THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document, or the action you should take, you should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. The whole of the text of this Document should be read.

The Company and the Directors, whose names appear on page 3 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Document, which is an admission document, constitutes a prospectus and has been drawn up in accordance with the Public Offers of Securities Regulations 1995 ("POS Regulations"). A copy of this Document has been delivered to the Registrar of Companies in England and Wales in accordance with regulation 4(2) of the POS Regulations.

No person has been authorised to give any information or make any representations other than those contained in this Document and, if given or made, such information or representations must not be relied upon as having been so authorised. The delivery of this Document or any subscriptions made hereunder shall not, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this Document or that the information in this Document is correct as of any time subsequent to the date of this Document.

Application has been made for the whole of the Ordinary Shares issued and to be issued to be admitted to trading on AIM. It is emphasised that no application is being made for admission of these securities to the Official List of the UK Listing Authority or to any other recognised investment exchange. It is expected that Admission will take place and that dealings in the Ordinary Shares will commence on AIM on 19 April 2004.

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

ASIA ENERGY PLC

(Incorporated in England and Wales under the Companies Act 1985 (as amended) with registered number 04913119)

Placing of 14,959,649 Ordinary Shares of 10p each at 75p per Ordinary Share

and

ADMISSION TO TRADING ON THE ALTERNATIVE INVESTMENT MARKET

Nominated Adviser and Broker

W H IRELAND LIMITED

Ordinary Share Capital on Admission

Authorised			**Issued and fully paid**	
Amount	Number		Amount	Number
£20,000,000	200,000,000	Ordinary shares of 10p each	£3,395,965	33,959,651

The Placing Shares will, following allotment, rank equally in all respects with the Existing Ordinary Shares of the Company, including the right to receive all dividends or other distributions declared or paid on the Ordinary Shares after the date of this Document.

W H Ireland, which is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange, is the Company's Nominated Adviser and Broker in connection with the Placing and Admission for the purposes of the AIM Rules and is acting exclusively for the Company and will not be responsible to anyone other than the Company for providing the protections afforded to customers of W H Ireland or for advising any other person on the Placing and other arrangements described in this Document. The responsibilities of W H Ireland, as Nominated Adviser and Broker, are owed solely to the London Stock Exchange. W H Ireland has not authorised the contents of any part of this Document for the purposes of Regulation 13(1)(g) of the POS Regulations or otherwise and no liability whatsoever is accepted by W H Ireland for the accuracy of any information or opinions contained in this Document, for which the Directors and the Company are solely responsible, or for the omission of any information.

This Document does not constitute an offer to sell, or a solicitation to buy Placing Shares or Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this Document is not for distribution in, or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Neither the Placing Shares nor the Ordinary Shares have been nor will be registered under the United States Securities Act of 1933 (as amended) nor under the securities legislation of any state of the United States or any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to any national, citizen or resident of the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan.

The distribution of this Document and the placing of the Placing Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company, by the holders of the Existing Ordinary Shares or by W H Ireland that would permit a public offer of Ordinary Shares or possession or distribution of this Document where action for that purpose is required. Persons into whose possession this Document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Copies of this Document will be available free of charge during normal business hours on weekdays (excluding public holidays) from the date hereof until one month after Admission from the office of W H Ireland, Cannongate House, 62-64 Cannon Street, London EC4N 6AE and from the registered office of the Company.

An investment in Asia Energy PLC may not be suitable for all recipients of this Document. Any such investment is speculative and involves a high degree of risk. Prospective investors should carefully consider whether an investment in the Company is suitable for them in light of their circumstances and the financial resources available to them. Attention is drawn, in particular, to the Risk Factors set out in Part II of this Document.

CONTENTS

DIRECTORS AND ADVISERS

Directors	Christopher Eager, (Non-Executive Chairman) Laith Reynolds, (Executive Director and Chief Executive Officer – Bangladesh Operations) Michael Frayne, (Executive Director – Commercial) David Lenigas, (Executive Director – Technical) Jonathan Malins, (Non-Executive Finance Director) All of 55 St James's Street, London SW1A 1LA	
Registered Office	55 St James's Street London SW1A 1LA	
Company Secretary	Alwyn Davey	
Nominated Adviser and Broker	W H Ireland Limited Cannongate House 62-64 Cannon Street London EC4N 6AE	
Solicitors to the Company	Trowers & Hamlins Sceptre Court 40 Tower Hill London EC3N 4DX	
Solicitors to the Company in Bangladesh	Dr Kamal Hossain and Associates Chamber Building 122-124 Motijheel C.A. Dhaka – 1000 Bangladesh	
Solicitors to the Placing	Charles Russell 8-10 New Fetter Lane London EC4A 1RS	
Reporting Accountants	Ernst & Young LLP 1 More London Place London SE1 2AF	Ernst & Young 120 Collins Street Melbourne Victoria 3000 Australia
Competent Person	GHD Pty Ltd 380 Lonsdale Street Melbourne Victoria 3000 Australia	
Principal Bankers	Bank of Scotland 14/16 Cockspur Street London SW1Y 5BL	
Registrars	Capita Registrars Plc The Registry 34 Beckenham Road Beckenham BR3 4TU	

DEFINITIONS

In this Document, where the context permits, the expressions set out below shall bear the following meanings:

"A$"	Australian Dollar
"Act"	the Companies Act 1985 (as amended)
"Admission"	the admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules
"AEC"	Asia Energy Corporation Pty Limited, a company incorporated under the laws of Australia and wholly-owned by the Company
"AECB"	Asia Energy Corporation (Bangladesh) Pty Limited, a company incorporated under the laws of Australia and wholly-owned by AEC
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the rules for companies governing admission to and trading on AIM, published by the London Stock Exchange
"Bangladesh"	the People's Republic of Bangladesh
"BCM/t"	bank cubic metre to the tonne
"BHP"	BHP Minerals International Exploration Inc.
"BTU/lb"	British thermal units (energy) to the pound (weight) of material
"Combined Code"	the Principles of Good Governance and Code of Best Practice issued by the London Stock Exchange
"the Company"	Asia Energy PLC, a company incorporated in England and Wales on 26 September 2003 with company number 04913119
"Competent Person's Report"	the report prepared by GHD contained in Part III of this Document
"the Contract"	contract number 11/C-94 between the Government and BHP dated 20 August 1994 as more fully described in paragraph 13.3 of Part V of this Document
"CREST"	the computerised settlement system used to facilitate the transfer of title to shares in uncertificated form operated by CRESTCo
"CRESTCo"	CRESTCo Limited
"Deepgreen"	Deepgreen Minerals Corporation Limited, a company incorporated under the laws of Australia and listed on the Australian Stock Exchange with ticker symbol DGM
"Directors" or "Board"	the directors of the Company, whose names are set out on page 3 of this Document
"Document" or "Prospectus"	this document
"Enlarged Share Capital"	the issued Ordinary Share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares and the Placing Shares
"Existing Ordinary Shares"	19,000,002 Ordinary Shares in issue immediately prior to the Placing
"Exploration Licences"	the exploration licences in respect of the Licence Area as more fully detailed in paragraph 13.3 of Part V of this Document
"Financial Services and Markets Act" or "FSMA"	the Financial Services and Markets Act 2000

“FSA”	the Financial Services Authority Limited, the single statutory regulator under the FSMA
“GHD”	GHD Pty Ltd, details of which are set out in the Competent Person’s Report
“Government”	the government of Bangladesh
“Group”	Asia Energy PLC and its subsidiaries, Asia Energy Corporation Pty Limited, Asia Energy Corporation (Bangladesh) Pty Limited and Pan Asian Corporation Limited
“ha” or “Ha”	hectares
“Licence Area”	collectively Licence Area “B”, Licence Area “G” and Licence Area “H”
“Licence Area “B” ”	an area of the Phulbari region measuring approximately 1,921 ha in respect of which an Exploration Licence has been granted as more fully detailed in the Competent Person’s Report
“Licence Area “G” ”	an area of the Phulbari region measuring approximately 1,447 ha in respect of which an Exploration Licence has been granted as more fully detailed in the Competent Person’s Report
“Licence Area “H” ”	an area of the Phulbari region measuring approximately 2,112 ha in respect of which an Exploration Licence has been granted as more fully detailed in the Competent Person’s Report
“Listing Rules”	the rules for listing issued by the UK Listing Authority
“London Stock Exchange”	London Stock Exchange Plc
“Mining Lease”	the mining tenure in respect of the Licence Area to be granted to AECB by the Government pursuant to the Exploration Licences, as more fully described in paragraph 13.3 of Part V of this Document
“mt” or “Mt”	million tonnes
“mtpa” or “Mtpa”	million tonnes per annum
“MW”	mega watt; a unit of power equal to one million watts
“OFEX”	a market operated by OFEX Plc, a member of the London Stock Exchange and regulated by the FSA, which trades in the shares of unlisted companies
“Official List”	the official list of the UK Listing Authority
“Option Deeds”	the option deeds entered into by the Company and certain Directors and officers of the Company on 30 March 2004, details of which are set out in paragraph 5.1 of Part V of this Document
“Options”	options to subscribe for Ordinary Shares on the terms of the Option Deeds
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company
“Pan Asian”	Pan Asian Corporation Limited, a company incorporated in Bangladesh and beneficially wholly-owned by AEC
“Phulbari”	the area located in the Dinajpur region of north-west Bangladesh, approximately 300km from Dhaka, the capital of Bangladesh
“Placing”	the placing by W H Ireland on behalf of the Company of the Placing Shares pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 30 March 2004 between the Company, the Directors and W H Ireland, details of which are set out in paragraph 13.9 of Part V of this Document

"Placing Letter"	the letter from W H Ireland on behalf of the Company to be signed by each investor wishing to subscribe for Placing Shares pursuant to the Placing and setting out the terms on which they will agree to subscribe
"Placing Price"	75p per Placing Share
"Placing Shares"	14,959,649 Ordinary Shares to be issued by the Company pursuant to the Placing
"POS Regulations"	the Public Offers of Securities Regulations 1995, (Statutory Instrument 1995 No. 1537), (as amended)
"Project"	the Phulbari Energy Project, comprising the development of a potential coal mine and mine mouth power plant located in the Licence Area, as described in Part I of this Document
"Shareholders"	holders of Ordinary Shares
"Taka"	the official currency of Bangladesh
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of FSMA
"US"	the United States of America
"Warrant Instrument"	the warrant instrument entered into by the Company on 30 March 2004, details of which are set out in paragraphs 8.1 and 8.2 of this Document
"Warrants"	warrants to subscribe for Ordinary Shares on the terms of the Warrant Instrument
"W H Ireland"	W H Ireland Limited
"£" or "Pound"	UK pounds sterling
"$", "US$" or "Dollars"	US Dollars

Note: Technical terms used throughout the Document have the same meanings as given in the Competent Person's Report.

EXPECTED TIMETABLE

Admission effective and commencement of dealings	19 April 2004
Placing Shares credited to CREST accounts	19 April 2004
Despatch of definitive share certificates (if applicable)	by 3 May 2004

PLACING STATISTICS

Placing Price	75p
Number of new Ordinary Shares being placed on behalf the Company pursuant to the Placing	14,959,649
Number of Ordinary Shares in issue immediately following the Placing	33,959,651
Percentage of Enlarged Share Capital attributable to the Placing	44.05 per cent.
Market capitalisation of the Company at the Placing Price on Admission	£25.47 million
Gross proceeds of the Placing	£11.22 million
Estimated net proceeds of the Placing receivable by the Company	£10.42 million

PART I

INFORMATION ON THE GROUP

Introduction

The Company was incorporated in September 2003 for the purpose of raising funds for, and acquiring certain companies involved in, the exploration and development of the Phulbari Energy Project ("the Project") in north-west Bangladesh. The Company raised initial funds in October 2003 and acquired AEC in December 2003. The further funds to be raised pursuant to the Placing are to be used, amongst other things, to finance certain feasibility studies in respect of the Project.

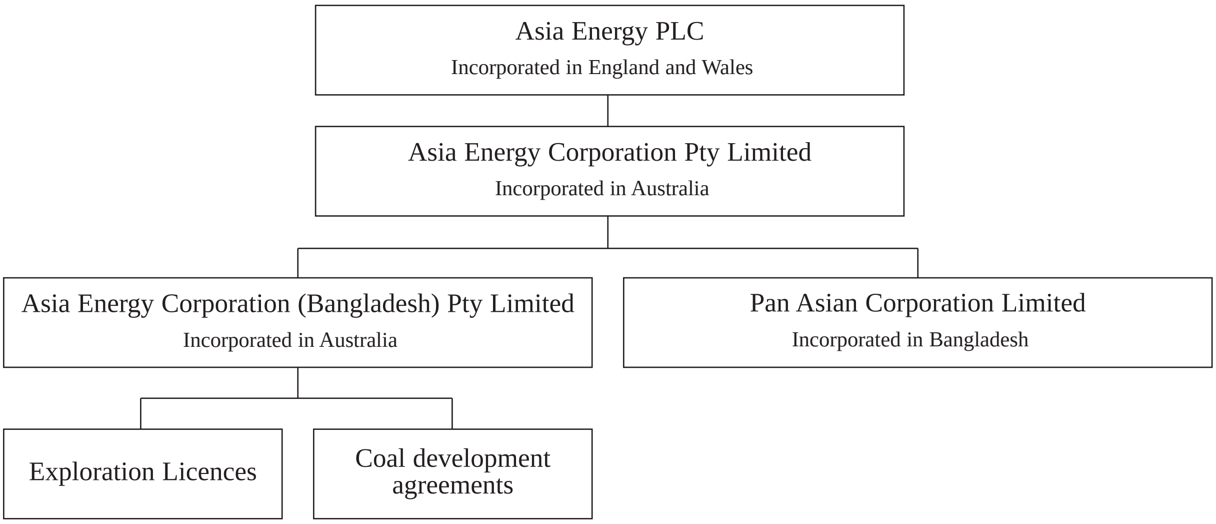
The Group holds Exploration Licences in respect of Licence Areas "B", "G" and "H" which also comprise agreements with the Government in respect of the grant of Mining Leases and the export of coal from such Licence Areas. The current estimated in-situ (thermal) coal resource calculated according to the JORC Code is approximately 370mt.

Group Strategy

Depending *inter alia* on the results of feasibility studies that the Directors intend the Company to conduct over the next two years, the Company plans in time to establish a potential 9mtpa open pit coal mine at Phulbari. It is intended that coal produced will be sold to local and export markets but primarily used for the generation of electricity through the establishment of a power station complex with a generating capacity of up to 2,500 MW. Both the development of the coal mine and the establishment of the proposed group of power plants are central to the Project. The development of the Project will be dependent on significant future financing.

Group Structure

The Company owns the entire issued share capital of AEC. AEC owns the entire issued share capital of AECB and, beneficially, the entire issued share capital of Pan Asian. The Exploration Licences are held by AECB.



The Phulbari Energy Project

Background to the Project

The Phulbari coal field was originally discovered by BHP in January 1997. BHP had negotiated with the Government a comprehensive contractual and fiscal framework regarding exploration and mining activities within the Phulbari coal field, and was granted Exploration Licences in respect of Licence Areas "B" and "G" in January 1995 and January 1997 respectively. BHP conducted geophysical surveys (seismic and gravity), open hole drilling and limited core drilling that confirmed the presence of a Permian coal deposit. Throughout this time, BHP was undergoing significant corporate and directional change and a decision was made to divest of many projects, including the exploration of the Phulbari coal field. With the agreement of the Government, in 1998 BHP assigned in full the Contract and the two Exploration Licences to AECB, a company that had been formed specifically for that purpose. An Exploration Licence in respect of Area "H" was granted in 2002 to AECB.

In 2000, AEC commissioned GeoEng (subsequently merged with GHD) to conduct a pre-feasibility study, based on a scoping study undertaken during the previous year, and to incorporate ongoing work and additional geophysical data that had not been available to BHP. The conclusion of this study was that an open pit mining operation as part of the Project could be economically viable.

The Directors intend to conduct, with the use of expert advisers where appropriate, further feasibility studies prior to submitting applications to the Government for mine and power plant development approvals. These feasibility studies, which can be categorised into Stage I (which has a minimum funding requirement of £5 million) and Stage II, are planned to take place over the next two years and may necessitate the raising of further funds by the Group. They will include an assessment of mining, infrastructure, transport and power generation options together with social, environmental and project economics. Following their completion, such feasibility studies will, in the opinion of the Directors, provide a sound basis for the formulation of future Project development decisions including necessary further feasibility studies, bankable studies and environmental impact assessments. Initial site construction activities are planned for 2006 to 2007 with a view to first coal production and power generation in 2010.

A project team comprising GHD and Group personnel in Australia and Bangladesh has already commenced the organisation of additional exploration drilling, satellite imaging for land definition, a social assessment survey, baseline monitoring and a computer-based data management framework. The Company's team of management and expert advisers for this next stage of the Project's development has been assembled and the Directors will continue to source and build the appropriate expertise and management in line with the appropriate Project requirements as it advances.

Bangladesh

The Project is located in the Dinajpur region of north-west Bangladesh approximately 300 kilometres from the capital, Dhaka, as set out in Figure 1 below.

Figure 1

The region's economy is mainly agricultural. The region is relatively flat with occasional natural forest remnants at an elevation of 30 metres above sea level and comprising an alluvial plain with slightly raised terraces formed by the drainage of the sub-Himalayan river systems (the Ganges/Padma and Jamuna rivers). The climate is sub-tropical with the early summer months (March to early June) normally hot (maximum temperature of up to 40 degrees Centigrade), dry and windy with occasional storms occurring in the pre-monsoon period. Most rainfall occurs in the monsoon period from June to late October and annual rainfall averages 2,000 millimetres. The minimum temperature in winter is about 8 degrees Centigrade. The region has road, rail and air connections, the rail network presently offering the best available transport linkage.

To the immediate north of the Project is the Barapukuria coal field, which is currently in its final stages of development as an underground mining operation. With an intended output of 1 mtpa, and an associated mine mouth power station with an output capacity of 250 MW, this project is being developed by Chinese contractors for the Government.

