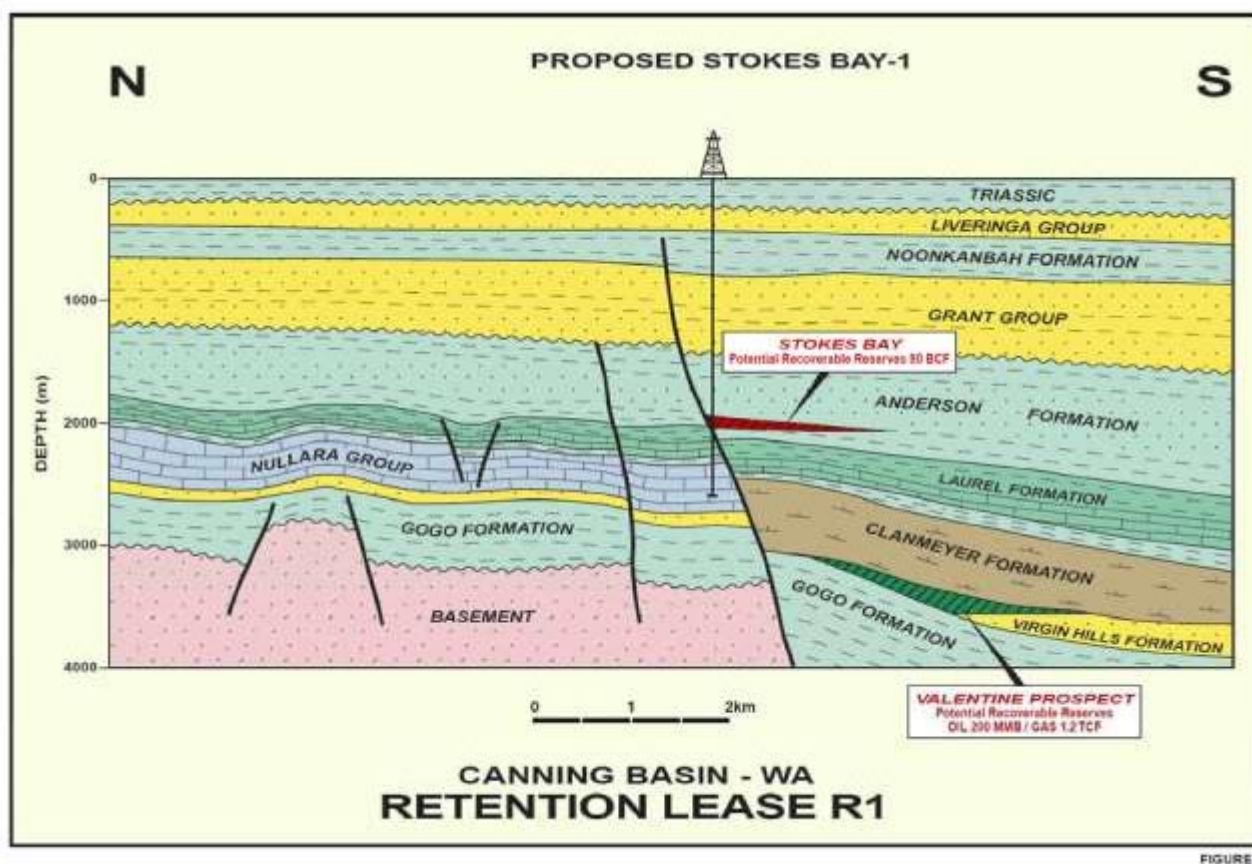


Figure 3 - Proposed Stokes Bay and Valentine wells.

Valentine Prospect

The Valentine Prospect is a basin floor fan on the downthrown side of the Pinnacle Fault. It is a large stratigraphic trap which is defined by a package of seismic reflectors below the Nullara Group on the downthrown side of the Pinnacle Fault (Figure 3). This package of seismic reflectors thins dramatically to the north and pinches out towards the Pinnacle Fault and against a broad structural nose to the northwest and southeast. Structurally, it dips to the south and southeast.

The main objective basin floor sandstones in the Valentine Prospect were intersected in Puratte-1 some 50 kilometres to the west (Figure 2). In Puratte-1, these sands were described as predominantly loose, fine-coarse grained, mostly medium grained, angular to sub-rounded with traces of glauconite and mica. Cement is mostly calcite. The sands have log derived porosities ranging up to 24% with an average of 15.6%. These sands have never been tested or cored so permeabilities are unknown.

A map of the near top Virgin Hills Fan Sands defines the Valentine Prospect. This horizon is the top of a package of seismic reflectors below the Nullara Group on the downthrown side of the Pinnacle Fault. There is a broad stratigraphic trap formed by the curve of the Pinnacle Fault with the Virgin Hills Fan Sands pinching out up-dip towards the Pinnacle Fault. Seismic strike lines show broad swells to the northwest and southeast without seismic reflectivity. These are interpreted to be broad slopes without the fan sands which were deposited in lows in front of the Pinnacle Fault. Two main erosional channels can be mapped on the shelf cutting down into the sediments underlying the Nullara Group. These are interpreted to have been active during the Mid-Famennian lowstand and to have eroded large volumes of sand off the shelf and deposited them into the deeper water on the downthrown side of the Pinnacle Fault. Point Torment-1, Kora-1 and West Kora-1 are all outside the closure of the Valentine Prospect. The light brown area is the maximum area of the prospect down to the 2000 millisecond closing contour and where reservoir quality sands are interpreted to be present.

The main risk to the Valentine Prospect is updip seal towards the Pinnacle Fault. Since the Pinnacle Fault is downthrown to the south, it is interpreted that the Virgin Hills fan sands are downthrown against the thick marine shales of the Frasnian Gogo Formation (Figure 3).

A drilling location has been proposed at SP 2110 on Line F84A-932 where the maximum gross pay of 100 milliseconds (or approximately 185 metres) is estimated to occur.

Kora and West Kora

Kora-1 and West Kora-1 were drilled in EP104 in 1982 and 1984 respectively by Esso Exploration and Production Australia, approximately 20 kilometres east northeast of Derby.

Kora-1 targeted three objectives within a fault controlled anticline: sandstone in the Permo-Carboniferous Grant group and Carboniferous Anderson Formation, sandstone and carbonate in the Lower Carboniferous Fairfield Group, and reefal limestone

in the Upper Devonian Nullara Limestone. A one metre oil zone in a sand in Kora-1 focussed Esso's attention on the Carboniferous clastic sediments which, at this level, were interpreted to be on the edge of structural closure.

West Kora-1 was drilled to test targets in the Poole, Grant, Anderson and Laurel Formations. The well was drilled to a total depth of 2,606 metres, and after encountering hydrocarbons (in open hole DSTs, sidewall cores and logs) was cased and suspended as a potential Anderson oil producer. Flow testing of the Anderson zone between 1,735 and 1,751 metres recovered 203 barrels of 48° API oil, with 136 barrels of formation water, at rates up to 50 bopd. This was considered sub-commercial and the well was suspended pending further evaluation.

The well was placed on beam pump for extended production testing during the period October 1989 to December 1990, and some 20,000 barrels of oil were produced at an initial rate of 350 bopd 30% water cut, declining to 45 bopd 85% water cut. Due to high water cuts and low oil rates, the test was suspended as uneconomic.

In 1992, a higher sand was perforated (1,693.4 - 1,696.6 metres) within the Anderson Formation, and a pumping production test produced at rates up to 48 bopd with a water cut of 83%. Water production was attributed to the existing deeper perforated sands that had watered out during previous testing. An attempt was made to isolate the deeper water producing zone by setting a through tubing bridge plug (TTBP). Water production, however, was not reduced, possibly due to mechanical failure of the TTBP.