Bangladesh has one of the lowest per capita energy consumptions in the world and suffers from shortages of coal, energy and other industrial raw materials which are critical to its long term economic development and growth. The US Department of Energy estimates that only 18 per cent. of the population of an estimated 130 million has access to electricity with wood and other bio-mass generating over half of the country's current energy supply. The consumption of wood for fuel has contributed to deforestation and other environmental problems in Bangladesh. In addition, the World Bank has estimated that Bangladesh loses around $1 billion per year due to power outages and unreliable energy supplies.

The Project, if successfully implemented in full, will provide an alternative energy source for the generation of electricity. Bangladeshi industry is currently heavily dependent on gas-fired electricity generation and whilst Bangladesh's gas resource potential remains, there are currently limited gas reserves for power generation supply purposes.

The Directors believe that the development of such a coal mine and power station complex in this mainly agricultural country would result in immediate and ongoing social and economic benefits to the local, regional and national economies. It is anticipated by the Directors that such a development would create growth in related support industries and activities and generate improvements to transport networks and other local infrastructure. The training of professional, technical, commercial, skilled and unskilled local people with a view to their employment on the Project would also benefit local communities.

The Directors consider the Bangladeshi authorities, including the Government, to be very supportive of the Project, given the potential it offers to reduce the country's reliance on existing energy sources for the production of electricity supplies. Furthermore, the Directors believe, having reviewed the Competent Person's Report and the underlying assumptions supporting the economic benefit analysis contained therein, that the Project will have a substantial beneficial impact on the economy of Bangladesh.

The Group's Licences

AECB holds Exploration Licences in respect of Licence Areas "B", "G" and "H" in the Phulbari region of Bangladesh. These areas, indicated in Figure 2 below, cover a total of approximately 5,480 hectares, as follows:

- Licence Area "B" measuring approximately 1,921 hectares;
- Licence Area "G" measuring approximately 1,447 hectares; and
- Licence Area "H" measuring approximately 2,112 hectares.

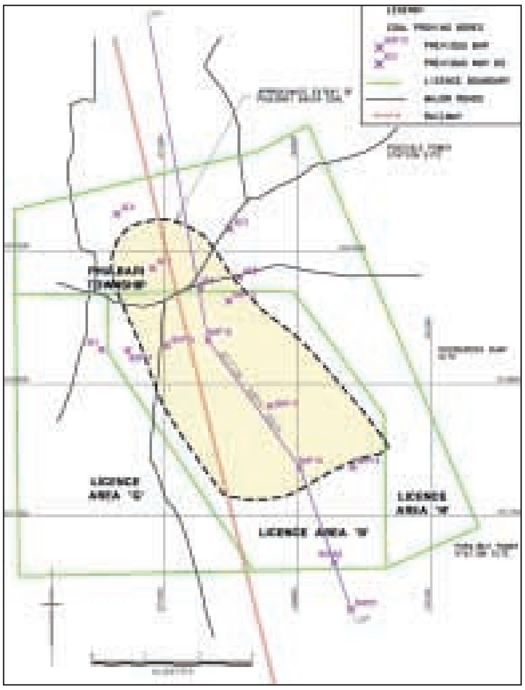


Figure 2

The Exploration Licences may be renewed each year and AECB may apply to convert each of them into Mining Leases. Notwithstanding this, AECB has been granted a continuous Exploration Licence in respect of Licence Area "B" (subject to payment of annual renewal fees) pending the grant of a Mining Lease in respect of that area, thereby avoiding the requirement to make an annual renewal application. The Directors intend that an application to the Government to allow the Exploration Licences in respect of Licence Areas "G" and "H" to be granted on the same basis will be made when appropriate.

AECB applied for the grant of a Mining Lease in respect of Licence Area "B" in November 2000, which the Directors subsequently placed on hold but expect to be granted during 2004, after the date of Admission. The Directors intend that applications for the grant of Mining Leases in respect of Licence Areas "G" and "H" will be made in April 2004. Once a Mining Lease in respect of a particular area is granted, AECB will be obliged to complete feasibility studies, and report to the Government thereon within 24 months of the date of grant (subject to any extensions requested and granted) and to, in respect of that area, commence mining operations within 36 months of the date of grant, failing which the Mining Lease will be terminated.

The Directors intend that, owing to the cost of undertaking feasibility studies, such studies will only be conducted following the grant of a Mining Lease in respect of a particular area, rather than under an existing Exploration Licence. Each Mining Lease will be granted for a period of 30 years, subject to renewal by AECB for further periods not exceeding 10 years each.

Further details of the Exploration Licences and the terms of the Mining Leases are set out in paragraph 13.3 of Part V of this Document.

Other Key Commercial Agreements

The Group has entered into a number of key commercial agreements with respect to the development and extraction of coal from within the Licence Areas. These key commercial agreements are summarised in paragraph 13 of Part V of this Document. As regards any eventual sale of coal by the Group, these arrangements include the basis on which such coal must first be offered to the Government and the basis on which certain royalties may become payable to the Government and Deepgreen.

Estimated Resources within the Licence Area

Exploration to date at Phulbari has identified a coal basin containing an in-situ coal resource of 370mt, calculated according to the JORC Code classifications, of which 100mt are Indicated Resources and 270mt are Inferred Resources. Such resource is expected to be accessible by open pit mining techniques. Exploration drilling has identified a coal sequence 14 metres to 45 metres thick at a depth of 150 metres to 250 metres. The next stage of exploration drilling programmes, to be commenced during the second quarter of 2004, has been designed to identify the extremities of the deposit and to provide infill drilling to clarify coal seam continuity and quality and structural controls. It is anticipated by the Directors that a number of marketable co-products (clay, sand, rock and water) will also be identified.

Based on resources identified to date, the Project is expected by GHD, on the basis of certain assumptions and qualifications as set out in Part III of this Document, to have an economic life in excess of 40 years.

Analysis of Coal within the Licence Area

Preliminary analysis performed by BHP in 1997 has classified the coal samples extracted according to ASTM ranking as high volatile Bituminous B coal and therefore suitable for power generation purposes. The average calorific value of the coal is 6,600 kcal/kg with 15 per cent. ash and less than 1 per cent. sulphur. This coal can therefore be considered to be a low ash, low sulphur product. The Directors believe that, with selective mining techniques, the Phulbari coal will closely match the coal specifications of the Barapukuria coal mine to the immediate north, which exhibits ash 12.4 per cent., volatile matter 29.2 per cent., fixed carbon 48.5 per cent., sulphur 0.53 per cent. and moisture 10 per cent..

Potential Markets for the Group's Coal Resource

With only an estimated 18 per cent. of the Bangladesh population currently having access to electricity, the Directors anticipate that the majority of any eventual revenue from the Project will be attributable to the sale of electricity and coal to the local Bangladesh market. The Directors believe that the Project's co-products will also be of significant value to the Bangladesh economy and the Group.

Rail networks connect the Project to India, whose border is 10 kilometres away, and to the Bangladesh port towns of Chittagong and Mongla. The Directors believe that export markets for coal and mining co-products may be developed, primarily in the south Asian/sub-continental region, along with the export of electricity to India.

Power Generation

As part of the Project, the Directors intend to include within the planned feasibility studies a full analysis of the development options available in connection with the construction of several power plants in the vicinity of the Licence Area. The Group's studies to date have indicated that approximately 6mtpa of coal production will be able to service a power station complex supplying up to 2,500MW of electrical power.

Economically Significant Co-products of Extraction

The studies conducted to date by GHD on drilling samples within the Licence Area have identified a number of mining co-products in the sedimentary layers overlying the Permian coal seams. These co-products include:

- near-surface clay material for brick manufacture and road base material;
- Tertiary sand for concrete and higher quality silica sand for glass manufacture;
- kaolin near the base of the Tertiary sands for use in paper, pharmaceuticals and fine china industries;
- 150mt per annum groundwater for irrigation, town water supply and agriculture;
- sandstone or mudstone for road base; and
- rock for crushed aggregate.

The Directors believe that the sale of these co-products could generate significant revenue for the Group.

Project Consultants

GHD is recognised internationally as one of the foremost multidisciplinary consulting companies, and approaches projects from a total life cycle perspective. The Directors intend that GHD's environmental, community consultation, socio-economic, gender assessment and community planning capabilities will result in the creation of mining and power generation infrastructure that is sustainable and cost effective. The Directors believe that the social development, people and relationship issues are critical in the planning and operation of the Project.

Board of Directors

Christopher Eager, Non-Executive Chairman, age 40

Previously with NM Rothschild & Sons, mining financiers in Australia, Chris holds a Bachelor of Mining Engineering and an MBA (ISG Paris). He has been involved in numerous debt and equity financings as principal and as banker and is currently the chief executive officer of the AIM quoted company Monterrico Metals plc.

Laith Reynolds, Executive Director and Chief Executive Officer, Bangladesh Operations, age 63

With 30 years worldwide resource industry experience and a founder of Canadian Coal Co (which undertook the consolidation of NE British Columbian Coalfields), Laith is currently a non-executive director of Deepgreen. Laith will be based in Bangladesh and committed to managing the senior governmental, technical and facilitation issues of the Project.

David Lenigas, Executive Director – Technical, age 42

David holds a Bachelor of Applied Science (Mining Engineering) and has 23 years of international resource industry experience covering the gold, coal, diamond and base metal sectors. David was formerly the managing director of the Emperor Gold Mines in Fiji and has served as managing director and chief executive of numerous other resource companies. Currently he is the mining manager for Cambrian Mining Plc, overseeing the development of their mining projects around the world including the Project. He is also the president of Deepgreen West Virginia Inc, a coal producer in the United States of America. David will be responsible for co-ordination of the technical and corporate aspects of the Group. David is also a director of River Diamonds Limited and of BM Diamondcorp Inc.

Michael Frayne, Executive Director – Commercial, age 36

Michael has 14 years resource industry experience. Michael has worked for Ernst & Young, Great Central Mines Group (now Newmont) and Anaconda Nickel Ltd (now Minaera Resources). A chartered accountant and geologist, he has held senior finance positions in two Australian Stock Exchange listed and one AIM quoted resource companies with key roles in fundraising and large scale project feasibility studies. Currently a director of mining consulting group Resource & Capital Management Pty Limited and General Manager – Commercial for Eureka Mining Plc, Michael will assist in the co-ordination of the commercial and technical aspects of the Group.

Jonathan Malins, Non-Executive Finance Director, age 56

Jo Malins qualified as a chartered accountant in the early 1970s. After qualification he founded his own accountancy firm and until 1982 was in practice. His subsequent career included a financial directorship of a large Middle Eastern based project management company and in 1986 he became chief executive of Telfos Plc, a listed engineering company. From 1993 to date, he has run his own coal processing equipment supply company and from 1998 to 2001 was managing director of Thurloe Corporate Finance (UK) Limited. Currently he is a non-executive director of OreVest Plc, a mining investment company which is quoted on OFEX, as well as an executive director of Cambrian Mining Plc, which is quoted on AIM.

Senior Management

Don Strang, Chief Financial Officer, age 36

Don Strang is an Australian-qualified chartered accountant with over 15 years experience in the financial and resources sectors.

He has held finance related positions with an international accounting firm (Ernst & Young), several Australian Stock Exchange listed mining and exploration companies (including Macraes Mining Company Limited and Perilya Mining Ltd) and in the investment banking sector (Deutche Bank and Credit Suisse First Boston). He has extensive experience in managing the finance and reporting requirements of a variety of companies.

Mr Strang will commence with the Company upon Admission.

Senior Technical Consultant to the Board

William McIntosh, Consultant – Mine Development, age 55

Bill McIntosh is a mining engineer with 33 years international resource industry experience. He has been an independent consultant for 10 years, advising on mining projects in Colombia, Indonesia, Zimbabwe, Argentina, India and Australia. Prior to that he was General Manager – Mining at PT Kaltin Prima Coal in Indonesia, being involved in that project for 9 years from exploration through feasibility studies and construction to production. Earlier experience was as a mining engineer for Shell Coal in Australia, for INCO in Indonesia, and at the BHPB Peak Downs Coal Mine in Queensland.

Reasons for the Placing and for Admission

The Directors are conducting the Placing and the application for Admission in order that funds might be raised to continue the ongoing exploration activities of the Group and to implement and execute feasibility studies in connection with the Project.

Admission to AIM and Dealings in Ordinary Shares

Application has been made for the Ordinary Shares to be admitted to trading on AIM. Dealings in the Ordinary Shares are expected to commence on 19 April 2004. No application has been or will be made for the Warrants or for the Options to be admitted to trading on AIM. Other than the proposed application for Admission, the Ordinary Shares have not been admitted to dealings on any other recognised investment exchange.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant Shareholders so wish.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates may do so.

Details of the Placing

The Placing Shares represent approximately 44.05 per cent. of the Enlarged Share Capital. At the Placing Price, the Company will be valued at £25.47 million. Net proceeds of the Placing receivable by the Company will (after the expenses of the Placing) amount to approximately £10.42 million.

W H Ireland has entered into the Placing Agreement pursuant to which it has agreed to use reasonable endeavours to procure subscribers for the Placing Shares. The Placing has not been underwritten by W H Ireland. Further details of the Placing Agreement are set out in paragraph 13.9 of Part V of this Document.

The Placing Shares, following allotment, will rank equally in all respects with the Existing Ordinary Shares including in respect of any dividends and distributions paid or made in respect of the Ordinary Shares.

It is expected that definitive documents of title to the Placing Shares will be delivered by Capita Registrars Plc, the Company's registrars, to those Shareholders who so request by first class post, not later than 14 days after the date of Admission. Placing Shares issued to any Shareholder who does not request a definitive certificate will be registered within the CREST system.

Use of Proceeds

The net proceeds of the Placing receivable by the Company are expected to amount to £10.42 million and are intended to be used to finance certain acquisition costs and feasibility studies in respect of the Project.

Lock-ins and Orderly Market Arrangements

At Admission the Directors and persons connected with them will own 1,383,333 Ordinary Shares representing 4.07 per cent. of the Enlarged Share Capital and in addition will have Options over 1,700,000 Ordinary Shares representing 5.01 per cent. of the Enlarged Share Capital. The Directors and Deepgreen have undertaken to the Company and to W H Ireland that they will not sell or dispose of, except in certain circumstances, any of their respective interests in Ordinary Shares at any time before the first anniversary of Admission and for the 12 months immediately following will effect a sale only through the brokers of the Company for the time being and further that any such disposal will be made in such a manner as such brokers may reasonably require with a view to maintaining an orderly market in the Ordinary Shares.

All other holders of Existing Ordinary Shares have undertaken to the Company and to W H Ireland that they will not sell or dispose of, except in certain circumstances or otherwise with the consent of W H Ireland, any of their interests in Ordinary Shares at any time before the expiry of the period of six months following Admission.

Dividend Policy

The Directors do not envisage declaring a dividend in the short to medium term. However, if or when sufficient distributable reserves are available the Directors intend to pursue an aggressive dividend policy.

Corporate Governance

The Directors intend that the Company will comply with the provisions of the Combined Code in so far as they are practicable for a company of its size. The Company has appointed two non-executive directors with relevant sector experience to complement the executive directors and to provide an independent view to the Board.

An Audit Committee, comprising the non-executive Directors, has been established by the Company to operate from Admission. The Audit Committee will be chaired by Christopher Eager and will meet at least twice each year. The Audit Committee will be responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on and for meeting with the Group's auditors and reviewing their reports on the accounts and the Group's internal controls.

The Company has in addition established a Remuneration Committee, comprising the non-executive Directors. The Remuneration Committee is chaired by Jonathan Malins. The Remuneration Committee is responsible for reviewing the performance of the executive Directors, setting their remuneration, determining the payment of bonuses and considering the grant of options under any share option scheme including, in particular, the price per share and the application of performance standards which may apply to any such grant.

The Board has also considered the guidance issued by the Institute of Chartered Accountants in England and Wales (commonly known as the Turnbull Report) concerning the internal requirements of the Combined Code. The Board intends regularly to review key business as well as financial risks facing the Group in the operation of its business.

The Company will operate a share dealing code for Directors on the basis set out in the Listing Rules.

Relationship with Deepgreen

As at the date of this Document, Deepgreen holds approximately 55 per cent. of the Existing Ordinary Shares. It will not be acquiring any Placing Shares pursuant to the Placing and accordingly immediately following Admission its holding will be reduced to approximately 30.92 per cent. of the Enlarged Share Capital. Deepgreen has irrevocably waived such rights as it had under the share sale agreement described at paragraph 13.1 of Part V of this Document to appoint or request the resignation of any Director or the company secretary of the Company, which rights were exercisable for so long as Deepgreen held in excess of 50 per cent. of the issued share capital of the Company. Deepgreen has given an undertaking as referred to above under the heading "Lock-ins and Orderly Market Arrangements". Laith Reynolds, a Director, is also a non-executive director of Deepgreen.

Share Option Schemes

To motivate the Company's Directors, employees, advisers and consultants, the Board intends to adopt an option scheme to authorise the Company to issue options to subscribe for Ordinary Shares. Any share options granted pursuant to such a scheme will not entitle the optionholders to subscribe for Ordinary Shares representing in excess of 5 per cent. of the aggregate share capital in issue from time to time without the Board having first obtained the consent of the Shareholders.

Pursuant to the Option Deeds, certain Directors and officers of the Company are entitled to subscribe for Ordinary Shares. The Options are exercisable at the Placing Price pursuant to and on the terms of the Option Deeds. In addition the Directors have reserved a further 1,775,000 options to be issued to directors, officers, employees and consultants, at the discretion of the Remuneration Committee, as new appointments are made. Such options shall be granted on the same terms and conditions as the Options as described in the Option Deeds. The details of the Option Deeds are more fully set out at paragraph 5.1(d) of Part V of this Document.

Bonus Incentive Scheme

The Company intends to adopt a discretionary bonus scheme by which bonuses are paid to staff and used by the recipients to subscribe for Ordinary Shares at market value. A total of up to 5 per cent. of the issued share capital will be made available for this purpose per annum.

The amount of any bonus payable to employees under this scheme will be subject to approval by the Remuneration Committee.