In December 1996, the well was rehabilitated and a pump jack installed, and the well produced for 7 days before the wet season interrupted operations. The well produced in April, May and June 1997 for about 40 days before a pump failure. After workover, the well produced in December 1997 and January 1998 before the wet season again forced shut in. The well has remained shut in since that time, and has produced a total of 23,350 barrels of oil.

Resources

Point Torment and Stokes Bay

The Competent Person concludes that there are possible areas of closure of the reservoir to be targeted in the Point Torment gas discovery:

- A minimum case (P90), with the lowest contour at 2,080 metres, is equivalent to the gas sand at Point Torment, and represents the area updip of Point Torment. The P90 areal closure is 4.0 square kilometres.
- A most likely case (P50), with the lowest contour at 2,280 metres, is based on the mapped fault closure at the north western end of the structure. The P50 areal closure is 21.3 square kilometres.
- A maximum case (P10), with the lowest contour at 2,280 metres, assumes that the fault extends beyond the existing data and cuts across the existing contours to the coastline. It is likely that the fault does extend beyond the available data, but its orientation and extent are unknown. The P10 areal closure is 40.7 square kilometres.

The Competent Person has calculated the potential reserves within each of these cases to be as follows:

Potential Recoverable Gas Reserves (BCF):

P90	P50	P10
23.7	131.6	261.0

Potential Recoverable Oil Reserves (mmbo):

P90	P50	P10
3.8	20.5	39.1

Valentine Prospect

The area of the Valentine Prospect is approximately 50 square kilometres, and it varies in thickness from a maximum of 185 metres to zero at its edge. Assuming a net pay thickness of 30 metres over this area, and a porosity of 15%, the Valentine Prospect could contain an estimated recoverable potential of 200 million barrels oil or 1.2 TCF gas..

West Kora

The Competent Person states that reserve estimation at West Kora is difficult. Reserves obtained from the production decline cannot be easily determined because of poor accuracy measurement, and lack of stable production to establish the decline. The decline curves indicate that there could be between 20,000 and 50,000 barrels remaining. The oil in place estimate from volumetrics is 850,000 barrels, which at 25% recovery would give 212,500 barrels ultimate recovery, or 190,000 barrels remaining reserves. This discrepancy is likely to reflect the inaccuracy of well test measurements, the uncertainty of structural mapping, or the possibility that the well does not drain the whole field.

The Competent Person concludes that additional seismic data and further well testing is required to resolve this issue. Notwithstanding this uncertainty, the current oil price is likely to provide profitable production for even small reserves, and a further well workover is warranted.

CARNARVON BASIN - EP435 & EP359

Overview

Exploration Permits EP-435 and EP359 are located in the North West Cape area of Western Australia, in the Exmouth Sub-basin, onshore Carnarvon Basin. EP435 covers an area of 318 sq km (80,000 acres). EP359, in three parts, covers an area of 1,096 sq km (280,000 acres). The Northwest Coastal Highway, an all weather sealed road, runs north-south through the eastern parts of the permits, and the Dampier-Perth Natural Gas Pipeline transverses north-south some 100 kilometres to the east of the permits. The port of Exmouth is within EP359 and is some 100 kilometres to the north of EP435.

Geology Overview

The Carnarvon Basin extends from the Perth Basin in the south to the Canning Basin in the north. In the south, the Precambrian Northampton Block separates the Carnarvon Basin from the Perth Basin, although Triassic sediments related to the Perth Basin do extend into the southernmost Carnarvon Basin. The boundary of the Carnarvon Basin with the Canning Basin is the De Grey Nose. The eastern boundary of the Carnarvon Basin is the Precambrian craton, while in the west the Carnarvon Basin extends to the boundary between continental crust and oceanic crust. The sub-basins of the Carnarvon Basin are readily divided into two groups, corresponding approximately to the onshore and offshore parts of the basin. The first group is north to northwest trending and contains predominantly Palaeozoic sediments, with a westward-thickening Cretaceous and Cainozoic veneer. The constituent sub-basins are the Gascoyne, Merlinleigh, Byro and Bidgemia sub-basins, generally referred to as the Palaeozoic sub-basins. The second group of sub-basins trends northeast and consists of the Exmouth, Barrow and Dampier Sub-basins.

The North West Cape area is located mainly within the Exmouth Sub-basin, which differs from the Barrow and Dampier Sub-basins in being a half graben formed by shallow dipping detachment faults, compared with the Barrow-Dampier rift basin to the north-east that is bounded by steep normal faults.

Permits EP435 and EP359 are situated in the area of the Paterson Trough and the Rough Range and Learmonth faults. The Rough Range fault forms the main tectonic boundary between the Jurassic Paterson Trough (and Exmouth Sub-basin) to the west and the Palaeozoic Gascoyne Sub-basin to the east. The Paterson Trough itself is bounded to the north-west by the Yardie Arch.

Reservoir and Seal

The Birdrong Sandstone is the main objective in EP435 and EP-359. This sandstone has log-derived porosities of 10-30% averaging around 20% and permeabilities ranging up to several darcies but generally around 500 - 1,000 millidarcies.

Vertical seal is provided by the regional marine shales of the Muderong Shale which is of the order of 10-70 metres thick across EP359. Away from the Cape Range Anticline, where the Muderong Shale is thickest, it would also provide lateral seal across small faults.

Source

The Late Jurassic Dingo Claystone is a prolific source rock throughout the northern Carnarvon Basin. The crude oil which has been recovered from Rough Range and Parrot Hill, however, has been typed as coming from a different source. According to a 1990 report, these oils were derived from Early Jurassic sediments with a content of higher land plant matter, producing a high wax crude oil. The Jurassic section is over 3,500 metres thick in the Paterson Trough. In Cape Range-2, only the top 800 metres was Oxfordian with the remainder of the section dated as Callovian to Bathonian (Duckett & Mitchell, 1994). These shales have Total Organic Carbon (TOC) content of between 0.5% and 3.64% with S1 +S2's of 0.3 - 4.4 mg/g TOC and hydrogen indices of 76 - 782 (Warris, 2006), indicating effective source rock.

Maturity

The Middle Jurassic shales in the Paterson Trough contain higher land plant matter and are in the peak oil maturity window, and therefore are the most likely source for the generation and migration of oil into prospects in EP435 and EP359

Timing

The Middle Jurassic source rocks in the Paterson Trough are interpreted to have reached thermal maturity during the Late Cretaceous to Early Tertiary, following the deposition of over 3,000 metres of Late Jurassic, Cretaceous and Early Tertiary sediments. Primary oil migration from the Middle Jurassic source rocks therefore occurred prior to the formation of the Rough Range Anticline in the mid-Miocene. This may explain why the Rough Range Anticline is not full to spill point, as it has only received secondary oil migration out of the Paterson Trough since the mid-Miocene. This secondary migration was only sufficient to fill small individual closures along the trend such as Rough Range, Parrot Hill and Roberts Hill.

Prospective Areas

The areas which are considered to be prospective for hydrocarbons are considered below in relation to each licence.



Figure 4

Prior Exploration

The Rough Range oil discovery by West Australian Petroleum Pty Ltd (WAPET) in 1953 was Australia's first flowing oil discovery. Since that time the North West Cape area has attracted substantial exploration interest. Following the initial WAPET interest, Ampolex carried out extensive exploration, followed by Mesa Petroleum, Minora Resources, Victoria Petroleum and Empire Oil & Gas.