Directors' Authority to Allot Shares

The Shareholders have passed a resolution on 30 March 2004, details of which are set out at paragraph 2.3(a) of Part V of this Document, granting the Directors, conditional upon Admission, general authority to allot 30,000,000 Ordinary Shares and disapplying the statutory pre-emption rights in respect of the whole of such allotment. Such resolution authorises and empowers the Directors to issue the Placing Shares and to issue Ordinary Shares subscribed for pursuant to the Option Deeds, the Warrant Instrument and the proposed share option schemes and bonus incentive scheme referred to above without further Shareholder approval. Taking into account the Placing Shares and assuming subscription in full under the Option Deeds, the Warrant Instrument and the proposed share option schemes and bonus incentive scheme, the resolution authorises and empowers the Directors to issue a further 6,736,000 Ordinary Shares other than pre-emptively, representing approximately 19.84 per cent. of the Enlarged Share Capital.

Borrowing Powers

The Directors intend that a resolution to limit the Company's borrowing powers to the greater of £75 million and three times the adjusted capital and reserves of the Company will be put to the vote of the Shareholders at the first annual general meeting of the Company.

Warrants

Pursuant to the Warrant Instrument, W H Ireland is entitled to subscribe for 1,358,386 Ordinary Shares which is equivalent to 4 per cent. of the Enlarged Share Capital. The Warrants are exercisable at the Placing Price per Ordinary Share pursuant to and on the terms of the Warrant Instrument. The details of the Warrant Instrument are more fully set out in paragraphs 8.1 and 8.2 of Part V of this Document.

Taxation

Information regarding taxation is set out in paragraph 10 of Part V of this Document. These details are intended only as a general guide to the current tax position under UK taxation law. If an investor is in any doubt as to his or her tax position he or she should consult his or her own independent financial adviser immediately.

Further Information

Your attention is drawn to the additional information in Parts II to V of this Document.

PART II

RISK FACTORS

AN INVESTMENT IN THE COMPANY IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK.

Before deciding whether to invest in the Placing Shares, prospective investors should carefully consider the risks described below together with all other information contained 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 does not purport to be an exhaustive summary of the risks 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 Group.

The Group

The Company is a recently formed company with a limited operating history upon which prospective investors may base an evaluation of its likely performance. In addition, the management team of the Group has in general only had recent involvement in the activities of the Group.

The Group has no properties producing positive cash flow and its ultimate success will depend on its ability to raise capital for the development of operations and generate cash flow from producing properties, and from the proposed power station complex, in the future. The Group has not earned profits to date and there is no assurance that it will do so in the future. Significant capital investment will be required to achieve commercial returns from the Project and there is no guarantee that the Group will be able to raise the required funds to continue these activities.

Exploration and development

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and grades of minerals disclosed will be available to extract. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any mineralisation discovered will result in an increase in the Group's resource base.

General exploration, mining and processing risks

Exploratory operations generally involve a high degree of risk. The Group's operations will be subject to all of the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, seismic activity, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimise risk will be taken, operations are subject to hazards which may result in environmental pollution and consequent liability which could have a material adverse impact on the business, operations and financial performance of the Group.

As is common with all exploratory operations, there is uncertainty and therefore risk associated with the Group's operating parameters and costs. These can be difficult to predict and are often affected by factors outside the Group's control. If any such risks actually eventuate, the Group's business, financial condition and/or results of operations could be materially and adversely affected. In such a case an investor may lose all or part of his or her investment.

Governmental regulations and processing licences

The activities of the Group are subject to Government approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Activities of the Group are also subject to various laws and regulations relating to the protection of the environment. Although the Group's exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Group.

Resource estimates

The Company has derived the resource figures presented in this Document from the calculations and estimates prepared by management and/or reported in the Competent Person's Report. Resource figures are estimates and there can be no assurances that they will be recovered or that they can be brought into profitable production. Furthermore a decline in the market price of coal and co-products from extraction that the Group may discover could render resources containing relatively lower grades of these minerals uneconomic to recover and ultimately result in the restatement of resources.

Operational considerations

The Group's operational targets are subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of the Group's personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Group.

The locations of all of the Group's current exploration activities dictate that climatic conditions have an impact on operations and, in particular, severe weather could disrupt the delivery of supplies, equipment and fuel. It is, therefore, possible that exploration activity levels might fluctuate.

Unscheduled interruptions in the Group's operations due to mechanical or other failures or industrial relations related issues or problems or issues with the supply of goods or services could have a serious impact on the financial performance of those operations.

The Group is currently in its early stages of exploration. Even if the Group remains on schedule with its operational targets, it is highly unlikely that any commercially viable mining and production will commence for some years. The Group will not generate any material income until mining has successfully commenced. In the meantime the Group will continue to expend its cash reserves.

Project development risks

There can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations. This includes *inter alia* the Company managing the acquisition of required land tenure, infrastructure development, and other related issues affecting local and indigenous populations, their cultures and religions. Any failure of management to manage effectively the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations.

There is no certainty that all or, indeed, any of the elements of the Company's current strategy will develop as anticipated and that the Company will be profitable.

The Group's licences

Some or all of the mining licences issued in respect of the Project may be subject to conditions which, if not satisfied, may lead to the revocation of such licences. In the event of revocation, the value of the Company's investments in such projects may decline, which may lead to a fall in the value of any investment in the Ordinary Shares of the Company. The provisions governing the termination of the Exploration Licences are referred to at paragraph 13.3 of Part V of this Document.

Environmental issues

The Group's activities are and will continue to be subject to environmental regulation (including regular environmental impact assessments and permitting) in all the jurisdictions in which it operates. Such regulations typically cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Group may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. Environmental legislation and permitting are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees.

Health and safety

The Group's activities are and will continue to be subject to health and safety standards and regulations. Failure to comply with such requirements may result in fines and or penalties being assessed against the Group.

Dependence on key personnel

The Group is dependent upon its current executive management team. Whilst it has entered into contractual arrangements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. Accordingly, the loss of any key executive or management of the Group may have an adverse effect on the future of the Group's business. The Group competes with numerous other companies and individuals in the search for and acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and contractors.

Economic and political risk

The proposed operations of the Group will be in a foreign jurisdiction where there may be a number of associated risks over which it will have no control. These may include economic, social or political instability or change, terrorism, hyperinflation, currency non-convertibility or instability, changes of laws affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration and other licensing approvals, as well as government control over the domestic pricing of coal.

Volatility of price of coal

The market price of coal is volatile and is affected by numerous factors which are beyond the Group's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events as well as a range of other market forces. Sustained downward movements in coal market prices could render less economic, or uneconomic, some or all of the coal exploration and/ or extraction activities to be undertaken by the Group.

Litigation

Legal proceedings may arise from time to time in the course of the Group's business. There have been a number of cases where the rights and privileges of mining and exploration companies have been the subject of litigation. The Directors cannot preclude that such litigation may be brought against the Group in the future from time to time or that it may be subject to any other form of litigation.

Currency risk

The expenditures made by the Group are subject to exchange rate fluctuations and any potential income may become subject to exchange control or similar restrictions. The Group's operations are currently conducted in Taka, US Dollars, Australian dollars and Pounds, whilst certain royalty payments will need to be paid in US dollars if they become due.

Additional requirements for capital

Very substantial additional financing for the establishment of mining operations and the development of a power station complex will be required by the Group. No assurances can be given that the Group will be able to raise the additional finance that may be required for such future activities. Coal prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. Any additional equity financing may be dilutive to Shareholders and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Group or at all. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties and licences, incur financial penalties and reduce or terminate its operations.

Uninsured risks

The Group, as a participant in mining and exploration activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, the Group may incur a liability to third parties (in excess of any insurance cover) arising from negative environmental impacts or any other damage or injury.

Market perception

Market perception of small mining and exploration companies may change, potentially affecting the value of investors' holdings and the ability of the Group to raise further funds by the issue of further Ordinary Shares or otherwise.

AIM and liquidity of the Ordinary Shares

AIM is not the Official List. The Ordinary Shares will not be listed on the Official List. Notwithstanding that Admission becomes effective and dealings commence in the Ordinary Shares, this should not be taken as implying that there will be a liquid market for the Ordinary Shares. An investment in the Ordinary Shares may thus be difficult to realise.

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up. Investors may, on disposing of Ordinary Shares, realise less than their original investment or may lose their entire investment. The Ordinary Shares may, therefore, not be suitable as a short-term investment. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets. The price at which the Ordinary Shares will be traded and the price at which investors may realise their Ordinary Shares will be influenced by a large number of factors, some specific to the Group and its proposed operations, and some which may affect the business sectors in which the Group operates. Such factors could also include the performance of the Group's operations, large purchases or sales of the Ordinary Shares, liquidity or the absence of liquidity in the Ordinary Shares, legislative or regulatory changes relating to the business of the Group and general economic conditions.

Possible volatility of the price of the Ordinary Shares

Following Admission the market price of the Ordinary Shares could be subject to significant fluctuations due to various factors and events, including any regulatory or economic changes affecting the Group's operations, variations in the Group's operating results, the price of coal, developments in the Group's business or its competitors, or to changes in market sentiment towards the Ordinary Shares. The Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to the Group's operating performance. Any of these events could result in a decline in the market price of the Ordinary Shares.

Taxation framework

This Document has been prepared in accordance with current UK tax legislation, practice and concession and interpretation thereof. Such legislation and practice may change and the current interpretation may therefore no longer apply.

The Group will be operating in foreign jurisdictions and as such will be subject to the various taxation and foreign currency laws, as they apply from time to time, and non-compliance with any such laws or regulations may have an adverse effect on the Group and may result in additional tax liabilities.

As a result of the change is ownership of AEC it is likely that the benefit of the tax losses currently in AEC will be lost to the Group.

Forward looking statements

Certain statements within this Document, including those in Part I of this Document, constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, currency fluctuations, the Group's ability to develop its existing or new resources and other aspects of the Project, competition, changes in development plans and the other risks described in this Part II. There can be no assurance that the results and events contemplated by the forward looking statements contained in this Document will, in fact, occur. These forward looking statements are correct only as at the date of this Document. The Group will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstance or unanticipated events occurring after the date of this Document except as required by law or by regulatory authority.

General

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

Although the Directors will seek to minimise the impact of the Risk Factors, investment in the Company should only be made by investors able to sustain a total loss of their investment. Investors are strongly recommended to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in investments of this nature before making any decision to invest.

PART III

COMPETENT PERSON'S REPORT

The Directors
Asia Energy PLC
55 St James's Street
London SW1A 1LA
United Kingdom

The Directors
W H Ireland Limited
Cannongate House
62-64 Cannon Street
London EC4N 6AE
United Kingdom

31 March 2004

Dear Sirs

PHULBARI ENERGY PROJECT
COMPETENT PERSON'S REPORT

Executive Summary

Asia Energy Corporation (Bangladesh) Pty Limited holds Exploration Licences at Phulbari in north west Bangladesh containing a coal basin with over 400Mt of resources, of which 100Mt are indicated resources and 270Mt are inferred resources under the JORC Code. The Phulbari Energy Project requires further exploration and analysis in Feasibility Studies before finalising project applications for government approvals. These studies are planned over the next two years and budgeted to cost approximately $US13.5 million.

Bangladesh, with a population of approximately 130,000,000, has minimal supplies of coal, energy and other resources that are critical for its long term economic improvement and growth. In 2003 the Bangladesh electricity peak demand met was nearly 3,600MW and demand is projected to grow to approximately 10,000MW in 2015. The Phulbari Energy Project is planned to become a major generator of electricity in Bangladesh, supplementing gas sourced generation, and provide potential for greatly improved electricity security. It will offer employment and the development of new skills and industries in a largely agrarian economy. It will reduce the dependence on imports of coal and many other products produced from the mine. The Bangladesh authorities are very supportive of the project as it will build on existing infrastructure to continue the country's economic growth.

Exploration drilling has identified a coal sequence 14 to 45m thick at a depth of 150 to 250m. The resources have been classified as Bituminous coal, of steaming quality. To maximise the recovery of the coal resources, open pit mining is proposed. An external overburden dump will be required which will be progressively rehabilitated. Groundwater pumping will be necessary throughout mining operations. Coal production of 9Mtpa is planned and will be stored in a stockpile for delivery to the power station and for coal sales. Rail transport is to be used for deliveries off-site with coal exported via ports at Chittagong or Mongla. Power generation is planned from a modern, conventional design, pulverised fuel, steam generation plant with 2,000-2,500MW capacity, being approximately 25 per cent. of the expected Bangladesh power demand in 2015. High Voltage transmission lines from the project will connect to the Bangladesh electricity grid. A number of co-products will result from mine and power station operations. These include: clay, sand, rock, fly ash and water.

Each will add great value to the Bangladesh economy and help to overcome its limited resources. For example, crushed rock has to be currently imported and water shortages will be eased by the 150Mt of water extracted on an annual basis by the project.

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The Phulbari Energy Project offers a great number of benefits to the local, regional and national economies of Bangladesh. The development of the mine maximises one of the most significant coal resources in Bangladesh. Flow-on benefits include diversification of electricity generation, fewer imports, export earnings and opportunities for industrial development. The financial impact of the project, based on current Bangladesh economic activity, is estimated by GHD to result in about 60 per cent. growth in GDP by 2040. This benefit progressively increases to some $US27,300 million ($US2003) per annum at 2040 and continues at that level to the end of the project.

Some local relocation of agricultural land and villages will be required, but this impact will be offset by the opportunities for skills development and the provision of service industries and transport upgrades that will occur. The project is planned to meet all environmental requirements.

Prior to finalising the application for mine and power plant development to the Bangladesh Government, further exploration, baseline environmental and social monitoring and feasibility studies are planned. This should lead to the development of one of Bangladesh's most significant projects.

1 Introduction

1.1 *Background*

Asia Energy PLC (AEP) is proposing to have its shares admitted to trading on the Alternative Investment Market (AIM) of the London Stock Exchange (LSE). In connection with this submission GHD Pty Ltd has been commissioned to prepare this independent Competent Person's Report (CPR) GHD ref. no. 31/13998/02/75584.

This CPR provides a technical appraisal of the Phulbari Energy Project. It has been prepared in line with Chapter 19 of the Listing Rules of the United Kingdom Listing Authority (UKLA). It does not include a valuation of the mineral resources or of the Project.

1.2 *Asset Under Consideration*

Phulbari is located in north west Bangladesh approximately 300 km from the capital, Dhaka (Figure 2). The Company has Exploration Licences over approximately 5,480 Ha of land containing coal and co-product resources. To the north of this lease the Barapukuria coal field is currently being exploited by underground mining operations.

Initial exploration in Phulbari has identified a coal basin containing over 400Mt (see section 2.4) of steaming coal accessible with open pit mining. Current exploration drilling programs have been designed to identify the extremities of the deposit and provide infill drilling to clarify coal seam continuity, quality and structural controls. It is planned for the coal to be used for power generation and also sold both locally and on the export market. It is anticipated a number of co-products (clay, sand, rock, fly ash and water) will also be marketable within the Bangladesh economy.

Feasibility studies for this project are planned in the next 2 years. Initial site activities are planned in 2006/7 and first coal production in 2010.

Figure 1: Scene of Phulbari Project Mine Area

Figure 2: Location of Phulbari Project

1.3 *Basis of Report*

In preparing this report GHD has reviewed Pre-Feasibility Studies on the project including exploration, seismic and drilling activity; geological and hydrogeological studies; preliminary mine planning; power production, infrastructure, social and economic assessments. These works have involved a number of GHD staff visits to site and discussions with the Company on Feasibility Study requirements planned for the next 2 years.

GHD has not conducted a legal due diligence on the Group's Exploration Licences.

The objective of this report is to provide a clear outline of the technical knowledge, issues and considerations of the Phulbari Energy Project as understood at this time.

1.4 *Qualifications of Consultant*

GHD is an international company providing leadership in management, engineering, environmental and planning services with a commitment to balanced sustainable development. Our business is broadly divided into eight 'demand streams' that reflect our clients' activities:

- Mining & Industry
- Water
- Transportation
- Power & Energy
- Environment
- Community Infrastructure
- Defence & Security
- Information

With 2300 staff worldwide and a turnover of about $US230 million, GHD is counted within the world's top 50 multidisciplinary consulting groups. We operate a network of 54 offices in 12 countries throughout Australia, the Middle East, Asia, New Zealand and North and South America. Wholly owned by senior staff, GHD is Australia's foremost multidisciplinary consulting company. It is also one of the most experienced, with more than 75 years of continuous operation.

One of our key strengths is a large, integrated network of local, regional and international offices with accessible senior managers. Even in remote areas, clients can benefit from our specialist advice. Our high level of responsiveness and reliability leads to lower risk for clients. From a portfolio of over 50 services, we can help with total project delivery or with particular segments of a client's business.

A key plank in our business strategy is to enhance our clients' wealth and future. We look at projects from a total life cycle perspective, rather than in a short-term range, applying world-class standards of technical competence. GHD provides integrated, innovative and financially viable solutions that result in optimum project outcomes to match clients' business requirements.

GHD specialises in coal mining both in the development of new open pits and developing and improving existing mining operations. One of GHD's major capabilities is the feasibility, design, operation and environmental assessment of the mining and utilisation of coal deposits such as Phulbari. Our clients operate mines with coal production ranging from 2 to 30 Mtpa and have developed mines from greenfield projects similar to Phulbari. From mine concept to mine closure GHD works closely with our clients providing an extensive range of mining, community and infrastructure services.

GHD's specialist energy joint venture company GHD-Black & Veatch Pty Ltd (GHDBV) delivers innovative, cost effective and sustainable solutions to energy industry clients. Our technologies and integrated expertise are based on global experience of satisfying clients in the energy markets of the Americas, Asia-Pacific and Australasian regions. Much of our South-East Asian work is carried out from Bangkok. The basis of GHDBV's experience is the number of plants actually built. In the engineering of fossil fuel plants, GHDBV can call on experience with nearly 60 coal-fuelled generating units, ranging in unit size from 20 to 825MW. The transmission and distribution experience of GHDBV includes system studies and engineering of all aspects of transmission and distribution, including overhead and underground high voltage systems and substations.

GHD's environmental, community consultation, socio-economic, gender assessment and community planning capabilities result in social infrastructure that is sustainable and cost effective. The social development, people and relationship issues are critical in the planning and operation of new projects.