Rough Range 1 encountered 7.5 metres of oil within the Lower Cretaceous Birdrong Sandstone, but subsequent appraisal wells all proved dry. Ampolex drilled nine additional wells through the 1980s. Although all wells failed to find economic hydrocarbons, Rivoli 1 confirmed the presence of gas and liquid hydrocarbons in the top of the Birdrong Sandstone, and Parrot Hill 1 was an oil discovery on the Rough Range trend. This well encountered a gross 6.2 m oil column, and recovered 2.6 barrels of oil on DST, but no fluids flowed to surface. Two metres of the oil column was in the good Birdrong Sandstone, and four metres was in the low permeable glauconitic sands at the top of the Birdrong Sandstone.

EP435

The permit is currently in Year Four and the work obligations for the first three permit years have been fulfilled and the permit is in good standing. The work requirements for the remaining life of the permit are:

Permit	Year Ends	Minimum Work Requirements	Estimated Expenditure
Four	13/5/07	50 km 2D Seismic Survey	A\$1,000,000
Five	13/5/08	Geotechnical Studies	A\$50,000

Joint Venture Partners

The current permit holders in EP-435 are:

Rough Range Oil Pty Ltd* (Operator)	75.0%
Australian Oil Company No3 Pty Ltd	25.0%
*a wholly owned subsidiary of Empire	

Prospective Areas

The Parrot Hill Prospect is an up-dip test of the Parrot Hill 1 well. The Parrot Hill structure is well defined seismically by nine dip lines and two strike lines although one strike line runs parallel to the Rough Range Fault and is of poor quality. The main objective for the proposed Parrot Hill-2 well is the Early Cretaceous Birdrong Sandstone sealed by the Muderong Shale and sourced by thick, Jurassic marine and deltaic shales in the Paterson Trough. The main part of the Birdrong Sandstone in Parrot Hill 1 had log-derived porosities averaging around 20%, with permeabilities, based on test data, of at least 50 millidarcies. The glauconitic sands at the top of the Birdrong Sandstone had log derived porosities of 17% but permeabilities of only 1 millidarcy. Vertical seal is provided by the regional marine shales of the Muderong Shale which was 45.4 metres thick in Parrot Hill-1.

Resources

There is the potential for 500,000 barrels of recoverable reserves based on gross pay of 8 metres in the clean sand and 4 metres in the poorer glauconitic sand.

EP359

Exploration Permit EP-359 was renewed on 27th September, 2005 for a five year period. The permit is currently in Year Two and the work obligations for the First Permit Year comprised geological studies & seismic reprocessing.

Joint Venture Partners

The permit holders are:

Lansvale Oil & Gas Pty Ltd*	63.30%
Rough Range Oil Pty Ltd** (Operator)	33.36%
Pace Petroleum Pty Ltd	3.34%

* a wholly owned subsidiary of Victoria Petroleum Limited

** a wholly owned subsidiary of Empire

Prospective Areas

The main prospects in EP-359 are the Wogatti, Whaleback, Sextant, Farnham and Anagonda prospects. Wogatti is an anticlinal prospect in the northern part of EP-359. The Whaleback, Sextant, Farnham and Anagonda prospects are all located in the southern part of EP-359 along the Rough Range and Bullara trends. Paterson North is a poorly defined stratigraphic trap on the western flank of the Paterson Trough. Cape Range East is a poorly defined anticline located updip and to the east of Cape Range 2.

Wogatti Prospect

The Wogatti Prospect is an anticlinal trap updip from Trealla-1A, which was drilled by Ampolex in 1991. The main objective is the Late Jurassic Oxfordian Sandstone that is 25 metres thick in Trealla-1A. These sands are clean, quartzose, fine-medium grained with porosities ranging from 8% to 21%, averaging 15% and with 5% bright yellow pin point fluorescence and milky white streaming cut. Top seal is provided by the Muderong Shale which is 38.5 metres thick in Trealla-1 A. The prospect is structurally well defined seismically with eleven dip lines (seven of which are 0.5 km apart) and four strike lines. The anticline is bounded to the east by the Learmonth Fault and dips to the west. There is also a significant component of fault independent closure.

Whaleback Prospect

The Whaleback Prospect is an anticlinal trap updip from Whaleback-1 drilled by Wapet in 1963. The main objective is the Birdrong Sandstone which is 12 metres thick in Whaleback-1. The sandstones here are clean, quartzose, fine-medium grained with porosities ranging from 15% to 27%, with oil staining and yellow-green fluorescence and instant green fluorescent cut. Top seal is provided by the Muderong Shale, which is 53 metres thick in Whaleback-1. The prospect is defined seismically by two dip lines and two strike lines. The anticline is bounded to the east by the Rough Range Fault and dips to the west. Structural closure above the well is also fault independent.

Sextant Prospect

The Sextant Prospect is a reverse faulted anticline at the far southern end of the permit. The nearest well control is Sandalwood-1, 8 km to the north-north-east. The main objective is the Birdrong Sandstone, which is 20 metres thick in Sandalwood-1. These sandstones are clean, quartzose, fine-medium grained with log derived porosities ranging from 26% to 36%, averaging 30%. Top seal is provided by the Muderong Shale which is 48 metres thick in Sandalwood-1. The prospect is structurally defined seismically by two dip lines and two strike lines. The anticline is bounded to the southeast by the reverse fault and dips to the northwest. However, there is no fault independent closure which is a significant risk as the Birdrong Sandstone could be thrown against the Windalia Radiolarite.

Farnham Prospect

The Farnham Prospect is a faulted anticline on the eastern side of the Rough Range Fault. The nearest well control is Bullara-1, 2 km to the west. The main objective is the Birdrong Sandstone which is 6 metres thick in Bullara-1, with log derived porosities ranging from 21.7% to 30%, averaging 26.7%. Top seal is provided by the Muderong Shale, which is 54 metres thick in Bullara-1. The prospect is defined seismically by two dip lines and two strike lines. The anticline is bounded to the south by a normal fault but the fault throw is less than the thickness of the Muderong Shale so that the prospect is sealed.

Anagonda Prospect

The Anagonda Prospect is an anticlinal trap on the Rough Range Trend. The nearest well control is Bullara-1, 8 km to the southwest. The main objective is the Birdrong Sandstone, which is 6 metres thick in Bullara-1, with log derived porosities ranging from 21.7% to 30%, averaging 26.7%. Top seal is provided by the Muderong Shale, which is 54 metres thick in Bullara-1. The prospect is defined seismically by two dip lines and two strike lines. The anticline is bounded to the east by the Rough Range Fault and dips to the west. There is also a significant component of fault independent closure.

Cape Range East Lead

The Cape Range East Lead is an anticline located updip and to the east of Cape Range-2. The main objective is the Birdrong Sandstone, which in Cape Range-2 is 18 metres thick with average porosities of 20%. Vertical seal is provided by the Muderong Shale, which is 49 metres thick in Cape Range-2. The prospect is poorly defined seismically and further detailed geochemical surveys are planned to better define the trap. If the structure rolls over into the Learmonth Fault, then estimated potential recoverable reserves could be of the order of 22 million barrels.