Key staff involved in preparing this Competent Person's report include:

Peter Wood	Director GHD	BSc (Hons), GradDip Eng (Geology), MAusIMM, MIEAust
Steve Newcomb	Senior Principal	DipCivEng, BEng (Hons), Dip (T&RP), MIEAust, CPEng
Mark Pratt	Senior Hydrogeologist	BSc (AppGeol), MIAH
Ted Waghorne	Principal Mining Engineer	MEngSc, BE (Mining), FAusIMM, CPEng
Neil Rowlands	Principal Power & Energy	BSc (Technology), FIEAust, MAIE, CPEng

Figure 3: Scene Near Phulbari

2. Overview of Phulbari Project

2.1 *Summary*

The Phulbari Energy Project is located in the Dinajpur region of north west Bangladesh approximately 300 km from the capital, Dhaka (Figure 2). The region’s economy is mainly agriculturally based. It has regional centres like Phulbari and clustered villages among agricultural lands. The area is relatively low, flat agricultural land with occasional natural forest remnants. It is an alluvial plain with slightly elevated terraces formed by the drainage of the sub-Himalayan river systems (Ganges/Padma and Jamuna Rivers). Elevation of the area is about 30m above sea level. The climate is sub-tropical with early summer months (March to early June) normally hot (maximum temperatures to 40º C), dry and windy with occasional storms occurring in the pre-monsoon period. Most rainfall occurs in the monsoon period from June to late October. The minimum temperature in winter is about 8º C. Annual rainfall averages 2000 mm (range 1200 to 3000 mm). The region has road, rail and air connection. With current upgrades and broad and narrow gauge capability, the rail net-work offers the best transport link for construction materials, and marketable products distribution.

Coal intersections of high volatile Bituminous B classification, were discovered by BHP in the 1990’s within Permian sediments. Exploration Licences were acquired by Asia Energy in 1997 and further drilling has commenced to improve definition of the coal resource and co product availability. In-situ coal resource estimates in the basin total more than 400Mt and mining is proposed using open pit methods. Coal production is planned to be utilised for power production, domestic consumption and export. Phulbari is expected to become the prime source of base load power generation for Bangladesh as gas reserves diminish. The planned power station would have a capacity of 2,000 – 2,500MW and a 40 year life. Groundwater extraction from the overburden is a key part of the production plan with discharge water to be used in the power plant, to improve local agriculture productivity and be available for domestic water supplies. Co products are also expected to be important with sales of sand, clay and rock aggregate within the region and crushed rock transported nationally. Initial overburden stripping will be externally dumped, with later stripping backdumped within the mine. Progressive rehabilitation will be carried out. Feasibility Studies to examine development options will be carried out over the next 2 years.

A key part of the Phulbari Energy Project will be its sustainability – providing significant social, economic and environmental benefits to the local region and national economies. A number of people will need to be relocated prior to and during this project. A Resettlement Action Plan is to be formulated following discussions with all affected people, NGO’s as well as local, regional and national Government authorities.

The Phulbari Energy Project is expected to have more than 40 years economic life. The development of a major coal mine in this mainly agricultural area will result in immediate and on-going social and economic benefits to the local, regional and national economies. As well as construction and operational jobs it is anticipated that there will be a substantial growth in support industries and activities, as well as improvements to transport, power availability and community infrastructure. Ongoing training of professional, technical, commercial, skilled and unskilled local people for the project will result in significant local benefits.

Table 1: Key Project Parameters

Location	**Phulbari, Dinajpur**	**Bangladesh**
Resource	Coal – high volatile Bituminous Permian	In-situ resource 426Mt (see Section 2.4)
Coal Quality (air dried)*	Specific Energy	Av. 6,600 kcal/kg (11,900BTU/lb)
*(tests from cored bore BHP 15)	Ash	Av. 15%
	Sulphur	Av. <1%
	Specific Gravity	Av. 1.45
Mine Development	Mining method	Open pit
	Equipment	Truck/shovel/conveyor
	Power	Diesel/electricity
	Coal Production	9 Mt/annum
Power Station	2,000-2,500 MW	Unit size stage 1 - 400 MW
Potential Coal Sales	Bangladesh	1 Mtpa
	Export	2 Mtpa
Project Area		5,900 hectares
Project Timetable	Feasibility Studies	2004/5
	Formal approvals & design	2005/6
	Initial set-up, start dewatering	2006/7
	Start overburden stripping	2008/9
	First coal	2010
	First Power	2010/11
	Coal production 9 Mtpa	2017

Figure 4: Phulbari Township at rail crossing

2.2 *Licences*

AECB holds title to the area under the following Exploration Licences (Figure 5):

- Licence Area "B" measuring 1,921 hectares
- Licence Area "G" measuring 1,447 hectares
- Licence Area "H" measuring 2,112 hectares

These licences cover the entire known extent of the Phulbari coal deposit and are held by the Company's 100 per cent. owned subsidiary Asia Energy Corporation (Bangladesh) Pty Ltd.

It is understood that the Company owns 100 per cent. of Asia Energy Corporation Pty Ltd, a company incorporated in Australia which in turn owns 100 per cent. of Asia Energy Corporation (Bangladesh) Pty

Ltd, a company also incorporated in Australia, which holds the Investment Agreements and Agreements for the Exploration and Mining of Coal with the Government of the People's Republic of Bangladesh.

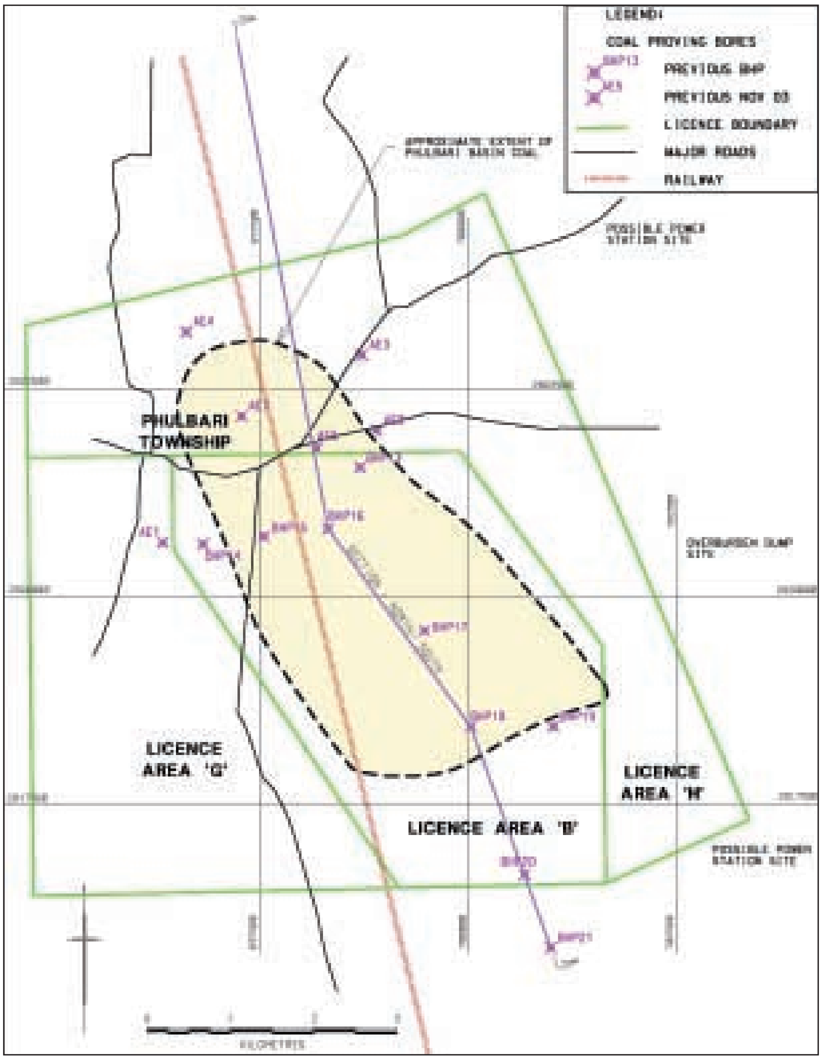

Figure 5: Exploration Licence Areas showing drilling to date

2.3 *Geology*

Setting

In the Phulbari area in north west Bangladesh, two Permian age coal bearing deposits have been discovered – Barapukuria and Phulbari, preserved in two fault controlled basins surrounded by Archaean basement at shallow depth.

The Barapukuria Basin is currently being developed for the Bangladesh Government for coal production and power generation.

The geologic sequence within the centre of the Phulbari Basin can be summarised as:

- The Madhpur Clay (Recent) 0-3m depth
- The Dupi Tila Formation (Tertiary) 3 – 120m depth
- The Gondwana Group containing coal bearing sequence (Permian) 120 – 350m depth
- The Archaean Basement (Pre-Cambrian)

The Tertiary sediments occur in two distinct sequences: an upper sequence (Upper Dupi Tila Formation) approximately 80m thick comprising a series of medium to coarse grained sand units and a lower sequence (Lower Dupi Tila Formation), approximately 30m thick composed of predominantly clay with minor sand beds. The Permian sequence can be subdivided into an upper unit of mudstone and sandstone; a middle unit represented by a carbonaceous mudstone and well developed coal sequence and a lower unit consisting of quartz rich sandstones and interbedded carbonaceous mudstone, siltstone and sandstone. A total of 8 boreholes intersect the Permian coal sequence. Total coal sequence thickness is up to 45m with one or more partings up to 5.5m thick identified in drilling to date (Table 2).

A north-south longitudinal section through the basin is given in Figure 7.

Exploration

Early exploration activity by the Government and BHP consisted of regional geophysical surveys (seismic, gravity), open hole drilling and limited core drilling that confirmed the presence of a Permian coal sequence in 1997.

In 2001, the Company undertook further infill and extension gravity surveys to assist in defining the possible extent of the coal resources. A further six open holes were drilled late in 2003, with two bores intersecting coal and extending the northern limit of the basin, the other four bores further clarifying the geology and Permian Basin extent.

Exploration programs (drilling and geophysics) have enabled regional definition of the stratigraphy within the Phulbari Basin. Further exploration activity is planned to test the continuity and extent of the coal basin, coal quality, folding and faulting, hydrogeological and geotechnical properties in the area.

A comprehensive drilling program has been defined to:

- Define the coal resource
- Recover core samples for coal testing
- Conduct hydrogeological investigations, monitoring and aquifer development tests
- Provide data for geotechnical design of mining plans
- Determine the nature and extent of co products for recovery during mining, and
- Ensure infrastructure, power stations and overburden dumps are located outside the basin, where no coal is present.

This exploration (Figure 8) due to commence in March 2004 will continue for several years allowing progressive improvement in geological understanding and resource determination and providing key data for detailed mine planning to be carried out.

Figure 6: Scene south east of Phulbari

Table 2: Bores Showing Coal Intersections

Borehole		**BHP 13**	**BHP 14**	**BHP 15**	**BHP 16**	**BHP 17**	**BHP 18**	**AE 5**	**AE 7**
Depth to Coal	(m)	209.3	167.0 nominal	151.8	192.2	242.6	237.0	222.5	157
Top seam thickness	(m)	11.6	*	*	11.4	11.9	*	*	*
Parting thickness	(m)	5.45	N/A	N/A	3.6	5	N/A	N/A	N/A
Lower Section thickness	(m)	33.65	22m Zone 1-2m coal or clay layers	19.26	23.3	23.5	14	36.5	28
Total Coal thickness	(m)	45.25	Uncertain coal thickness	19.26	34.7	35.4	14	36.5	28
Vertical Stripping Ratio	BCM/t (SG 1.45)	3.2:1	–	5.4:1	3.8:1	4.7:1	11.7:1	4.2:1	3.8:1

* where no recognised parting, coal shown as “lower section”

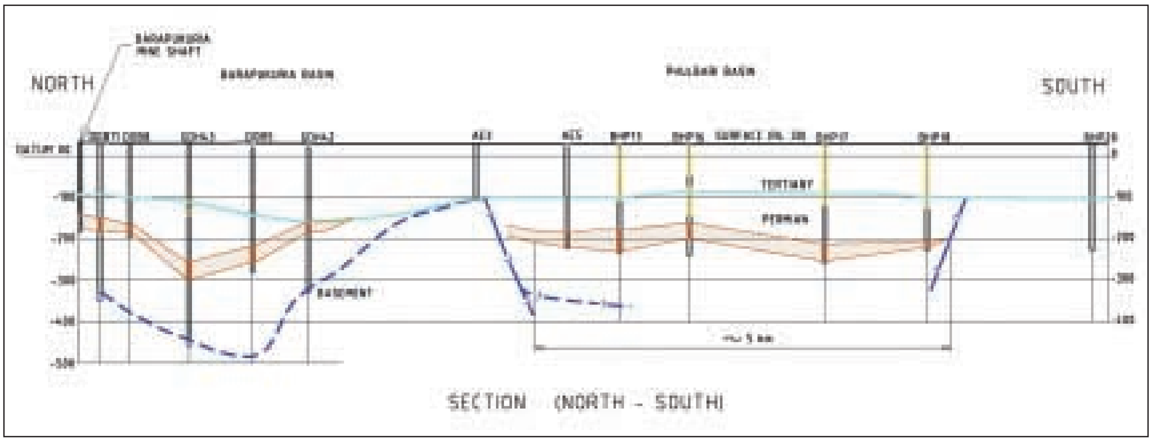

Figure 7: North-South Geological Section

(See Figure 5 for Section location)

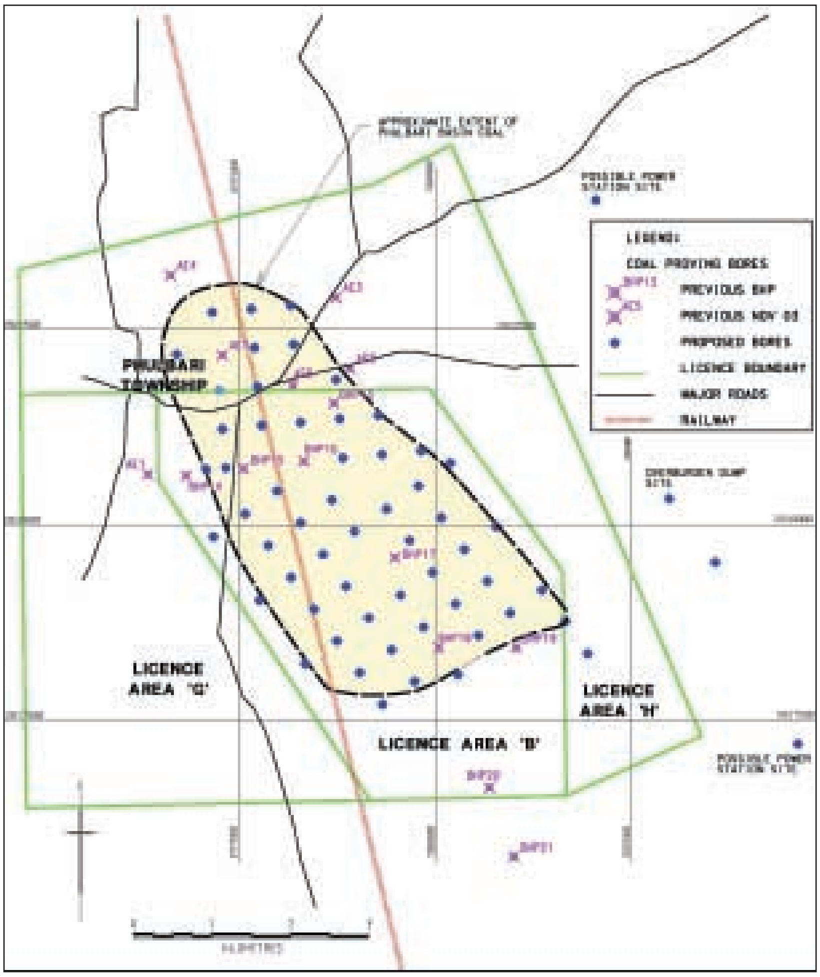

Figure 8: Coal Proving & Groundwater Bores

Hydrogeology

The principal aquifer in the region is the Upper Dupi Tila (UDT). The aquifer is unconfined to semi-confined with depth to groundwater in the approximate range of 2 to 5m below ground surface. It is a high yielding aquifer 80 to 100m thick.

The clayey nature of the Lower Dupi Tila (LDT) suggests that it may restrict vertical groundwater movement to the underlying fractured Permian sequence. Information from the Barapukuria Basin suggests that where the LDT is thin or absent, the Permian sequence is in hydraulic connection with the Tertiary aquifer. Further investigation in the Phulbari Basin is required to confirm hydraulic connection between Tertiary and Permian units.

In 2001, an assessment of indicative mine dewatering requirements was undertaken based on reported typical sediment characteristics from Barapukuria and Maddhapara mine developments and the Bangladesh Geological Survey. The analysis indicated that initial dewatering requirement during mine opening was in the order of 5000 L/s (150Mt per year), peaking to approximately 8,000 L/s in 2022 and then reducing progressively. This compares in magnitude with successful groundwater extraction in large open-pit mines in Germany. A substantial hydrogeological investigation and analysis program is planned to better quantify mine dewatering volumes. The dewatering activity may result in settlement in the mine environs, although this is expected to have little impact on the local population or land use other than requiring upgrading of local drainage systems.

Seismic activity

The Dinajpur region is seismically active with earthquakes with a magnitude (Richter) of approximately 5 occurring every 2 years on average. Major earthquakes, with magnitude of 7 to 8.7, appear to occur at 10 to 20 year intervals in the Bangladesh – North East India area. Bangladesh has been divided into three zones to reflect the magnitude of likely earthquakes. The Dinajpur area has been classified as Zone II with a maximum expected earthquake magnitude of 6.5 to 7.0. Infrastructure constructed as part of this project should be designed to cater for projected seismic activity.

2.4 ***Resources***

Coal

A single or possibly two coal seams occur within the Phulbari Basin with a combined thickness ranging from 14 to 45m (Table 2) and a seam split or parting of approximately 5m thickness occurs towards the middle of the basin. Whilst 8 boreholes have intersected coal only one (BHP15) has been cored and analysed. In this bore, the seam consisted of hard black coal with a visual content of bright bands varying from <10 per cent. to >80 per cent., averaging around 50 per cent.. The top 4m showed relatively inferior coal. Air dried coal analysis is given in Table 3.

Table 3: Coal Quality Analysis (Core from bore BHP15)

	Moisture %	**Ash %**	**Volatiles %**	**Fixed Carbon**	**Swelling Index**	**Total Sulphur %**	**Specific Energy kcal/kg**
Average	2.7	15.0	30.5	51.9	1.3	1.0	6604
Maximum	3.2	37.8	34.2	60.5	4	2.86	7433
Minimum	2.2	6.0	21.2	38.7	1	0.48	4370

Notes:

1 No analysis of in-situ moisture content of coal

2 The majority of the seam shows no swelling index apart from top 5.5m

3 Sulphur contents are generally below 1 per cent. except in the top 6m.

The analyses indicate coal with a rank of high volatile Bituminous B (ASTM).

Washery analyses for possible coal beneficiation were carried out on samples of 4 composite plies. These indicated a 75-80 per cent. recovery with Specific Energy of the product exceeding 7000kcal/kg.

The in-situ coal resource in the Phulbari Coal Basin has been estimated to be 426Mt.

The coal resources calculated according to the JORC code are given in Table 4.

Table 4: Resources Estimation (JORC Code)

Category	**Quantity**
Indicated	100Mt
Inferred	270Mt

Reserves calculated according to the Bangladesh Mines and Minerals Act, 1968, are given in Table 5.

Table 5: Reserve Estimation (Bangladesh Mines and Minerals Code)

Category	**Quantity**
Proven	100Mt
Probable	250Mt

Co-Products

A number of potential mining co-products have been identified from exploratory drilling. These include:

- Near surface clay material for brick manufacture and road base material
- Tertiary sand for concrete and higher quality silica sand for glass manufacture
- Kaolin near the base of the Tertiary sands for use in paper, pharmaceuticals and fine china industries
- Groundwater for irrigation, town water supply and agriculture
- Sandstone or mudstone for road base material
- Rock for crushed aggregate products.

Fly-ash from the power station operation is expected to be available as a cement replacement and for industrial and construction purposes.

Whilst these co-products are not the prime income source for the Phulbari Energy Project they are expected to attract great interest in Bangladesh, which has very limited resources. Many of these co-products are in short supply or imported, in particular, crushed aggregate for concrete manufacture.

2.5 *Mine Planning*

A number of mine plans have been considered in Pre-Feasibility analysis. Underground methods were rejected because of the thickness of the seam (loss of a large in-situ proportion of the seam due to mining method) and the high risk of flooding from saturated sediments. Various options for open pit mining have been considered with preference to achieve early coal production. Aquifer dewatering is planned to commence in 2006/7 and overburden stripping in 2008/9. An external overburden dump will be required to allow the mine to develop to depth with backdumping planned later in the mine operation. Progressive rehabilitation will be completed as the mine advances. Mining could be carried out with large hydraulic excavators or rope shovels and transported by truck or conveyors. During feasibility studies the economics of utilizing electrical supply to reduce consumption of imported diesel fuel will be reviewed.

A significant training program is planned to provide professional, technical and skilled staff and operators for the mine and power station operations and maintenance requirements.

Initial mine planning studies examined mine development from north to south (Figure 9). The mine and power station will require acquisition of agricultural land and the relocation of a number of villages.

These studies indicate the planned production of coal and overburden as outlined in Table 6.

Table 6: Mine Production Plan

Year	Coal Mt pa	Overburden MBCM pa
2008 to 2009	–	25
2010 to 2011	2.5	58
2012 to 2014	4.0	58
2015 to 2016	6.0	58
2017 to 2023	9.0	45
2024 to 2030	9.0	52
2030 to 2050	9.0	60

Coal is to be stored in a stockpile to the south east of the mine for supply to the local power station and for transport to other locations in Bangladesh. Export coal may require washing. A spur railway line will be extended to the stockpile. Recent upgrading of the rail system in Bangladesh, to accommodate broad and narrow gauge (see Figure 10), provides reasonable transport distances by train for in-country or export sales.

A dewatering program using pumping bores and a network collection system is planned to manage groundwater in-flows and rainfall run-off. It is anticipated that excess water will be used in power production, irrigation, town water and aquaculture. It is possible that water could be pumped south to provide potable water for areas of Bangladesh where groundwater has been contaminated by high arsenic levels.

A levee bank will be constructed around the mine to prevent potential flooding. Rainfall run-off from around the mine will be diverted to existing watercourses. Rainfall run-off from within the mine and from the overburden dump is planned to be collected, appropriately treated and discharged or reused.

Options for rehabilitation of dumps and mine include reafforestation, lakes, flood irrigation or vegetable growing. The preferred location for the power station, overburden dump and new town construction will be resolved in the Feasibility Studies in association with local, regional and national authorities. The rehabilitated dump could provide a local long term timber industry, while a flooded mine could support a local aquaculture industry.

The overall project development including the mine, power station and notional site for the relocated parts of Phulbari township are shown on Figure 9. The notional project area is approximately 5,900 Ha.

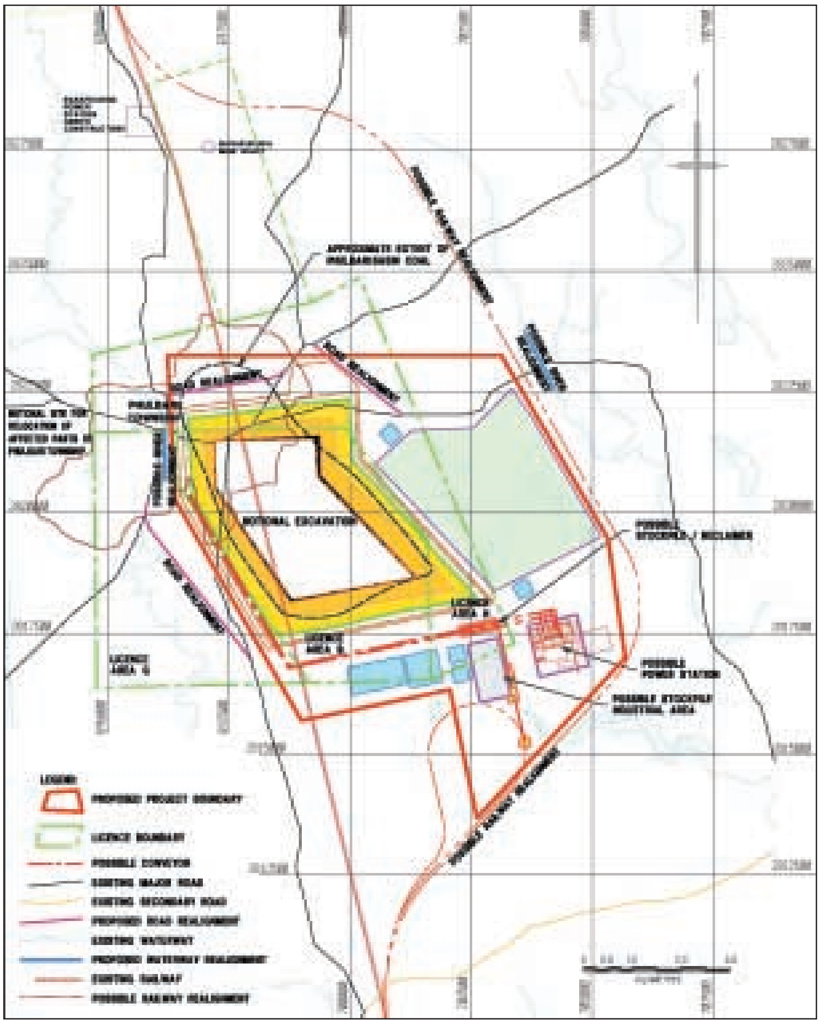

Figure 9: Conceptual Mine and Power Station Development

2.6 *Potential Markets*

The major revenue generator for the Phulbari Energy Project will be the sale of electricity and coal. Co-products will also be of significant value to the Bangladesh economy.

Coal

In addition to coal sales for power production it is intended to sell coal into the Bangladesh market and for export. Some washing may be required for export coal. Coal sales could exceed 3Mt pa and are expected by GHD to earn additional revenue in the order of $US150 million per annum.

Electricity

Bangladesh is heavily dependent on gas fired generation and limited gas reserves may result in shortages in future electricity generation. In 2003 the Bangladesh electricity peak demand met was approximately 3,600MW. The projected electricity demand in Bangladesh is estimated to be 4,600MW in 2005; 6,800MW in 2010 and 9,900MW in 2015 (Bangladesh Power Development Board). The Phulbari Energy Project is expected to be an important part of the generation growth. Revenue in the order of $US500 M per annum is expected by GHD when the project is in full production.

Co Products

A number of co products are expected to be available during the project life, providing opportunities for growth in other domestic industries, and contributing greatly to the Bangladesh economy.

2.7 *Power Production*

Test results of Phulbari coal indicate it is a suitable steaming coal for power generation.

As part of this project it is proposed to construct a conventional pulverised fuel fired, base load power station of 2,000 – 2,500MW capacity, being approximately 25 per cent. of expected power demand in 2015.

The plant could be located adjacent to the mine or on the rail network closer to Dhaka. Provision has been made for a mine mouth power plant at this stage in project planning. Alternative sites are to be examined during Feasibility Studies. Unit sizes are planned to be 400MW in Stage 1 and 700MW in Stage 2 as follows:

Table 7: Power Production

Stage	Unit	Coal Consumption	Generation Capacity
1	2 x 400MW	~ 2.1 Mt pa	5,600 GWhr pa
1 + 2	2 x 400 + 2 x 700MW	~ 5.8 Mt pa	15,400 GWhr pa

The Phulbari Power Plant is aimed to be a base load facility with an 80 per cent. capacity factor. Studies are required to ensure the Bangladesh power network can incorporate unit sizes of 700MW as power demand grows.

The power station water demand is expected to be less than that produced from aquifer and mine dewatering activities making the project self sufficient in this regard. The majority of the water demand is used for power station cooling purposes. Cooling tower design to suit local conditions will be carried out in the Feasibility Studies. Surplus water is available for agriculture and drinking water.

It is anticipated that ash will be paste or dry handled and sold as a co-product. Remaining ash will be included in the waste dump ensuring this will not result in unacceptable environmental impacts.

The first unit of the power station could be built in approximately 5 years after all licences and permits are approved. Commercial operation of the first unit would be 6 months later. Much of the construction activity will need to be carried out on site. However, specialised equipment would need to be imported and road or rail transport is envisaged for heavy and over-dimensioned equipment.

The plant will be designed to current international standards. The plant design would take into account installed standby capacity for elements requiring regular maintenance to ensure high availability. Typical power station unit life to 40 years could be expected. With the power plant operating continuously for 24 hours per day, full shift cover will be required for operations and maintenance personnel. Initial direct employment is expected to be sourced from the local population. Construction, project and maintenance teams will also be required. Training for operations and maintenance personnel will be a long term commitment.

From coal analysis the generating plant would consist of conventional, modern, pulverised coal boilers, steam generators and step-up transformers to 230 kV (Stage 1) and 500 kV (Stage 2). Preliminary power plant concept designs have been completed including options for location, coal and ash handling plant, power station and generation plant, control and water systems, air cleaning and emission, transmission, cost and economics, etc. These options will be reviewed in the Feasibility Studies.

2.8 *Infrastructure*

Upgrading existing and providing some new infrastructure will be required as part of the mine and power station development.

Railway & Ports

Currently, dual broad and narrow gauge railway lines link Phulbari to the rest of Bangladesh. These will need relocation around the site, and may need upgrading by the introduction of loops or bridge strengthening to accommodate coal and co-product transport. Stockpile and train loading facilities will be required at Phulbari and the installation of port facilities at Mongla or Chittagong (Figure 10).

Roads

The main all weather road leads to the south from Phulbari. Approximately 10km of new road will be required to divert this and other main roads around the site. Other roads are expected to need upgrading to provide site access. New road and rail alignments will fall within transport corridors where possible to minimise disruption of agricultural lands.

Rivers and Streams

There are a number of minor rivers and streams in the vicinity of Phulbari. Minor diversions may be required. Levees will be incorporated in the design to minimise flood risk to the mine and other key parts of the project.

Power Transmission/Supply

New transmission lines will be required from the power plant to the Bangladesh power grid and to provide high voltage power supply to the mine. Minor power lines currently across the site will require relocation.

Communications

Existing regional communication systems will need to be upgraded to accommodate the requirements of the mine and power station.

Water

As part of the mining operation, dewatering the Tertiary sediments will result in excess water available for power, agriculture and town water. A number of water supply tanks/dams will be affected by the mining operation, these will be relocated prior to mining during re-establishment of houses or villages. Water distribution from mine pumping could also be utilised for irrigation or town water.

Towns, Villages and Isolated Housing

Existing people and facilities within the Project area will need to be progressively relocated during mine development. This will be a major component of the Resettlement Action Plan formulated during local, regional and national discussions in the Feasibility Study.

Project Infrastructure

The requirements for the mine and power station operation include buildings, roads, workshops, coal beneficiation, water treatment, pipelines, communications etc.

2.9 ***Social Development Framework***

The Phulbari Energy Project area consists of flat agricultural land with mainly paddy field production of rice and other staples. A minor river, the main north-south railway line and regional roads meet at the township of Phulbari. This medium sized town is the local administration and health centre as well as the centre of commerce. It also contains minor support industries and a number of religious buildings. Phulbari is surrounded by rice paddies, many farmed by individual families, and a number of small village clusters.

While some re-location will be required, it is anticipated the Project will offer many opportunities to the local population. During the Feasibility Study robust data will be gathered and landowners, local, regional and national authorities will be interviewed and discussions will take place to establish an agreed Re-Settlement Action Plan to re-establish housing and employment for the local population. Depending on the final layout of the mine, parts of Phulbari may also need to be relocated.

2.10 ***Environmental Impacts***

It is expected that the design of the Phulbari Energy Project will ensure all licence conditions are met for air, noise and water emissions and minimise impacts on local habitat to International Standards.

In order to establish current site conditions, a two year baseline monitoring program is being initiated. The monitoring strategy will identify key indicators of the environment and measure environmental quality for each segment of the environment. Initial appreciation of the local environment, due to commence in early 2004, will locate survey and monitoring points and initiate monitoring teams and equipment. The baseline monitoring will focus on the air, land and water (surface and groundwater) environments. This data will be used in modelling the meteorology, land and water systems and for Project design of mine, power plant and infrastructure. An Environment Impact Assessment will be carried out to ensure the Project design meets appropriate environmental standards.

Figure 10: Major Rail Routes & Ports

2.11 *Project Benefits and Constraints*

The Phulbari Energy Project offers significant benefits to the local, regional and national economies of Bangladesh. However it cannot be completed without relocation of people currently residing and working within the Phulbari area.

Of national significance is the benefit offered by the Phulbari Project to power generation.

It has been projected by GHD that on current consumption and without new discoveries, natural gas reserves will be depleted by 2020 with a steady decline starting about 2012. Should this eventuate Bangladesh would be without an alternative replacement source of electricity and any loss of natural gas generation will have a significant and potentially devastating impact on the economy. For the Phulbari Energy Project to proceed, its strategic 'fit' within the broad/high-level objectives of the Bangladesh Government needs to be clearly established. That is, its macro-economic relevance must be confirmed. The Company believes the proposed development is wholly in line with the Bangladesh Government's political objectives and meets the aspirations of its civilian population that collectively seek poverty reduction through a growing private sector and improved social and human development. The project is expected to deliver countrywide development benefits by:

- Strengthening Government institutions and Non Government Organisations (NGOs);
- Consolidating social and human development progress, particularly in employment, education, technical training and health;
- Providing greater rural development opportunities, including local manufacturing and service delivery; and

- Accelerating private sector investment in energy, infrastructure and services.

Bangladesh's overarching development goal is poverty reduction. Accelerating the rate of energy development through the Phulbari Energy Project is critical to this goal.

Critical issues to achieving this necessary acceleration in energy and power development are recognised to be:

- Reform within the power sector, principally to reduce transmission and distribution losses, low tariffs and poor revenue collection; the current situation is not a sustainable option;
- Mobilisation of private sector resources to support adequate and efficient private sector energy investment; reducing the potential dependence on imported fuel for energy is essential;
- Ensuring that in the development of the Phulbari Energy Project, all key environmental and social impacts related to local resource ownership, land/crop compensation, resettlement and social welfare considerations are met with full participation, cooperation and satisfaction of the affected people;
- Ensuring that the financial weaknesses in the existing power sector do not cascade into this energy development project; financial options to sell coal for other domestic purposes, such as for cement manufacture or for international export, must be preserved;
- The expansion in the level of rural electrification both within the project area and across rural Bangladesh; an estimated 80 per cent. of Bangladesh's population live in rural areas, while an estimated 10 per cent. of the rural population have access to electricity;
- Greater use of Bangladesh's existing transport infrastructure to assist its coal resource and power generation objectives; the existing rail network and port facilities that service the Phulbari region from the south (via Dhaka and Mongla) provide an excellent platform to plan for the financial and economic development of the Phulbari coal deposit.

These benefits will extend to:

- Mitigating the loss to the National Economy if natural gas reserves are depleted
- Providing a realistic opportunity to significantly increase the current GDP by
  - Improving health, wealth, literacy and work force skills
  - Improvement in the welfare of women and children
  - Improving housing within the Phulbari region
  - Augmentation of local agriculture.

A number of other benefits will result from the Phulbari Energy Project. On the local scene, there will be job opportunities in construction, operations and maintenance. This will also lead to the development of service industries, upgrades in transport, communication and water supply to the region. It is planned to allocate irrigation water for improving productivity of local farming activities and to rehabilitate mined land to productive purposes. Training opportunities will be provided to upskill locals to meet these opportunities.

2.12 *Economic Benefits Analysis*

The financial impacts of the Phulbari Energy Project over a 30 year period are summarised in Table 9, and draw on NGOs and GHD sourced data to place a possible value to the local Phulbari community, wider area, and the national economy of Bangladesh. The various benefits described in the previous section have been used in the analysis to complete the financial benefits.

The financial impact of the project, based on current Bangladesh economic activity, is estimated to result in about 60 per cent. growth in GDP by 2040. This benefit progressively increases to some $US27,300 million ($2003) by 2040 and continues at that level to the end of the project.