Paterson North Lead

The Paterson North Lead is a stratigraphic trap on the western flank of the Paterson Trough. The main objective is the Late Jurassic Oxfordian Sandstone, which is over 86 metres thick in Rough Range-1 and 25 metres thick in Trealla-1 A. These sands were deposited in a deltaic environment fed by the ancient Yannarie River which deposited into the Paterson Trough where the Cape Range Transfer displaced the old Permian shelf east of the Rough Range and Learmonth faults. The trap is formed by these sands pinching out updip onto the eastern flank of the Cape Range Anticline. The sands are present in the Rough Range and Trealla area but are absent to the west in Cape Range-4, Sandy Point-2 and Wingette-1; to the north in Learmonth-1 and Cape Range-1 to -3; and to the south in Unknown Hill-1. A thin sand with oil shows was present in Paterson-1. In Trealla-1A, these sandstones are clean, quartzose, fine-medium grained with porosities ranging from 8% to 21%, averaging 15%, with 5% bright yellow pin point fluorescence and milky white streaming cut. Top seal is provided by the Muderong Shale, and base seal is provided by thick, marine shales of the Dingo Claystone. The lead is poorly defined seismically and requires further geophysical or geochemical surveys to assist in the definition of the trap.

Resources

Based on the current interpretation, estimated potential recoverable reserves are of the order of

Prospect	million barrels
Wogatti:	11.5
Whaleback:	0.9
Sextent:	2.9
Farnham:	2.6
Anagonda:	1.0
Cape Range East Lead	22.0

CONCLUSIONS

EP104, R1, L98-1

The EP104 region and associated licence areas of R1 and L98-1 have, in Australian terms, a long history of exploration. The exploration model is complex and the results of past drilling have frustrated explorers with the obvious presence of oil and gas, but without significant commercial success.

The Competent Person is of the view that:

- this area can justify further exploratory drilling, as well as additional investigation of existing discoveries. The unrisks resource potential of existing discoveries is significant.
- in the current oil price environment, the economics of small onshore oil production is very attractive.
- onshore gas production in this area can be economically exploited for small scale power generation at a regional level.
- the programme proposed by Phoenix Resources is justified on both a technical and financial level.

EP435

The Parrot Hill 2 prospect in EP435 offers an updip appraisal well from the existing discovery well Parrot Hill 1. The prospect is small, but has a high chance of encountering oil, and confirmation of oil reserves of the order of 500,000 barrels would be economically attractive under the current oil price. The major risk to this well is the thickness of the poorer reservoir, glauconitic sand above the clean Birdrong Sandstone. This sand may limit the recovery of any potential oil reserve.

EP359

The option to farm into EP359 offers the Company a substantial portfolio of prospects and leads that would constitute an attractive exploration programme in the event of initial success at Parrot Hill 2, or as a stand alone programme in their own right. These prospects and leads encompass both base Cretaceous Birdrong Sandstone and Jurassic sandstone objectives in dominantly structural trap configurations but also a large stratigraphic lead.

FARM-IN AGREEMENTS

EP104, R1 and L98-1

The Company has paid A\$100,000 of a total payment of A\$450,000 to earn a 10% interest in each of the EP104 permit, the retention lease R/1, and in the Deep Rights of Application L98-1, and in the related joint ventures. The A\$100,000 payment has been made out of the proceeds of a private placement by the Company which raised £500,000 (50,000,000 Ordinary Shares were issued at a premium of 1p per share).

Phoenix has the right to acquire a 10% interest in the remaining interest in Application L98-1, known as the West Kora Interest (being rights to petroleum above the area covered by the Deep Rights) by paying 15% of the costs of a 'work over' of the West Kora-1 oil discovery well (the Company's contribution being estimated at A\$45,000). In addition Phoenix has the option to acquire a 10% interest in the Valentine Prospect through making further contributions.

EP435

The Company has paid A\$800,000 to acquire a 25% interest. In the event that drilling is successful, the Company must make a pro rata contribution to well completion, the cost to the Company being estimated at A\$225,000.

EP359

The Company has contributed A\$100,000 for an airborne Transient Electromagnetic (TEM) survey and ground geochemical surveys for the option to earn a 50% interest by contributing A\$1.5 million to the drilling of one of four prospects in EP359.

JOINT OPERATING AGREEMENTS

The joint ventures relating to each of the Licence Interests are governed by the terms of joint operating agreements (JOAs), and joint venture agreements entered into pursuant to the JOAs, by the present parties to the Licence Interests. On acquisition of its farmin interests, the Company will become a party to these agreements.

REGIONAL GAS MARKET AND INDICATIVE POTENTIAL ECONOMICS

EP104, R1 and L98-1

The Canning Basin has traditionally been considered a remote site for gas production, requiring large volumes for economic production. However, the advent of innovative small to medium size LNG (liquefied natural gas) projects provides a viable alternative to conventional large scale projects. The Competent Person notes in the Expert Report that small scale LNG production for local energy markets has been foreshadowed by Empire, which has signed a Memorandum of Understanding with Liquefied Natural Gas Limited that envisages the sale of gas from the Point Torment gas field into local generation projects. Much of the regional energy consumption at mine sites and towns is based on diesel power generation.

By drilling the Stokes Bay-1 well, the EP-104/R1 Joint Venture intends to establish a reserve position that will allow sale of gas into a medium term supply contract. The supply of approximately 6.0 mmcf/d (million cubic feet per day) from the Point Torment / Stokes Bay gas field into an LNG plant near Derby could ship LNG to the various power stations at Derby, Fitzroy Crossing, Halls Creek and other mining projects in the area to generate electricity. The LNG technology has been well established and the economics for the EP-104/R1 joint venture are attractive.

The Competent Person calculates that a gas project selling 6.0 TJ/d at \$3.00/GJ over a twenty year period, after drilling costs of \$7.5 million (Stokes Bay -1, 2, 3), and plant facility cost of an estimated \$15 million, has a net present value (after tax, at a 10% discount factor) of \$21 million. This represents an annual after tax cash flow of around \$5.5 million. This includes the production of 43 PJ of sales gas (39 BCF) and 0.4 million barrels of condensate.

The Competent Person also notes that the most likely unrisks gas reserve volume is 132 BCF of gas, meaning that the most likely economic outcome is significantly more attractive, and that oil production economics, even from small fields in remote locations, are very attractive economically in the current oil price environment.

EP435 and EP359

The prospects and leads in EP435 and EP359 are oil targets, and the Competent Person believes that the economics of producing oil from even a small discovery (the size of Parrot Hill for example) is attractive. There is an existing tank farm and trucking contract from the nearby Rough Range oil field that delivers crude oil to a refinery at Kwinana, south of Perth.

The Competent Person is of the view that a recoverable reserve of 500,000 barrels at Parrot Hill could be produced into a small tank farm, and trucked to Kwinana, with minimal capital expenditure. It calculates that producing this quantity of oil over a 7 year period, after completing the Parrot Hill 2 well and spending \$1.2 million on tanks and a beam pump, has a positive net present value (after tax, at a 10% discount factor) of \$5.5 million at an oil price of US\$50/bbl. Although a small scale project, this type of development has a high return on investment. These calculations are for a 100% project interest.

The prospects and leads in EP359 are all larger than the Parrot Hill prospect and the Competent Person estimates that in the event of an oil discovery, they would offer relatively higher values. For example, the Competent Person calculates that a discovery the size of Wogatti, for example, that recovers 11.5 million barrels has an estimated after tax net present value (100% interest) of \$190 million, at an oil price of US\$50/bbl.

REQUIRED APPROVALS - CONDITIONALITY

The acquisition by the Company of its farmin interests is subject to the approval of relevant governmental authorities in Western Australia. This is a requirement of applicable Western Australian petroleum law. It is also subject to the consent of the other joint venture partners which have rights of pre-emption on disposals by other partners of interests in the Licence Interests and related joint ventures. Until these approvals and consents are obtained, the Company's entitlements to earn interests in the Licence Interests will be met by payment of the required monies into joint venture accounts.