Table 9: Summary of Financial Benefits

Impact	Financial Benefit ($2003)
30 Year Impact on Local Community Opportunities for effective poverty reduction, lasting and profound social development, and sustainable economic growth	*$US 2,359 million*
One-off Investment Impact on Local Community Relocation of part of Phulbari Township	*$US 105 million*
30 Year Impact on Wider Community Increased productivity for 2 million people through improved electricity supply	*$US 4,025 million*
Annual Impact on Bangladesh Economy Progressively increasing over life of project to about 60 per cent. increase in GDP by 2040	Peaking by 2040 at *$US 27,300 million*

2.13 ***Further Studies***

The Company expects to achieve conversion from Exploration Licence to Mining Lease early in 2004 and to carry out Feasibility Studies during 2004 and 2005. These studies are to be carried out in two stages. The first due for completion in September 2004 is to initiate base data collection, to examine options and to assist the Company formulate the Basis of Design.

A GHD/Company project team in Australia and Bangladesh has already commenced arranging additional exploration drilling; satellite images for land definition; a social assessment survey; baseline monitoring and a computer-based data management framework.

Feasibility studies will study mining, infrastructure, transport and power generation options taking into consideration social, environmental and project economics. The Feasibility Studies will provide a sound basis for development decisions, bankable studies and environmental impact assessments for Project Approval. GHD and the Company have estimated that to complete a full Feasibility Study within a 2 year timeframe will cost approximately $US13.5 million (Table 10).

Table 10: Feasibility & Subsequent Studies

Studies	Stage I 6 Months	Stage II 18 Months
Coal Mine – Resource Drilling – Geology/Hydrogeology – Mine Planning	$US1.0 million	$US4.1 million
Power Station – Site Layout – Power Station – Transmission	$US0.1 million	$US1.5 million
Environmental, Social, Economic & Infrastructure	$US0.8 million	$US2.2 million
Other – Data Management – Reporting – EIS – Project Arrangements – Contingency	$US0.8 million	$US3.0 million
Total	$US2.7 million	$US10.8 million

3. Glossary

Aquifer	a body of rock or soil that is sufficiently permeable to conduct groundwater and to yield economically significant quantities of water to wells and springs.
ASTM	American Society for Testing and Materials.
Bituminous Coal	coal that contains more than 14 per cent. volatile matter (on a dry, ash free basis) and has a calorific value of more than 11500 BTU/lb (moist, mineral matter free).
Coal	combustible rock containing more than 50 per cent. by weight and more than 70 per cent. by volume by of carbonaceous material including inherent moisture formed from compaction and induration of variously altered plant remains. Differences in the kinds of plant materials (type), in degree of metamorphosis (rank), and in the range of impurity (grade) are used in classification.
Coal Seam	a stratum or bed of coal.
Carbonaceous	containing carbon or coal, especially shale or other rock containing small particles of carbon distributed throughout the whole mass.
Core	sample of rock or coal produced by drilling.
Cross-Section	a diagram or drawing that shows geological features when cut by a vertical plane from ground level.
Drilling	in mineral exploration, boring a hole into prospective ground to recover core or cuttings indicative of rock types and grades of mineralisation.
Exploration	the act of investigation for the location of undiscovered mineral deposits.
Fault	a break in rock strata continuity with strata remaining parallel but displaced relative to one another on either side; strata on opposites sides of a fault may be displaced vertically and/or laterally relative to their original position.
Feasibility Study	a technical and financial study of a project at sufficient level of accuracy and detail to allow a decision as to whether the project should proceed.
Geotechnical	referring to the physical behaviour of rock under stress.
Grid	a method of systematically marking a study area.
Hydrogeology	a study of water flowing through soil or rocks along fissures or pores.
Hydrology	the science concerned with the occurrence, distribution and movement of all waters on the earth's surface.
Indicated Mineral Resource	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered by appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spread closely enough for continuity to be assumed.
Inferred Material Resource	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes which may be limited or of uncertain quality and reliability.

In-Situ	in its natural position (Latin).
JORC Code	The Australasian Code for Reporting of Mineral Resources and Ore Reserves, 1999. Prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
Lithology	the physical characteristics of rock, such as colour, mineralogic composition and grain size.
Measured Mineral Resource	the part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are spaced closely enough to confirm geological and/or grade continuity.
Metamorphosis	the mineralogical, chemical and structural adjustment of solid rocks to physical and chemical conditions imposed at depth below the surface.
Mudstone	a fine grained sedimentary rock including clays and silts.
Open-Pit	surface mining in which the ore is extracted from a pit or quarry. The geometry of the pit may vary with the characteristics of the orebody.
Permian	the geological period at the end of the Palaeozoic Era from 250 to 290 million years ago.
Pre-Cambrian	older than 550 million years.
Probable Reserve	the economically mineable part of an Indicated, and in some circumstances Measured Mineral Resource.
Proven Reserve	the economically mineable part of a Measured Mineral Resource.
Recent	the geological period to 2 million years ago.
Sampling	taking small pieces of rock at intervals through a coal seam for analysis (to determine the mineral content) or testing for utilisation.
Sandstone	a clastic sedimentary rock composed of grains of sand in a matrix of silt or clay and more or less united in a cementing material.
Sedimentary Rock	rock formed from solid particles, whether mineral or organic, which has been moved from its position of origin and redeposited.
Specific Gravity (SG)	the density of substance relative to water.
Stratigraphy	classification of stratified rocks according to lithology, chemical or mineralogical composition and sequence boundaries.
Tertiary	the geological period from 2 to 65 million years ago.

For and on behalf of GHD Pty Ltd

Peter Wood
Director

PART IV

FINANCIAL INFORMATION
ACCOUNTANTS' REPORT ON ASIA ENERGY PLC

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The Directors
Asia Energy PLC
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London
SW1A 1LA

W H Ireland Limited
Cannongate House
62-64 Cannon Street
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31 March 2004

Dear Sirs

1. INTRODUCTION

We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document dated 31 March 2004 of Asia Energy PLC (the "Company").

Basis of preparation

The financial information set out in pages 41 to 53 is based on the audited consolidated financial statements of the Company for the period commencing on its incorporation on 26 September 2003 and ended 31 December 2003 and has been prepared on the basis set out on page 43 to which no adjustments were considered necessary.

The Company has funds sufficient for its present purposes. However, the decision to proceed with planned feasibility studies is dependent upon raising additional funds. A placing of shares is being carried out in this respect.

Responsibility

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

The Directors of the Company are responsible for the contents of the admission document dated 31 March 2004 in which this report is included.

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

Basis of opinion

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

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

Opinion

In our opinion, the financial information gives, for the purposes of the admission document dated 31 March 2004, a true and fair view of the state of affairs of the Company as at the date stated and of its losses, cash flows and recognised losses for the period then ended.

Consent

We consent to the inclusion in the admission document dated 31 March 2004 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. GROUP PROFIT AND LOSS ACCOUNT

	Notes	Period ended 31 December 2003 £
Turnover	7.2	–
Cost of sales		–
Gross profit		–
Administrative expenses		(60,185)
Other operating income		–
Group operating Loss	7.3	(60,185)
Loss on ordinary activities before interest and taxation		(60,185)
Interest receivable	7.5	1,511
Loss on ordinary activities before taxation		(58,674)
Tax on loss on ordinary activities	7.6	–
Loss on ordinary activities after taxation		(58,674)
Loss for the financial year attributable to members of the parent company		(58,674)
Retained Loss for the period		(58,674)

The above results relate solely to continuing operating activity of the Group.

3. GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Period ended 31 December 2003 £
Loss for the financial year attributable to members of the parent company	(58,674)
Exchange differences on retranslation of net assets of subsidiary	–
Total recognised gains and losses relating to the period	(58,674)

4. GROUP BALANCE SHEET

	Notes	£	31 December 2003 £
Fixed assets			
Intangible assets	7.7		1,693,550
Tangible assets	7.8		6,118
Current assets			
Debtors:			
Amounts falling due within one year	7.10	26,125	
Amounts falling due after more than one year	7.10	–	
Current asset investments	7.11	6,153	
Cash at bank and in hand		534,474	
		566,752	
Creditors: Amounts falling due within one year	7.12	(212,594)	
Net current assets			354,158
Total assets less current liabilities			2,053,826
Creditors: Amounts falling due after more than one year	7.13		–
Net assets			2,053,826
Capital and reserves			
Called up share capital	7.15		1,900,000
Share premium account	7.16		212,500
Profit and Loss account	7.16		(58,674)
Shareholders' funds:			
Equity	7.16		2,053,826
			2,053,826

5. GROUP STATEMENT OF CASHFLOWS

	Notes	31 December 2003 £
Net cash outflow from operating activities	7.17(a)	(206,897)
Returns on investment and servicing of finance		
Interest received		1,511
Taxation		–
Capital expenditure and financial investment		–
Acquisitions and disposals		–
Net cash acquired with subsidiary undertaking	7.9	33,014
Net cash outflow before management of liquid resources and financing		(172,372)
Financing		
Issue of ordinary share capital		775,000
Share issue costs		(22,500)
Repayment of borrowings		(45,654)
		(706,846)
Increase in cash	7.17(b)	534,474

6. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	Notes	31 December 2003 £
Increase in cash		534,474
Change in net cash resulting from cash flows	7.17(b)	534,474
Other non cash movements	7.17(b)	(40,678)
Movement in net cash		493,796
Net cash at beginning of period	7.17(b)	—
Net cash at 31 December	7.17(b)	493,796

7. NOTES TO THE FINANCIAL INFORMATION

7.1 Accounting policies

Accounting period

The Company was incorporated on 26 September 2003. The financial information reflects the period from 26 September 2003 to 31 December 2003.

Basis of preparation

The financial information is prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The Directors are confident that the Company's coal interests will be able to be profitably realised and are currently evaluating options and sources of funding and on this basis believe that adoption of the going concern basis is justified. The Directors are of the opinion that the Group has sufficient funds to meet its current obligations during this period. The Company is, by way of a placing of shares, seeking to raise funds necessary to carry out Stage I and Stage II feasibility studies in this respect. The decision to progress with Stage I will only commence once sufficient funds have been raised to fund such activity.

Basis of consolidation

The Group financial information consolidates the financial information of Asia Energy PLC and all its subsidiary undertakings drawn up to 31 December each year.

Asia Energy Corporation Proprietary Limited has been included in the Group financial statements using the acquisition method of accounting. Accordingly, the Group profit and loss account and statement of cash flows include the results and cash flows of Asia Energy Corporation Proprietary Limited from its acquisition on 18 December 2003. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Intangible assets

Acquisitions

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Exploration, evaluation and development

Costs carried forward

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not, at balance date, reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off against profit in the period in which the decision to abandon the area is made.

Amortisation

Costs on productive areas are amortised over the life of the area of interest to which such costs relate on a unit of production output basis.

Restoration costs

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, plant closure, platform removal and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. Any changes in the estimates are adjusted on a retrospective basis. In determining the restoration obligations, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such mineral mines in the future.

Fixed Assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value of each asset evenly over its expected useful life as follows:

Office furniture and equipment – over 3 to 15 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred tax

The tax charge is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, in the future. In particular:

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

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

The financial information of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital payments outstanding.

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

7.2 Turnover & segmental analysis

There was no turnover during the financial period. The administration expenses relate to the United Kingdom, Australian and Bangladesh offices.

The Group operates in one principal area of activity being coal exploration. The results of Asia Energy Corporation Proprietary Limited, which was acquired on 18 December 2003, relate entirely to mineral exploration and development activity.

The Group operates within one geographical market, being Bangladesh, and is supported by management and administrative functions in Australia and the United Kingdom.

7.3 Operating (loss)

	Period to 31 December 2003 £
This is stated after charging:	
Auditor’s remuneration:	
– Audit services	25,000
– Other services	–
Directors’ remuneration	22,000
Other staff costs	–
Depreciation of owned assets	–
Operating lease rentals – land and buildings	–

7.4 Directors’ emoluments and staff costs

Staff costs

The Company employs no staff other than the Directors disclosed below. The Group employs two staff in the Bangladesh office.

Directors' emoluments

	Period to 31 December 2003 £
Directors' emoluments	22,000
M. Frayne (appointed 26/09/03)(1)**	20,000
D. Lenigas (appointed 26/09/03)**	2,000
L. Reynolds (appointed 26/09/03)(1)	–
C. Eager (appointed 26/09/03)	–
J. Malins (appointed 26/09/03)(1)	–
	22,000

** Executive Director

(1) These include amounts paid to Director related entities. Refer Note 7.22 for further information.

7.5 **Interest**

	Period to 31 December 2003 £
Bank interest receivable	1,511
	1,511

7.6 **Tax**

Tax on profit on ordinary activities

	Period to 31 December 2003 £
The tax charge is made up as follows:	
Current tax:	
UK Corporation Tax	–
Total current tax	–
Deferred tax:	
Origination and reversal of timing differences	–
Total deferred tax	–
Tax on profit on ordinary activities	–

The difference between the effective provision for income tax and the statutory tax provision at the statutory tax rate is reconciled as follows:

	Period to 31 December 2003 £
Loss on ordinary activities before tax	(58,674)
UK Corporation Tax @ 30%	(17,602)
Permanent differences - non-deductible expenditure	8,851
Tax losses not recognised	8,751
Current tax	–

Deferred tax

Deferred tax assets and liabilities are recognised as follows:

	At 31 December 2003
	£
Capitalised exploration costs	(87,546)
Provisions	365
Tax losses	87,181
	–

As at 31 December 2003, the Group had unrecognised tax losses arising in Australia of £315,000, Bangladesh of £9,000 and United Kingdom of £29,000 that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses. These assets will be recognised should it become more likely than not that taxable profits or timing differences, against which they may be deducted, arise.

7.7 **Intangible fixed assets**

	Development expenditure	**Mineral rights**	**Total**
	£	**£**	**£**
Cost:			
Opening balance	–	–	–
Increase during the year	–	–	–
Acquisition of subsidiary	546,746	1,146,804	1,693,550
As at 31 December 2003	546,746	1,146,804	1,693,550
Amortisation:			
Opening balance	–	–	–
Provided during the year	–	–	–
As at 31 December 2003	–	–	–
Net book value at 31 December 2003	546,746	1,146,804	1,693,550

The exploration and evaluation activities in the area of interest are still in the early stages and have not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Active and significant operations in the area of interest are continuing.

The ultimate recoupment of costs carried forward is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

7.8 **Tangible fixed assets**

Group	**Office furniture and equipment** **£**
Cost:	
Opening balance	–
Additions	–
Acquisition of subsidiary undertaking	6,118
Disposals	–
At 31 December 2003	6,118
Depreciation:	
Opening balance	–
Provided during the period	–
As at 31 December 2003	–
Net book value at 31 December 2003	6,118

7.9 **Investments**

Details of the investments in which the Company holds 20 per cent. or more of the nominal value of any class of share capital are as follows:

Name of Company	**Holding**	**Proportion of voting rights and shares held**	**Nature of business**
Asia Energy Corporation Proprietary Limited	Ordinary Shares	100%	Exploration

On 18 December 2003, the Company acquired Asia Energy Corporation Proprietary Limited for a consideration of £1,350,000 satisfied by the issue of 13,500,000 ordinary shares of 10p each. The investment in Asia Energy Corporation Proprietary Limited has been included in the Company's balance sheet at its fair value at the date of acquisition.

On 18 December 2003 the Company also issued 250,000 shares at 10p each for consideration of £25,000 in respect of amounts payable to Deepgreen Minerals Corporation Limited.

Analysis of the acquisition of Asia Energy Corporation Proprietary Limited:

	Book value **£**	**Other** **£**	**Fair value** **£**
Intangibles[(a)]	546,746	1,146,804	1,693,550
Tangible fixed assets	6,118	–	6,118
Debtors	27,783	–	27,783
Cash	33,014	–	33,014
Creditors due within one year	(410,465)	–	(410,465)
Net assets	203,196	1,146,804	1,350,000
Discharged by:			
Fair value of shares issued			1,350,000
Costs associated with the acquisition			–
			1,350,000

(a) The Other adjustment relates to mineral rights arising on acquisition.

(b) Under the sale and purchase agreement, the Group will also provide further amounts to Deepgreen Minerals Corporation Limited, in the event of Asia Energy PLC listing on the London Stock Exchange Alternative Investment Market, and on the production of resources from the Phulbari project. Details of these items are included in Note 7.21.

7.10 **Debtors**

	At 31 December 2003 £
Other debtors	22,125
Prepayments	4,000
	26,125

There are no debtors falling due after more than one year at 31 December 2003.

7.11 **Current asset investments**

	At 31 December 2003 £
Security deposits	6,153
	6,153

Security deposits represent rental deposits on premises in Bangladesh.

7.12 **Creditors: Amounts falling due within one year**

	At 31 December 2003 £
Trade creditors	25,898
Amounts due to parent undertaking – Deepgreen Minerals Corporation	40,678
Other creditors	146,018
	212,594

7.13 **Creditors: Amounts falling due after more than one year**

There are no creditors falling due after more than one year at 31 December 2003.

7.14 **Obligations under leases and hire purchase contracts**

Annual commitments under non-cancellable land and buildings operating leases are as follows;

	At 31 December 2003 £
Operating leases which expire:	
Within one year	–
In two to five years	16,380
In over five years	–
	16,380

7.15 **Share capital**

	At 31 December 2003 £
Called up share capital	
Authorised	
200,000,000 Ordinary Shares of 10p Each	20,000,000
Allotted Called Up and Fully Paid	
19,000,002 Ordinary Shares of 10p Each	1,900,000

On 18 December 2003, 13,500,000 new ordinary shares were issued at 10p each in consideration of the transfer of the entire issued share capital of Asia Energy Corporation Proprietary Limited pursuant to a Sale and Purchase Agreement.

On 18 December 2003 the Company also issued 250,000 shares at 10p each for consideration of £25,000 in respect of amounts payable to Deepgreen Minerals Corporation Limited.