The Company expects the required approvals and consents to be obtained within the required timeframes, but in the event that they are not, the Company will utilise the proceeds of the Offer towards acquiring interests in other petroleum permits or leases within Australia.

STRATEGIC OBJECTIVES

The following strategic objectives have been identified by the Directors:

Immediate	•	This Offer
2-6 months	•	Acquisition of initial interests of 10% in EP104, RL R/1 and Application L98-1, of 25% interest in EP435, and securing of option to acquire an interest in EP359
12- 24 months	•	Acquisition of 10% equity interest in the West Kora Interest
	•	In relation to EP104 and EP435: Flow test wells, Internal calculation of flow rates, Independent down hole survey to determine characteristics of reservoir, and Certification of recoverable reserves
	•	Acquisition of 50% interest in EP359, and drill test well

Once the recoverable reserves have been certified by independent specialists, the Directors expect that Phoenix's licences will increase substantially in value. It is at this point that a corporate decision will need to be made to determine the optimum use of the asset. There are a number of options available to Phoenix as follows:

1. **Further development of the licences** via equity fundraising once recoverable reserves have been certified. Fundraising proceeds used to finance additional production wells.
2. **Introduce an additional farmin company** to take a percentage interest along with Phoenix and other JV partners.
3. **Outright sale of the licence** to a third party who will carry out the production and maintenance of the site.

In addition to the above options the Company is able to undertake a combination of the options on a sliding scale, giving the Company a significant amount of flexibility to utilise the asset to its full potential, thereby maximising returns.

The decision will be made by the board once the realisable value of each option has been established to ensure that the most beneficial outcome is selected for the Company and its investors. This decision will be made with consideration to the cash requirements of the Company at the time, which may be affected by a number of factors, including:

- Development potential of other existing licences owned by the Company;
- Availability of additional licence investment opportunities;
- Existing capital commitments entered into by the Company.

MANAGEMENT

The Board of the Company are:

- Mr Adrian Eyre (aged 52) (Managing Director) – Adrian is a petroleum industry technologist with 28 years technical and managerial experience within the international oil and gas, exploration, project management and production sectors. His experience includes entrepreneurial involvements and providing consulting engineering services within the technology and natural resource sectors. Since 1977 he has worked for, or provided consultancy services, at middle and senior levels to companies including the Qatar Petroleum Corporation, DuPont Chemicals Corporation (Spain), the Bechtel Corporation (Qatar), Pertamina (Indonesia) and Shell Exploration (Scotland). Adrian is the Managing Director of Wharf Petroleum Resources plc, a company with petroleum interests in Slovakia and Australia. Adrian is also a director of Allied Oil & Gas plc which has farm in agreements in relation to hydrocarbon permits in the Perth area of Western Australia.
- Dr Bruno Denantes (aged 57) (Executive Director) – Bruno is a very experienced oil and gas executive having been the founder and managing director of Kappa International Company, an oil and gas consultancy whose clients include such major petroleum companies as Amoco, Total, and BP. Bruno is a qualified petroleum engineer (ENSIC, ENSPM) and holds a PhD in business administration from Colombia University. Between 1981 and 1991, Bruno was the International Development Program Director for Gaz de France. During 1980 to 1984, Bruno was Field Assets Development Leader for Total Exploration. Bruno is a part-time executive director of Dome Petroleum Resources plc, a petroleum exploration company which also has Farmin Interests in Australia (in Queensland). He is also a co-director with Adrian Eyre of Allied Oil & Gas plc and Wharf Resources plc.
- Mr Anthony Baron (aged 56) (Executive Director) – Anthony had a career in the City over 30 years. After graduating from London School of Economics, Anthony became Economics Writer for the UK government. Subsequently he was the UK Economist for Savory Milln and Chief Economist for Laurie Milbank. & Co. In 1990s, Anthony was Managing Director, Chase Investment Bank, Executive Director, Sakura Finance International, Senior Vice President, Paine Webber International and Chief Economist, Guinness Mahon. Anthony was a member of the Executive Committee of

the Economic Research Council of Great Britain and a columnist for the Sunday Telegraph. Presently he is director of water and technology companies.

- Mr Hugh Morshead (aged 51) (Executive Director) – Hugh is a qualified Chartered Management Accountant (ACMA). Hugh has had a wide City career of 25 years, firstly as an accountant at the commodities broker, C Czarnikow, then as a sugar broker and trader with the same company. Financial futures broking positions followed at Rudolf Wolff and CRT. In 1986, Hugh joined GNI Ltd, a subsidiary of Gerrard & National, the UK money market house, becoming Director in 1992. His main responsibilities at GNI were institutional marketing and sales in the broking of futures, options, FX, energy and OTC derivatives. Since leaving in 2003, Hugh has run a small equity fund raising company and acted as consultant to a selection of businesses.

The Company has no other staff. It is likely that the Company will remain thinly staffed, using consultants and contractors on an as needed basis.

The terms of the Directors' appointments include that they will not receive any remuneration. Their appointments may be terminated at three months' notice. If the Minimum Amount is raised, Mr Morshead will be entitled to a fee for project management of the Offer Document.

THE COMPANY

The Company was incorporated as a public limited company in England on 5 April 2006 with an authorised share capital of £10,000,000 divided into 10,000,000 ordinary shares of £1 each of which 2 were issued as subscribers' shares. Following incorporation, the share capital was sub-divided into 1,000,000,000 ordinary shares of 1p each and then further sub-divided into 10,000,000,000 ordinary shares of 0.1p each.

At the date of this Document the issued share capital of the Company consists of 250,000,000 Ordinary Shares of which 200,000,000 have been issued at par value and are paid up as to one-quarter, with the balance payable thereafter on call by the Company, and 50,000,000 have been issued fully paid at 1p per share, the proceeds having been used to make aggregate initial payments of A\$1,000,000 pursuant to the Farmin Agreements.

The Company's Memorandum of Association has a main objects clause which empowers the Company to carry on any commercial activity. Its Articles of Association permit free transferability of shares.

The Company has no borrowings or other indebtedness, other than in relation to the expenses of the Offer all of which are conditional on the Offer raising its Minimum Amount, and has entered into no contractual commitments other than as referred to in this document or in relation to the Offer.

THE OFFER

The gross proceeds of the Offer, if fully subscribed, will be £1,650,000.

The proceeds of the Offer are anticipated to be used as followed:

Financing of farmin obligations under EP104 and RL R/1	£85,000
Offer Costs (exclusive of VAT)	£587,000
Working Capital	£978,000

If fully subscribed the Offer Shares will be approx 10.71% of the enlarged share capital of the Company.

The minimum amount that must be raised pursuant to the Offer is £270,000 which will be used as follows:

Financing of farmin obligations under EP104 and RL R/1	£85,000
Offer Costs (exclusive of VAT)	£173,000
Working Capital	£12,000

MARKETING OF SHARES, AND PLUS OR AIM

FUTURE LISTING OF SHARES

Subject to successful drilling results, it is intended that, if considered appropriate, within 12 months of completion of the Offer, an application will be made for the Company's issued ordinary shares to be traded on either PLUS or on AIM. It is emphasised that the Offer is not conditional upon the grant of permission to trade the ordinary shares on PLUS or AIM.

PLUS

PLUS is the primary market of the PLUS Markets Group (formerly known as Ofex) operated by Ofex plc and is not part of the London Stock Exchange. PLUS has a comprehensive company information and announcement system called Newstrack which may be accessed at www.plusmarketsgroup.com/PLUS_newstrack.html.

Any individual wishing to buy or sell securities which are traded on PLUS, must trade through a stockbroker (being a member of PLUS and regulated by the Financial Services Authority) as the market's facilities are not available directly to the public.

AIM

AIM is a recognised stock exchange owned and operated by London Stock Exchange plc.

RISK FACTORS

AN INVESTMENT IN THE COMPANY IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. The investment offered in this document may not be suitable for all its recipients.

In addition to the other relevant information in this document, the Directors consider the following risk factors to be of particular relevance to the Group's activities and to any investment in the Company. It should be noted that this list is not exhaustive and that other risk factors may apply. Any one or more of these risks could have a material adverse effect on the value of the Company and should be taken into account in assessing the Company. The risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any order of priority.

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

The following matters may affect the trading position of the Group:

Risks specific to Company and its business

Operating History. Although the management is highly experienced, the Company has no history in this marketplace upon which an evaluation of the Company and its prospects can be based. The Company's business must also be considered in light of the risks, expenses and problems frequently encountered by companies at an early stage of development.

Exploration Risk. There is no certainty that the proposed exploration on the Licence Interests will find oil or gas. Oil and gas exploration involves significant risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that oil and gas will be discovered or, even if they are, that commercial quantities of oil and/or gas can be recovered from the Licence Interests. No assurances can be given that if oil and gas are discovered the Company will be able to exploit such reserves.

Drilling and Operating Risks. Oil and gas drilling activities are subject to numerous risks, many of which are beyond the Company's control. Operations in respect of the Licence Interests may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment and compliance with governmental requirements. Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though yielding some oil or gas, are not sufficiently productive to justify commercial development or cover operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. Hazards incident to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressures, oceanographic conditions or other factors are inherent in drilling and operating wells. Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges or toxic gases, the occurrence of any of which could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. Damages occurring as a result of such risks may give rise to claims against the Company which may not be covered, in whole or part, by insurance (see below).

Operator Risk. In relation to the Licence Interests, the Company will not be managing the day-to-day operation of the drilling. Such drilling will be carried out by independent contractors working under the auspices of Gulliver. As such, the Company will be reliant on the efficiency of a third party for the day to day running of the operations.

Market Risk. The marketability of any oil and gas discovered will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, proximity and capacity of oil and gas pipelines and processing equipment and government regulations including regulations relating to taxation, royalties, allowable production, importing and exporting of oil and gas, and environmental protection.

Insurance Risks. The insurance of the assets of the Company will be the responsibility of Gulliver as operator. It is planned that insurance of the operations will be in accordance with industry practice. Insurance cover will not be available for every risk faced by the Company. Although the Company believes that it or the operator should carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances the Company's or the operator's insurance may not cover or be adequate to cover the consequences of such events. In addition the Company may be subject to liability for pollution, blow-outs or other hazards against which the Company or the 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 Company. There is a risk that insurance premiums may increase to a level where the Company 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 Company 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 Company of the insurance cover.

Ability to Exploit Successful Discoveries. It may not always be possible for the Company to participate in the exploitation of any successful discoveries which may be made in any areas in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. In addition, the decision to proceed to further exploitation may require the participation of other companies whose

interests and objectives may not be the same as the Company. As described above, such further work may require the Company to meet or commit to financing obligations for which it may not have planned.

Commercial Risks. Even if the Licence Interests or other interests of the Company recover quantities of oil or gas, there is a risk the Company will not achieve a commercial return. The Company may not be able to transport the oil or gas to commercially viable markets at a reasonable cost or may not be able to sell the oil or gas to customers at a price and quantity which would cover its operating and other costs.

Joint Venture Parties and Contractors. The 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 to which the Company is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by the Company or operator (as appropriate) in its exploration and production activities;
- insolvency or other managerial failure by any of the other service providers used by the Company or the operator of the licence for any activity; or
- failure to have the interests registered by the Western Australia Department of Industry and Resources.

Environmental Risks. The Company's operations are subject to the environmental risks inherent in the exploration industry. The activities in which the Company has interests are subject to environmental laws and regulations. Although the Company intends to be in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other circumstances that could subject the Company to extensive liability. Further, the Company or the operator (as appropriate) may require approval from the relevant authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

The Need To Raise Additional Capital in the Future. The Company will need to raise additional funding to undertake work beyond that being funded by the Offer. There is no certainty that this will be possible at all or on acceptable terms. In some cases, the Company may finance development by farming out or otherwise reducing its level of participation in interests which it holds. This could substantially dilute the Company's interest in the Licence Interests.

Payment Obligations. Under the Licence Interests and certain other contractual agreements to which the Company is, or may in the future become, a party, including the Farmin Agreements, the licence holder or the Company (as the case may be) is, or may become, subject to payment and other obligations. If such obligations in the Licence Interests are not complied with, the Licence Interests may be subject to suspension or termination or other sanctions. If such obligations of the Company in contractual agreements are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Company. The Company may not have, or be able to obtain, financing for all such obligations as they arise.

Governmental Regulations. Governmental approvals, licences and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental offices. The holders of the Licence Interests must comply with known standards, existing laws and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. New laws and regulations, amendments to existing laws and regulations, or more stringent enforcement of existing laws and regulations, could have a material adverse impact on the results of operations in respect of the Licence Interests and accordingly on the financial condition of the Company. The exploration, mining and processing activities in respect of the Licence Interests are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. There can also be no assurance that they will be renewed or if so, on what terms. In particular, a Petroleum Lease will be required in respect of the Licence Interests for oil and gas production to commence.

Volatility of Prices of Oil and Natural Gas. The demand for, and price of, oil and natural 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. Fluctuations in oil and natural gas prices and, in particular, a material decline in the price of oil or natural gas may have a material adverse effect on the Company's business, financial condition and results of operations assuming production is achieved from the Licences. Oil and gas prices could affect the viability of exploring and/or developing the Company's interests.

Currency Risk. The Company will report its financial results in Sterling, while most of the potential cash flow from operations will be in Australian Dollars, and many contracts in the oil and gas industry are principally denominated in United States Dollars.

Dependence on Key Personnel. In common with other services and businesses in this industry sector, the Company's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the Directors and senior management and the loss of one or more could have a materially adverse effect on the Company.

Economic, Political, Judicial, Administrative, Taxation or Other Regulatory Factors. The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Company will operate and holds its major assets.

General risks

May not realise amount invested. The price which investors may realise for their holding of Ordinary Shares, if and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Company and others which are extraneous.

Liquidity. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. The Ordinary Shares are not listed or dealt on any stock exchange. In the event that the Ordinary Shares are listed on PLUS or AIM (in relation to which see below "Admission to PLUS or AIM"), this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares.

Admission to PLUS or AIM. There is no guarantee that an application to PLUS or AIM for the Company's Ordinary Shares to be traded will be made, or if made, will be successful. It is further emphasised that the Offer is not conditional upon the grant of permission to trade the Ordinary Shares on PLUS or AIM. Acceptance of any application by the Company to, and continued admission to trading on PLUS or AIM are entirely at the discretion of Ofex plc or, as the case may be, the London Stock Exchange plc.

Volatility. The value of the Ordinary shares may go down as well as up. Investors may therefore realise less than their original investment.

Forward-looking statements. Certain statements in this document may constitute forward-looking statements relating to such matters as projected financial performance, business prospects, new products, services and similar matters. A variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements.

Offer Proceeds. Investors should note that if the Offer is not fully subscribed, the Company may be unable to carry out its business plan in full.

Prospective investors should be aware that the value of the Ordinary Shares could go down as well as up, and investors may therefore not recover their original investment especially as the market in the Ordinary Shares may have limited liquidity. The Company has only recently traded and therefore has no track record.