On 18 December 2003, pursuant to subscription letters received, the Company issued 5,250,000 Ordinary Shares of 10p each for an aggregate consideration of £775,000, resulting in a share premium, before associated costs, of £250,000.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

7.16 **Reconciliation of shareholders' funds and movement of reserve**

	Ordinary share capital £	Share Premium Account £	Profit and Loss Account £	Total share-holders' funds £
Opening balance	–	–	–	–
Exchange difference on loan	–	–	–	–
Arising on share issues	1,900,000	250,000	–	2,150,000
Share issue costs	–	(37,500)	–	(37,500)
Retained loss for the year	–	–	(58,674)	(58,674)
At 31 December 2003	1,900,000	212,500	(58,674)	2,053,826

7.17 **Notes to the statement of cash flows**

(a) ***Reconciliation of operating loss to net cash outflow from operating activities***

	Period ended 31 December 2003 £
Operating loss	(58,674)
Increase in debtors	(4,495)
Decrease in creditors	(143,728)
Net cash outflow from operating activities	(206,897)

(b) ***Analysis of net cash***

	Opening Balance £	Cash Flow £	Exchange Differences £	Other Non-Cash Movements £	At 31 December 2003 £
Cash at bank and in hand	–	534,474	–	(40,678)	493,796
	–	534,474	–	(40,678)	493,796

(c) ***Major non-cash transactions***

See Note 7.9 for an analysis of the acquisition of Asia Energy Corporation Proprietary Limited.

(d) ***Exceptional items***

There are no exceptional items during the year.

7.18 **Derivatives and other financial instruments**

The Group holds cash and short term deposits as a liquid resource to fund the obligations of the Group.

The Company has no formal policy in respect of foreign exchange risk, however it does review its currency exposures on an ad hoc basis.

The Group has taken advantage of the exemption in FRS 13 'Derivatives and Other Financial Instruments' in respect of short-term debtors and creditors and consequently those items are not included in the relevant analysis within the following notes.

Interest rate risk profile of financial assets:

The financial assets of the Group comprise monies held in cheque accounts and security deposits.

The interest rate profile of the financial assets of the Group as at 31 December 2003 is as follows:

	Fixed rate £	Floating rate £	Non Interest Bearing £	Total £
Sterling	–	501,960	–	501,960
Australian dollars	–	4,725	–	4,725
Bangladesh Taka	–	–	34,412	34,412
	–	506,215	34,412	540,627

Amounts due from subsidiary undertakings are non interest bearing.

Interest rate risk profile of financial liabilities:

All of the Group's financial liabilities are short term creditors.

Currency exposures

Currency exposures comprise the monetary assets and liabilities that are not denominated in the operating ("functional") currency of the operating unit. The currency exposures of the Group as at 31 December 2003 are shown below:

	Net foreign currency Bangladesh Taka £	Net foreign currency US Dollar £	Net foreign currency Total £
Australian dollar	6,561	(97,382)	(90,821)
	6,561	(97,382)	(90,821)

Borrowing facilities

The Group has no borrowing facilities in place at 31 December 2003.

Derivative Instruments

The Group has no derivative instruments.

Fair values of financial assets and liabilities

All financial assets and liabilities of the Group have been recorded at their book value, which equates to their fair value.

	Book Value	**Fair Value**
	£	**£**
Financial assets	540,627	540,627
Financial liabilities	(212,594)	(212,594)
	328,033	328,033

7.19 **Post balance sheet events**

There are no significant post balance sheet events subsequent to 31 December 2003.

7.20 **Capital commitments**

There are no material capital commitments for the Group as at 31 December 2003 which have not already been provided for in the financial statements.

7.21 **Contingent liabilities**

The Group is obliged to pay US$1 per tonne of coal produced to Deepgreen Mineral Corporation Limited.

Under the investment agreement with the Government, the Group will, on commencement of commercial production of coal, be obliged to pay to the Government a royalty of 6 per cent of the sale value of all coal produced and sold pursuant to a Mining Lease, in US$.

The Group is also obliged to pay AUD $100,000 to Deepgreen Minerals Corporation Limited in the event of admission to the London Stock Exchange Alternative Investment Market.

7.22 **Related party transactions**

A service agreement with Bowmaker Management Limited for provision of office space and associated services was entered into on 31 October 2003. This agreement is for 6 months with an automatic renewal for 6 months unless terminated and requires the Company to pay £2,000 per month in advance. Bowmaker Management Limited also provides Company Secretarial work and general administrative assistance. Jonathan Malins, a director of Asia Energy PLC, is the beneficial owner of 50 per cent of the issued share capital of Bowmaker Management Limited. As at 31st December 2003 the amount prepaid to Bowmaker Management Limited and included in Debtors and Prepayments was £2,000. Payments to Bowmaker Management Limited in the period to 31 December 2003 amounted to £6,000.

A share sale and purchase agreement dated 18 December 2003 between Deepgreen Minerals Corporation Limited ("Deepgreen") of which Laith Reynolds is a director, and other shareholders of Asia Energy Corporation Proprietary Limited, all of whom had appointed Deepgreen as their agent, and the Company was entered into pursuant to which the Company agreed to purchase the entire issued capital of Asia Energy Corporation Proprietary Limited for the issue of 13,500,000 ordinary shares in the Company. On 18 December 2003 the Company also issued 250,000 shares at 10p each for consideration of £25,000 in respect of amounts payable to Deepgreen Minerals Corporation Limited.

A service agreement with Resource and Capital Management Pty Ltd ("RCM") for provision of consulting services was entered into on 6 August 2003 and requires the Company to pay RCM £5,000 per month until admission to AIM. Reasonable travel and accommodation expenses incurred by RCM in relation to providing these consultancy services are reimbursed from the Company on a timely basis. Michael Frayne, a director of Asia Energy PLC, is a shareholder of RCM. Payments to RCM in the period to 31 December 2003 amounted to £20,000 for consultancy services and £9,505 for travel expenses. These payments have been recorded in the Group Profit and Loss account at 31 December 2003. At 31 December 2003 the amount prepaid for travel expenses to RCM and included in Other Debtors was £495.

Payments for consulting services to the Company by a director, Mr L. Reynolds, amounting to £4,237 were made in the period to 31 December 2003. £2,619 was also paid in the same period in relation to travel expenses incurred while providing these consulting services to the Company. These costs were paid by a subsidiary in the period prior to acquisition and have not been included in the Group Profit and Loss account at 31 December 2003.

7.23 **Principal operating subsidiary undertakings**

Asia Energy PLC is the beneficial owner of all the equity share capital of the following undertakings:

- Asia Energy Corporation Proprietary Limited – incorporated in Australia and operates in Australia
- Asia Energy Corporation (Bangladesh) Limited – incorporated in Australia and operates in Bangladesh
- Pan Asian Corporation Limited – incorporated and operates in Bangladesh.

7.24 **Parent undertaking and controlling party**

In the Directors' opinion the Company's ultimate parent undertaking and controlling party is Deepgreen Mineral Corporation Limited which is incorporated in Australia.

7.25 **Operating commmitments**

Under the terms of Prospecting License agreement with the Bangladesh authorities for contract licence areas B, G and H respectively, an annual fee of 50 Taka is payable for each hectare within the licence area. The Company currently lease 5,480 hectares within these licence areas.

Yours faithfully

Ernst & Young LLP

ACCOUNTANTS' REPORT ON
ASIA ENERGY CORPORATION PTY LIMITED

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31 March 2004

Dear Sirs

1. INTRODUCTION

We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document dated 31 March 2004 of Asia Energy PLC (the 'Company').

Basis of preparation

The financial information set out in pages 55 to 70 is based on the audited consolidated financial statements of Asia Energy Corporation Pty Limited ("AEC") for the three years ended 30 June 2003 and the 6 months ended 31 December 2003 and has been prepared on the basis set out on page 57 after making such adjustments as we considered necessary.

The Company has funds sufficient for its present purposes. However, the decision to proceed with planned feasibility studies is dependent upon raising additional funds. A placing of shares is being carried out in this respect.

Responsibility

Such financial statements are the responsibility of the directors of the AEC, who approved their issue.

The Directors of the Company are responsible for the contents of the admission document dated 31 March 2004 in which this report is included.

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

Basis of opinion

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

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

Opinion

In our opinion, the financial information gives, for the purposes of the admission document dated 31 March 2004, a true and fair view of the state of affairs of AEC as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended.

Consent

We consent to the inclusion in the admission document dated 31 March 2004 of this report and accept responsibility for this report for the purposes of paragraph 45(2)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

2. PROFIT AND LOSS ACCOUNTS

	Notes	Year ended 30 June 2001 £	Year ended 30 June 2002 £	Year ended 30 June 2003 £	Six months ended 31 December 2003 £
Turnover	–	–	–	–	–
Cost of sales	–	–	–	–	–
Gross profit	–	–	–	–	–
Administrative expenses		(98,093)	(49,168)	(29,341)	(122,073)
Other operating income	7.3	–	–	–	100,382
Operating loss	7.3	(98,093)	(49,168)	(29,341)	(21,691)
Interest payable and similar charges	7.6	–	–	–	(11,876)
Loss on ordinary activities before taxation		(98,093)	(49,168)	(29,341)	(33,567)
Tax on loss on ordinary activities	7.5	–	–	–	–
Retained loss for the financial period		(98,093)	(49,168)	(29,341)	(33,567)

The above results relate solely to the continued operating activity of AEC.

3. STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 30 June 2001 £	Year ended 30 June 2002 £	Year ended 30 June 2003 £	Six months ended 31 December 2003 £
Loss for the financial period	(98,093)	(49,168)	(29,341)	(33,567)
Exchange movement	10,675	1,769	17,352	9,003
Total recognised gains and losses for the financial period	(87,418)	(47,399)	(11,989)	(24,564)

4. BALANCE SHEETS

	Notes	At 30 June 2001 £	At 30 June 2002 £	At 30 June 2003 £	At 31 Dec 2003 £
Fixed assets					
Intangible Assets	7.7	314,678	354,656	418,197	546,746
Tangible Assets	7.8	2,591	2,148	1,419	6,118
		317,269	356,804	419,616	552,864
Current assets					
Debtors					
Amounts falling due within one year	7.9	2,892	1,362	1,225	22,125
Amounts falling due after more than one year	7.9	1,405	1,432	1,575	–
Current asset investments	7.10	385	393	432	6,153
Cash at bank and in hand		931	1,056	1,114	33,014
		5,613	4,243	4,346	61,292
Creditors: amount falling due within one year	7.11	(135,968)	(143,757)	(177,114)	(410,465)
Net current liabilities		(130,355)	(139,514)	(172,768)	(349,173)
Total assets less current liabilities		186,914	217,290	246,848	203,691
Creditors: amounts falling due after more than one year	7.12	(307,257)	(14,531)	(56,078)	–
Net assets/(liabilities)		(120,343)	202,759	190,770	203,691
Capital and reserves					
Share capital	7.14	486,903	857,404	857,404	894,889
Profit and loss account	7.15	(607,246)	(654,645)	(666,634)	(691,198)
Shareholders' funds Equity	7.15	(120,343)	202,759	190,770	203,691
		(120,343)	202,759	190,770	203,691

5. STATEMENTS OF CASH FLOWS

	Notes	Year ended 30 June 2001 £	Year ended 30 June 2002 £	Year ended 30 June 2003 £	Six months ended 31 December 2003 £
Net cash outflow from operating activities	7.16	(151,991)	(76,737)	(35,640)	(189,392)
Returns on investments and servicing of finance		–	–	–	–
Taxation		–	–	–	–
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(389)	(347)	–	(5,165)
Receipts from funds held in trust		–	–	–	1,613
Payments to acquire investments		(1,445)	–	–	–
Payment for security deposit		–	–	–	(5,601)
Net cash outflow before management of liquid resources and financing		(153,825)	(77,084)	(35,640)	(198,545)
Financing					
Issue of ordinary share capital		–	–	35,597	46
Borrowings from shareholders		151,219	77,190	–	229,777
		151,219	77,190	35,597	229,823
Increase/(decrease) in cash		(2,606)	106	(43)	31,278

6. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Notes	Year ended 30 June 2001 £	Year ended 30 June 2002 £	Year ended 30 June 2003 £	Six months ended 31 December 2003 £
Movement in cash		(2,606)	106	(43)	31,278
Cashflow from movement in loans		(151,219)	(77,190)	(35,597)	(229,777)
Exchange movement		5,193	(566)	(5,849)	(9,298)
Conversion of debt to equity		92,792	370,501	–	–
Other		–	–	–	17,034
Change in net debt resulting from cash flows		(55,840)	292,851	(41,489)	(190,763)
Movement in net debt		(55,840)	292,851	(41,489)	(190,763)
Net debt at start of reporting period		(250,486)	(306,326)	(13,475)	(54,964)
Net debt at end of reporting period		(306,326)	(13,475)	(54,964)	(245,727)

7. NOTES TO THE FINANCIAL INFORMATION

7.1 Accounting policies

Basis of preparation

The financial information has been prepared under the historical cost convention.

The financial information is prepared in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The financial information consolidates the accounts of Asia Energy Corporation Pty Limited and all its subsidiary undertakings drawn up to 30 June each year, and for the six months ended 31 December 2003.

Going concern basis

The financial information has been prepared on the going concern basis despite the current liabilities exceeding current assets by £349,173 at 31 December 2003. The ability of AEC to pay its debts as and when they fall due is dependent upon Asia Energy PLC continuing to fund AEC through loans and equity capital and may be dependent upon the successful development of existing projects or the sourcing of additional funds. The Directors are confident that AEC's coal interests will be able to be profitably realised and are currently evaluating options and sources of funding and on this basis believe that adoption of the going concern basis is justified. The Company is, by way of a placing of shares, seeking to raise funds necessary to carry out Stage I and Stage II feasibility studies in this respect. The decision to progress with Stage I will only commence once sufficient funds have been raised to fund such activity.

Intangible assets

Exploration, evaluation and development

Costs carried forward

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not at balance date, reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off against profit in the period in which the decision to abandon the area is made.

Amortisation

Costs on productive areas are amortised over the life of the area of interest to which such costs relate on a unit of production output basis.

Restoration costs

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration.

Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, plant closure, platform removal and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. Any changes in the estimates are adjusted on a retrospective basis. In determining the restoration obligations, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such mineral mines in the future.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value of each asset evenly over its expected useful life as follows:

Office furniture and equipment — over 3 to 15 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred tax

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

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

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Leases and hire purchase commitments

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

7.2 **Turnover and segmental analysis**

AEC operates in one area of activity, the coal exploration industry.

AEC operates in one geographical area Bangladesh and is supported by a management and administrative function in Australia.

7.3 **Operating profit**

This is stated after charging:

	Year ended 30 June 2001 £	Year ended 30 June 2002 £	Year ended 30 June 2003 £	Six months ended 31 December 2003 £
Auditors' remuneration – audit services – overseas	3,378	6,721	5,528	3,770
Depreciation of owned assets	547	833	859	610
Operating lease rentals – land and buildings	1,839	1,726	1,397	501

Other operating income comprises debts assigned to and loans forgiven by the Deepgreen Minerals Corporation Limited, the ultimate parent undertaking.

7.4 **Directors' emoluments and staff costs**

Directors' remuneration

In the three years ended 30 June 2003, no directors received remuneration from the company. During the six months ended 31 December 2003 one director received fees of £21,895 in consideration for services provided to the company.

Staff costs

	Year ended 30 June 2001 £	Year ended 30 June 2002 £	Year ended 30 June 2003 £	Six months ended 31 December 2003 £
Administration	20,466	19,406	15,256	8,764
	20,466	19,406	15,256	8,764

Staff costs are capitalised within deferred exploration and evaluation costs (refer note 7.8). An analysis of employee numbers (excluding directors) is as follows:

	Year ended 30 June 2001 No.	Year ended 30 June 2002 No.	Year ended 30 June 2003 No.	Six months ended 31 December 2003 No.
Administration	2	2	2	2

7.5 **Tax**

Tax on profit on ordinary activities

	Year ended 30 June 2001 £	**Year ended 30 June 2002 £**	**Year ended 30 June 2003 £**	**Six months ended 31 December 2003 £**
Current tax:				
Overseas tax	–	–	–	–
Total current tax	–	–	–	–
Deferred tax:				
Origination and reversal of timing differences	–	–	–	–
Total deferred tax	–	–	–	–
Tax on profit on ordinary activities	–	–	–	–

The tax charge/(credit) is made up as follows:

	Year ended 30 June 2001 £	**Year ended 30 June 2002 £**	**Year ended 30 June 2003 £**	**Six months ended 31 December 2003 £**
Current tax:				
Overseas tax	–	–	–	–
Total current tax	–	–	–	–

The statutory tax provision at the weighted average rate is generally calculated on the basis of pre-tax earnings or losses in each country and the applicable statutory tax rates. The difference between the effective provision for income tax and the statutory tax provision at the weighted average rate is reconciled as follows:

	Year ended 30 June 2001 £	**Year ended 30 June 2002 £**	**Year ended 30 June 2003 £**	**Six months ended 31 December 2003 £**
Loss on ordinary activities before tax	(98,093)	(49,168)	(29,341)	(33,567)
Weighted average rate	34%	30%	30%	30%
Statutory provision for tax at weighted average rate	(33,352)	(14,750)	(8,802)	(10,070)
Permanent differences				
– non-deductible expenditure	–	–	–	11,429
Timing differences				
– provisions	–	110	(61)	316
– accelerated capital allowances	(35,458)	(10,189)	(8,448)	(30,527)
– tax losses	35,458	10,079	8,509	30,211
Unrecognised tax losses	33,352	14,750	8,802	(1,359)
Current tax on ordinary activities	–	–	–	–

Deferred tax assets and liabilities are recognised as follows:

	At 30 June 2001 £	At 30 June 2002 £	At 30 June 2003 £	At 31 December 2003 £
Opening balance	–	–	–	–
Capitalised exploration costs	(35,458)	(42,074)	(54,720)	(87,546)
Tax losses	35,458	42,074	54,720	87,546
Closing balance	–	–	–	–

The group has unrecognised tax losses arising in Australia of £315,000 at 31 December 2003 (30 June 2001 - £213,000; 30 June 2002 - £265,000; 30 June 2003 - £322,000) that are available for offset against future taxable profits of those companies in which the losses arose, subject to the conditions of deductibility under the relevant legislation.

The group has unrecognised tax losses arising in Bangladesh of £9,000 at 31 December 2003 (30 June 2001 - £Nil; 30 June 2002 - £Nil; 30 June 2003 - £Nil) that are available for offset against future taxable profits of those companies in which the losses arose, subject to the conditions of deductibility under the relevant legislation.

Deferred tax assets have not been recognised in respect of these losses. These assets will be recognised should it become more likely than not that taxable profits or timing differences, against which they may be deducted, arise.