The investment described in this document may not be suitable for all those who receive it. Before making a final decision, investors in any doubt are advised to consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

TERMS AND CONDITIONS OF THE OFFER

1 Completion of Application Form. Any prospective investor wishing to apply for Offer Shares must complete an Application Form in accordance with the instructions accompanying that form.

Offer to acquire Shares

2 applications must be made on a Confirmation Letter or on the Application Form attached at the end of this document (the "Admission Document"). By completing and delivering a Confirmation Letter or Application Form, you, as the applicant, and, if you sign the Confirmation Letter or Application Form on behalf of another person or a corporation, that person or corporation:

2.1 offer to subscribe for the number of New Ordinary Shares specified in your Confirmation Letter or Application Form (or such lesser number for which your application is accepted) subject to a minimum subscription of £1,375 on the terms and subject to the conditions, set out in this document, including these Terms and Conditions of the Confirmation Letter and Application Form and the Memorandum and Articles of Association of the Company;

2.2 agree that, in consideration of the Company, Ascension Securities Limited and the Receiving Agent agreeing that they will not, prior to the date of Admission, offer for subscription to the public any New Ordinary Shares other than by means of the procedures referred to in this document, your application may not be revoked and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to or, in the case of delivery by hand, on receipt by Ascension Securities Limited and the Receiving Agent of your Confirmation Letter or Application Form;

2.3 undertake to pay the amount specified in Box 2 of your Application Form or under section 5 of your Confirmation Letter in full on application and warrant that the remittance accompanying your Confirmation Letter or Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to receive a share certificate for the New Ordinary Shares applied for in certificated form or be entitled to commence dealing in New Ordinary Shares applied for in un-certificated form or to enjoy or receive any rights in respect of such New Ordinary Shares unless and until you make payment in cleared funds for such New Ordinary Shares and such payment is accepted by the Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Receiving Agent and the Company against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and the Company may (without prejudice to any other rights it may have) avoid the agreement to allot the New Ordinary Shares and may allot them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund to you at your risk of any proceeds of the remittance which accompanied your Confirmation Letter or Application Form, without interest);

2.4 agree, that where on your Confirmation Letter or Application Form a request is made for New Ordinary Shares to be deposited into a CREST Account, the Receiving Agent may in its absolute discretion amend the form so that such New Ordinary Shares may be issued in certificated form registered in the name(s) of the holder(s) specified in your Confirmation Letter or Application Form (and recognise that the Receiving Agent will so amend the form if there is any delay in receiving your remittance in cleared funds);

2.5 agree, in respect of applications for Shares in certificated form that any share certificate to which you or, in the case of joint applicants, any of the persons specified by you in your Confirmation Letter or Application Form may become entitled and monies returnable may be retained by the Receiving Agent:

2.6 pending clearance of your remittance;

2.7 pending investigation of any suspected breach of the warranties or any other suspected breach of these Terms and Conditions of Confirmation Letter or Application; or

2.8 pending any verification of identity which is, or which Ascension Securities Limited or the Receiving Agent considers may be, required for the purposes of the UK Money Laundering Regulations 2003 as amended, and any interest accruing on such retained monies shall accrue to and for the benefit of the Company;

2.9 agree, on the request of Ascension Securities Limited or the Receiving Agent, to disclose promptly in writing to them such information as Ascension Securities Limited or the Receiving Agent may request in connection with your application and authorise Ascension Securities Limited and the Receiving Agent to disclose any information relating to your application which they may consider appropriate;

2.10 agree that if evidence of identity satisfactory to Ascension Securities Limited and/or the Receiving Agent is not provided to the Receiving Agent within a reasonable time in the opinion of Ascension Securities Limited following a request therefore, Ascension Securities Limited, the Receiving Agent or the Company may terminate the agreement with you to allot New Ordinary Shares and, in such case, the New Ordinary Shares which would otherwise have been allotted to you may be re-allotted and your application monies will be returned to you at your risk to the bank or other account on which the cheque or other remittance accompanying the application was drawn without interest;

2.11 undertake that you are not applying on behalf of a person engaged in money laundering;

2.12 undertake to ensure that, in the case of an application signed by someone else on your behalf the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Confirmation Letter or Application Form;

2.13 undertake to pay interest at the rate described in paragraph 4 below if the remittance accompanying your Confirmation Letter or Application Form is not honoured on first presentation;

2.14 authorise the Receiving Agent on behalf of Ascension Securities Limited to procure that there be sent to you definitive certificates in respect of the number of New Ordinary Shares for which your application is accepted or, if you have completed Box 7, to deliver the number of Shares for which your application is accepted into CREST, and/or a crossed cheque for any monies returnable, by post to your address (or that of the first named applicant) as set out in your Confirmation Letter or Application Form;

2.15 agree that your Confirmation Letter or Application Form is addressed to the Company and Ascension Securities Limited and that any application may be rejected in whole or in part; and

2.16 acknowledge that an offer to the public of New Ordinary Shares is being made only in the United Kingdom.

Acceptance of your offer

3 Ascension Securities Limited may on behalf of the Company accept your offer to subscribe (if your application is received, valid (or treated as valid), processed and not rejected) by notifying acceptance to the Receiving Agent.

4 The basis of allocation will be determined by Ascension Securities Limited in consultation with the Company. The right is reserved notwithstanding the basis so determined to reject in whole or in part and/or scale down any application. The right is reserved to treat as valid any application not complying fully with these Terms and Conditions of the Confirmation Letter or Application or not in all respects completed or delivered in accordance with the instructions accompanying the Confirmation Letter or Application Form. In particular, but without limitation, the Company may accept an application made otherwise than by completion of a Confirmation Letter or Application Form where you have agreed with them in some other manner to apply in accordance with these Terms and Conditions of the Confirmation Letter or Application. The Company reserves the right (but shall not be obliged) to accept Confirmation Letters or Application Forms and accompanying remittances which are received otherwise than in accordance with these Terms and Conditions of Public Application.

5 The right is reserved to present all cheques for payment on receipt by the Receiving Agent and to retain documents of title and surplus application monies pending clearance of successful applicants' cheques.

Return of application monies

6 If any application is not accepted in whole, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance of the amount paid on application will be returned without interest by returning your cheque, or by crossed cheque in favour of the first named applicant, by post at the risk of the persons) entitled thereto. In the meantime application monies will be retained by the Receiving Agent in a separate account. Any interest earned on such account shall be retained for the benefit of the Company.

Warranties

7 By completing a Confirmation Letter or Application Form, you:

7.1 warrant that, if you sign the Confirmation Letter or Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and that such other person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of the Confirmation Letter or Application and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor;

7.2 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, warrant that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action or omitted to take any action which will result in the Company, Ascension Securities Limited or the Receiving Agent or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, in any territory or jurisdiction outside the United Kingdom in connection with the Offer for Subscription in respect of your application;

7.3 confirm that in making an application you are not relying on any information or representations in relation to the Company other than those contained in the Admission Document (on the basis of which alone your application is made) and accordingly you agree that no person responsible solely or jointly for the Admission Document or any part thereof shall have any liability for any such other information or representation;

7.4 agree that, having had the opportunity to read the Admission Document, you shall be deemed to have had notice of all information and representations contained therein;

7.5 acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representation other than as contained in the Admission Document and, if given or made, any information or representation must not be relied upon as having been authorised by the Company or Ascension Securities Limited;

7.6 warrant that you are not under the age of 18 on the date of your application;

7.7 agree that all documents and monies sent by post to, by or on behalf of the Company or Ascension Securities Limited will be sent at your risk and in the case of documents and returned monies to be sent to you may be sent to you at your address (or, in the case of joint applicants, the address of the first named applicant) as set out in your Confirmation Letter or Application Form;

7.8 warrant that you are not applying as, or as nominee or agent of, a person who is or may be a person mentioned in any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services); and

7.9 confirm that you have reviewed the restrictions contained in paragraph 12 below and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions therein.

8 Allocation of Shares. The Company in its absolute discretion will determine the basis of allocation. The right is reserved to reject in whole or in part and/or scale down any application or any part thereof. The right is also reserved to treat as valid any application not in all respects completed in accordance with the instructions relating to the Application Form including if the accompanying cheque or banker's draft is for the wrong amount.

9 Expected dispatch of definitive share certificate. The expected date for dispatch of definitive share certificates in respect of the issue of any Shares is thirty days after such issue.

10 Application monies. The right is reserved by the Company to present all cheques and banker's drafts for payment on receipt and to retain share certificates and surplus application monies pending clearance of successful applicants' cheques and banker's drafts. If any application is not accepted (either in whole or in part) or if any contract created by acceptance does not become fully unconditional, the application monies or, as the case may be, the balance thereof will be returned (without interest) within 7 days of the closing date of the Offer by returning each relevant applicant's cheque or banker's draft by crossed cheque in favour of the first-named applicant, through the post at the risk of the person(s) entitled thereto.

Money Laundering

11 You agree that, in order to ensure compliance with the UK Money Laundering Regulations 2003 or The Proceeds of Crime Law Act 2002, the Receiving Agent may, in its absolute discretion, require verification of identity from any person lodging a Public Application Form who either:

11.1 tenders payment by way of banker's draft or cheque or money order drawn on an account in the name of another person or persons (in which case verification of your identity may be required); or

11.2 appears to the Receiving Agent to be acting on behalf of some other person (in which case certifications of identity of any persons on whose behalf you appear to be acting may be required).

11.3 Failure to provide the necessary evidence of identity may result in applications being rejected or delays in the despatch of documents.

11.4 In all circumstances, verification of the identity of applicants will be required. If you use a building society cheque, banker's draft or money order you should ensure that the bank or building society enters the name, address and account number of the person whose account is being debited on the reverse of the cheque, banker's draft or money order and adds its stamp. If, in such circumstances, you use a cheque drawn by a third party, you may be required to provide a copy of your passport or driving licence certified by a solicitor or a recent original bank or building society statement or utility bill in your name and showing your current address (which originals will be returned by post at the applicant's risk).

11.5 If you are making the application as agent for one or more persons, you should provide evidence with the Confirmation Letter or Application Form that you are subject to the Money Laundering Directive, confirming your regulated status and naming the regulatory authority of your home state.

12 General Terms. By completing and delivering an Application Form, prospective investors:

12.1 offer to subscribe for the number of Offer Shares specified in the Application Form (or such lesser number for which the application is accepted) at the Offer Price on the terms of and subject to this document;

12.2 warrant that their cheque or banker's draft will be honoured on first presentation and agree that if it is not so honoured they will not be entitled to receive a share certificate in respect of the Shares applied for or to enjoy or receive any rights or distributions in respect of such Shares unless and until they make payment in cleared funds for such Shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that they indemnify the Company against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of their remittance to be honoured on first presentation) and prospective investors agree that, at any time prior to the unconditional acceptance by the Company of such later payment, the Company may (without prejudice to its other rights) avoid the agreement to subscribe such Shares and may allot such Shares to some other person, in which case prospective investors will not be entitled to any payment in respect of such Shares other than the refund to them at their risk of any proceeds of the cheque or banker's draft accompanying their application, without interest;

12.3 agree that, in respect of those Offer Shares for which prospective investors applications have been received and are not rejected, acceptance of their application shall be constituted by notification of acceptance thereof by the Registrars to the Company;

12.4 agree that any monies returnable to them may be retained by the Company pending clearance of their remittance and that such monies will not bear interest;

12.5 authorise the Company to send certificate(s) in respect of the Offer Shares for which their application is accepted and/or a crossed cheque for any monies returnable, by post, without interest, at the risk of the person(s) entitled thereto, to the address

of the person (or in the case of joint holders the first-named person) named as an applicant in the Application Form and to procure that their name is placed on the register of members of the Company in respect of such Offer Shares;

12.6 warrant that, if they sign the Application form on behalf of somebody else or on behalf of a corporation, they have due authority to do so on behalf of that person or corporation, and such person or corporation will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained herein and undertake to enclose their power of attorney or a copy thereof duly certified by a solicitor with the Application Form;

12.7 agree that all applications, acceptances of applications and contracts resulting from the Offer shall be governed by and construed in accordance with English law, and that they submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;

12.8 confirm that, in making such application, neither they nor any person on whose behalf they are applying are relying on any information or representation in relation to the Company other than the information contained in this document;

12.9 authorise the Company or any person authorised by it, as their agent, to do all things necessary to effect registration of any Offer Shares subscribed for by them into their name(s) or into the name(s) of any person(s) in whose favour the entitlement to any such Offer Shares has been transferred and authorise any director of the Company to execute any document required therefore;

12.10 agree that, having had the opportunity to read this document, they shall be deemed to have had notice of all information and representations concerning the Company and the Offer Shares contained therein;

12.11 confirm and warrant that they have read and complied with paragraph 7 below;

12.12 confirm that they have reviewed and understood the warnings and other matters contained in paragraph 9 below ;

12.13 confirm that they are not under the age of 18;

12.14 agree that all documents and cheques sent by post to, by or on behalf of the Company will be sent at the risk of the person(s) entitled thereto;

12.15 agree, on request by the Company or at its discretion on behalf of the Company, to disclose promptly in writing to it, any connection with their application and authorise it to disclose any information relating to their application as it considers appropriate;

12.16 warrant that no other application has been made by them for their own account or by another person on their behalf or for their benefit and with their knowledge for such purpose or, if they are applying as agent or nominee of another person, that no other application is being made by them (not being an application as aforesaid) as an agent or nominee for another person and that such other person is not, to their knowledge, acting in concert with any other person or persons as aforesaid.

12.17 agree that if they include an email in the application form, the Company may communicate by email including the delivery of Annual and interims accounts provided such communications are sent to such email address or such other email address as maybe notified in writing to the Company from time to time.

13 Non-UK applicants. No person receiving a copy of this Offer Document or an Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the UK wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consent, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

14 Definitions. Save where the context otherwise requires, words and expressions defined in the Offer Document have the same meanings when used in the Application Form and any other explanatory notes in relation thereto.

15 General. The information presented herein was prepared by the Company and is being furnished by the Company solely for use by prospective investors in connection with this Offer. The Company is not making any representation as to its future performance. This document (together with any supplementary offer document that may be issued) contains or may contain certain statements, estimates and forward looking projections of the Company with respect to the anticipated future financial performance of the Company. Such statements, estimates and forward looking projections are based on various assumptions of management about future events and circumstances, many of which will not be within the control of the Company and its management and may or may not prove to be correct. The Company believes that such estimates and other assumptions are reasonable under the circumstances, but no representation, warranty or other assurance is given that such statements, estimates and projections will be realised. There will be variances between such projections and actual events and results and such variations will likely be material. Each prospective investor must rely on his or her own examination of the Company and the terms of the Offer, including the merits and risks involved in making an investment decision with respect to the shares. Prospective investors are not to construe the contents of this document as legal or tax advice. Each investor should consult his or her personal counsel, accountant and other advisor(s) as to legal, tax, economic and related aspects of the investment described herein and its suitability for such investor.



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