7.6 **Interest payable and similar charges**

	Year ended 30 June 2001 £	Year ended 30 June 2002 £	Year ended 30 June 2003 £	Six months ended 31 December 2003 £
Interest payable	–	–	–	11,876
	–	–	–	11,876

Interest payable relates to amounts owing to BHP Minerals of US$150,000. The interest is charged at 10 per cent. per annum.

7.7 **Intangible fixed assets**

	Deferred expenditure £
Cost and net book value:	
At 1 July 2000	231,251
Additions	107,237
Exchange movement	(23,810)
At 1 July 2001	314,678
Additions	33,539
Exchange movement	6,439
At 1 July 2002	354,656
Additions	25,649
Exchange movement	37,892
At 1 July 2003	418,197
Additions	110,536
Exchange movement	18,013
At 31 December 2003	546,746

The exploration and evaluation activities in the area of interest are still in the early stage and have not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Active and significant operations in the area of interest are continuing.

The ultimate recoupment of costs carried forward is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

7.8 **Tangible fixed assets**

	Office furniture and equipment £
Cost:	
At 1 July 2000	6,897
Additions	389
Exchange movement	(632)
At 1 July 2001	6,654
Additions	347
Exchange movement	131
At 1 July 2002	7,132
Additions	–
Exchange movement	712
At 1 July 2003	7,844
Additions	5,165
Exchange movement	431
At 31 December 2003	13,440
Depreciation:	
At 1 July 2000	3,451
Provided during the year	949
Exchange movement	(337)
At 1 July 2001	4,063
Provided during the year	833
Exchange movement	88
At 1 July 2002	4,984
Provided during the year	859
Exchange movement	582
At 1 July 2003	6,425
Provided during the period	610
Exchange movement	287
At 31 December 2003	7,322

	Office furniture and equipment £
Net book value:	
Net book value at 31 December 2003	6,118
Net book value at 1 July 2003	1,419
Net book value at 1 July 2002	2,148
Net book value at 1 July 2001	2,591

7.9 **Debtors**

	At 30 June 2001 £	At 30 June 2002 £	At 30 June 2003 £	At 31 December 2003 £
Other debtors and prepayments	2,892	1,362	1,225	22,125
	2,892	1,362	1,225	22,125

Amounts falling due after more than one year are:

	At 30 June 2001 £	At 30 June 2002 £	At 30 June 2003 £	At 31 December 2003 £
Deferred cost	1,405	1,432	1,575	–
	1,405	1,432	1,575	–

The deferred cost relates to money held in trust on acquisition of Pan Asian Corporation Limited.

7.10 **Current asset investments**

	At 30 June 2001 £	At 30 June 2002 £	At 30 June 2003 £	At 31 December 2003 £
Security deposits	385	393	432	6,153
	385	393	432	6,153

Security deposits represent rental deposits on premises in Bangladesh.

7.11 **Creditors: amounts falling due within one year**

	At 30 June 2001 £	At 30 June 2002 £	At 30 June 2003 £	At 31 December 2003 £
Trade creditors	28,973	45,124	86,261	25,898
Amounts due to parent undertaking – Asia Energy PLC	–	–	–	238,063
Amounts due to group undertaking – Deepgreen Minerals Corporation Limited	–	–	–	40,678
Other creditors and accruals	106,995	98,633	90,853	105,826
	135,968	143,757	177,114	410,465

7.12 **Creditors: amounts falling due after more than one year**

	At 30 June 2001 £	At 30 June 2002 £	At 30 June 2003 £	At 31 December 2003 £
Amounts due to group undertaking – Deepgreen Minerals Corporation Limited	175,492	14,531	56,078	–
Amounts due to other shareholder	131,765	–	–	–
	307,257	14,531	56,078	–

7.13 **Obligations under leases and hire purchase contracts**

Annual commitments under non-cancellable operating leases of land and buildings are as follows:

	Year ended 30 June 2001 £	Year ended 30 June 2002 £	Year ended 30 June 2003 £	Six months ended 31 December 2003 £
Operating leases which expire:				
Within one year	–	–	–	–
In two to five years	–	–	–	16,380
In over five years	–	–	–	–
	–	–	–	16,380

7.14 **Share capital**

Allotted, called up and fully paid

	At 30 June 2001 number	At 30 June 2002 number	At 30 June 2003 number	At 31 December 2003 number
Ordinary shares	1,500,000	2,519,820	2,519,820	13,750,000
	1,500,000	2,519,820	2,519,820	13,750,000

	At 30 June 2001 £	At 30 June 2002 £	At 30 June 2003 £	At 31 December 2003 £
Ordinary shares	486,903	857,404	857,404	894,889
	486,903	857,404	857,404	894,889

The shares issued during the six months ended 31 December 2003 were issued at 0.01cent per share. 3,250,000 of these shares were issued to establish a UK entity and procure capital of at least £750,000 in preparation to acquire AEC and for a proposed floatation on the AIM. The fair value of these shares issued by AEC of £37,439 has been charged as an expense.

Contributed equity is disclosed as issued and paid up capital. Any partly paid shares on issue require disclosure of the amount which may be called up in the event of winding up of the entity. No partly paid shares are on issue.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

7.15 **Reconciliation of shareholders funds' and movement on reserves**

	Share capital £	Profit and loss account £	Total £
At 1 July 2000	394,108	(519,828)	(125,720)
Proceeds from issue of shares	92,795	–	92,795
Exchange Movement	–	10,675	10,675
Loss for the year	–	(98,093)	(98,093)
At 1 July 2001	486,903	(607,246)	(120,343)
Proceeds from issue of shares	370,501	–	370,501
Exchange Movement	–	1,769	1,769
Loss for the year	–	(49,168)	(49,168)
At 1 July 2002	857,404	(654,645)	202,759
Exchange Movement	–	17,532	17,532
Loss for the year	–	(29,341)	(29,341)
At 1 July 2003	857,404	(666,634)	190,770
Proceeds from issue of shares	46	–	46
Fair value of shares issued for fee on capital raised by parent entity	37,439	–	37,439
Exchange Movement	–	9,003	9,003
Loss for the year	–	(33,567)	(33,567)
At 31 December 2003	894,889	(691,198)	203,691

7.16 **Notes to the statement of cash flows**

(a) ***Reconciliation of operating profit to net cash outflow from operating activities***

	Year ended 30 June 2001 £	Year ended 30 June 2002 £	Year ended 30 June 2003 £	Six months ended 31 December 2003 £
Operating loss after tax	(98,093)	(49,168)	(29,341)	(29,734)
Depreciation	949	833	859	610
Gain on foreign exchange	–	(10,277)	(15,619)	(8,328)
Movement in debtors	(3,322)	1,565	249	(11,361)
Movement in creditors	55,378	11,725	32,784	30,127
Exploration and evaluation expenditure deferred	(106,903)	(31,415)	(24,572)	(107,763)
Debts assigned/forgiven	–	–	–	(100,382)
Capital raising costs	–	–	–	37,439
Net cash outflow from operating activities	(151,991)	(76,737)	(35,640)	(189,392)

(b) ***Analysis of net debt***

	At 1 July 2000 £	Cash flow £	Exchange differences £	Other non-cash movements £	At 30 June 2001 £
Cash at bank and in hand	3,537	(2,606)	-	-	931
Debt due after one year	(254,023)	(151,219)	5,193	92,792	(307,257)
	(250,486)	(153,825)	5,193	92,792	(306,326)

	At 1 July 2001 £	Cash flow £	Exchange differences £	Other non-cash movements £	At 30 June 2002 £
Cash at bank and in hand	931	106	19	–	1,056
Debt due after one year	(307,257)	(77,190)	(585)	370,501	(14,531)
	(306,326)	(77,084)	(566)	370,501	(13,475)

	At 1 July 2002 £	Cash flow £	Exchange differences £	Other non-cash movements £	At 30 June 2003 £
Cash at bank and in hand	1,056	(43)	101	–	1,114
Debt due after one year	(14,531)	(35,597)	(5,950)	–	(56,078)
	(13,475)	(35,640)	(5,849)	–	(54,964)

	At 1 July 2003 £	Cash flow £	Exchange differences £	Other non-cash movements £	At 31 December 2003 £
Cash at bank and in hand	1,114	31,278	622	-	33,014
Debt due within one year	-	(285,855)	(9,920)	17,034	(278,741)
Debt due after one year	(56,078)	56,078	–	–	–
	(54,964)	(198,499)	(9,298)	17,034	(245,727)

7.17 **Derivatives and other financial instruments**

AEC has no formal policy in respect of foreign exchange risk, however it does review its currency exposures on an ad hoc basis.

AEC has taken advantage of the exemption in FRS 13 ‘Derivatives and Other Financial Instruments’ in respect of short-term debtors and creditors and consequently those items are not included in the relevant analysis within the following notes.

Interest rate risk profile of financial assets:

31 December 2003

	Fixed rate £	Floating rate £	Non interest bearing £	Total £
Australian Dollar	–	4,725	–	4,725
Bangladesh Taka	–	–	34,412	34,412
	–	4,728	34,412	39,167

The floating rate financial assets comprise monies held in Australian dollar cheque accounts.

30 June 2003

	Fixed rate £	Floating rate £	Non interest bearing £	Total £
Australian Dollar	–	181	–	181
Bangladesh Taka	–	–	1,365	1,365
	–	181	1,365	1,546

The floating rate financial assets comprise monies held in Australian dollar cheque accounts.

30 June 2002

	Fixed rate £	Floating rate £	Non interest bearing £	Total £
Australian Dollar	–	58	–	58
Bangladesh Taka	–	–	1,391	1,391
	–	58	1,391	1,449

The floating rate financial assets comprise monies held in Australian dollar cheque accounts.

30 June 2001

	Fixed rate £	Floating rate £	Non interest bearing £	Total £
Australian Dollar	–	382	–	382
Bangladesh Taka	–	–	934	934
	–	382	934	1,316

The floating rate financial assets comprise monies held in Australian dollar cheque accounts.

Interest rate risk profile of financial liabilities:

31 December 2003

	Fixed rate £	Floating rate £	Non interest bearing £	Total £
Australian Dollar	–	–	278,741	278,741
	–	–	278,741	278,741

Currency exposures

Currency exposures comprise the monetary assets and liabilities that are not denominated in the operating (“functional”) currency of the operating unit. The currency exposures of AEC are shown below:

31 December 2003

Functional currency of operations	**Net foreign currency monetary assets/(liabilities)**		
	Bangladesh Taka £	**US Dollar £**	**Total £**
Australian Dollar	6,561	(97,382)	(90,821)
	6,561	(97,382)	(90,821)

30 June 2003

Functional currency of operations	**Net foreign currency monetary assets/(liabilities)**		
	Bangladesh Taka £	**US Dollar £**	**Total £**
Australian Dollar	1,014	(90,853)	(89,295)
	1,014	(90,853)	(89,295)

30 June 2002

Functional currency of operations	Net foreign currency monetary assets/(liabilities)		
	Bangladesh Taka £	**US Dollar £**	**Total £**
Australian Dollar	997	(98,633)	(97,636)
	997	(98,633)	(97,636)

30 June 2001

Functional currency of operations	Net foreign currency monetary assets/(liabilities)		
	Bangladesh Taka £	**US Dollar £**	**Total £**
Australian Dollar	548	(106,995)	(106,447)
	548	(106,995)	(106,447)

Borrowing facilities and maturity of financial liabilities:

AEC has no borrowing facilities in place at 31 December 2003. The loans due to shareholders and other group companies are repayable on demand.

Fair values of financial assets and liabilities:

All financial assets and liabilities of AEC have been recorded at their book value, which equates to their fair value.

7.18 **Post balance sheet event**

There were no significant post balance sheet events subsequent to 31 December 2003.

7.19 **Capital commitments**

There are no material capital commitments for AEC as at 31 December 2003 which have not already been provided for in the financial statements.

7.20 **Operating commitments**

Under the terms of the Prospecting License agreement with the Bangladesh authorities for contract licence areas B, G, and H respectively, an annual fee of 50 Taka is payable for each hectare within the Licence area. AEC currently lease 5,480 hectares within these Licence areas.

7.21 **Contingent liabilities**

AEC is obliged to pay a royalty at US$1 per tonne of coal produced, to Deepgreen Minerals Corporation Limited.

Under the investment agreement with the Government, the Group will, on commencement of commercial production of coal, be obliged to pay to the Government a royalty of 6 per cent of the sale value of all coal produced and sold pursuant to a Mining Lease, in US$.

The Group is also obliged to pay AUD $100,000 to Deepgreen Minerals Corporation Limited in the event of admission to the London Stock Exchange Alternative Investment Market.

7.22 **Other related party transactions**

31 December 2003

(a) The directors of Asia Energy Corporation Pty Ltd during the financial period were:

J.J. Byrne
P.G. Hinneberg
P.E. Maher
A.Y.L. Wong (resigned 14/7/2003)
R. Willcocks (resigned 14/7/2003)
L.R. Reynolds (Appointed 12/7/2003)

(b) The following related party transactions occurred during the financial period:

Transactions with director-related entities/shareholders

(i) Deepgreen Minerals Corporation Ltd – J.J. Byrne, P.G. Hinneberg and P.E. Maher

Interest free loans received during the period amounted to £24,401 and £52,695 was forgiven during the period.

External debts of £47,687 were assigned to Deepgreen Minerals Corporation Ltd during the period.

(ii) Asia Energy PLC – Interest free loans received during the period amounted to £238,063.

(iii) Deepgreen Minerals Corporation Ltd – J.J. Byrne, P.G. Hinneberg and P.E. Maher

£6,215 was paid to Deepgreen Minerals Corporation Ltd in consideration for executive services provided.

(iv) Deepgreen Minerals Corporation Ltd – J.J. Byrne, P.G. Hinneberg and P.E. Maher

On 30 July 2003 Deepgreen Minerals Corporation Ltd, the ultimate parent undertaking, acquired the remaining share capital of AEC in consideration for four million fully paid ordinary shares. On 18 December 2003 Deepgreen Minerals Corporation Limited disposed of its interest in AEC to Asia Energy PLC in consideration of for a 55.26 per cent. shareholding in Asia Energy PLC.

30 June 2003

(a) The directors of Asia Energy Corporation Pty Ltd during the financial year were:

J.J. Byrne;
P.G. Hinneberg;
P.E. Maher;
A.Y.L. Wong; and
R. Willcocks

(b) The following related party transactions occurred during the financial year:

Transactions with director-related entities/shareholders

(i) Deepgreen Minerals Corporation Ltd – J.J. Byrne, P.G. Hinneberg and P.E. Maher

Interest free loans received during the year amounted to £35,597 and have no repayment date.

(ii) Deepgreen Minerals Corporation Ltd – J.J. Byrne, P.G. Hinneberg and P.E. Maher

£11,055 was paid to Deepgreen Minerals Corporation Ltd in consideration for executive services provided.

30 June 2002

(a) The directors of Asia Energy Corporation Pty Ltd during the financial year were:

J.J. Byrne;
P.G. Hinneberg;
P.E. Maher;
A.Y.L. Wong; and
R. Willcocks

(b) The following related party transactions occurred during the financial year:

Transactions with director-related entities/shareholders

(i) Deepgreen Minerals Corporation Ltd – J.J. Byrne, P.G. Hinneberg and P.E. Maher

Interest free loans received during the year amounted to £37,710 and have no repayment date.

546,151 ordinary shares were issued to Deepgreen Minerals Corporation in consideration for outstanding debt of £198,417.

(ii) ESX Pty Ltd – A.Y.L. Wong and R.M. Willcocks

Interest free loans received during the year amounted to £39,480 and have no repayment date.

473,669 shares were issued to ESX Pty Ltd in consideration for outstanding debt of £172,084.

(iii) Deepgreen Minerals Corporation Ltd – J.J. Byrne, P.G. Hinneberg and P.E. Maher

£10,899 was paid to Deepgreen Minerals Corporation Ltd in consideration for executive services provided.

30 June 2001

(a) The directors of Asia Energy Corporation Pty Ltd during the financial year were:

J.J. Byrne;
P.G. Hinneberg;
P.E. Maher;
A.Y.L. Wong; and
R. Willcocks

(b) The following related party transactions occurred during the financial year:

Transactions with director-related entities/shareholders

(i) Deepgreen Minerals Corporation Ltd – J.J. Byrne, P.G. Hinneberg and P.E. Maher

Interest free loans received during the year amounted to £89,930 and have no repayment date.

(ii) ESX Pty Ltd – A.Y.L. Wong and R.M. Willcocks

Interest free loans received during the year amounted to £61,289 and amounts subsequently converted to equity were £32,505.

(iii) Deepgreen Minerals Corporation Ltd – J.J. Byrne, P.G. Hinneberg and P.E. Maher

£11,136 was paid to Deepgreen Minerals Corporation Ltd in consideration for executive services provided.

7.23 **Principal operating subsidiary undertakings**

Asia Energy Corporation is the beneficial owner of all of the equity share capital of the following undertakings:

- Asia Energy Corporation (Bangladesh) Limited – incorporated in Australia and operates in Bangladesh.
- Pan Asian Corporation Limited – incorporated and operates in Bangladesh.

7.24 **Parent undertaking and controlling party**

AEC's immediate parent undertaking is Asia Energy PLC, which is incorporated in the United Kingdom.

In the directors' opinion, AEC's ultimate parent undertaking and controlling party is Deepgreen Minerals Corporation Ltd, which is incorporated in Australia.

Yours faithfully

Ernst & Young

Ernst & Young

PART V

ADDITIONAL INFORMATION

1. The Company

1.1 The Company was incorporated and registered in England and Wales as a public limited company on 26 September 2003 under the Act with the name Asia Energy PLC and with registered number 04913119. The principal legislation under which the Company operates is the Act and the regulations made thereunder.

1.2 The liability of the members of the Company is limited.

2. Share Capital

2.1 On incorporation, the share capital of the Company was £20,000,000 divided into 200,000,000 Ordinary Shares. Two Ordinary Shares were issued at par on incorporation.

2.2 The authorised and the issued ordinary and full paid share capital of the Company as at the date of this Document is as follows:

	Authorised		**Issued**	
	Number	**Amount (£)**	**Number**	**Amount (£)**
Ordinary Shares	200,000,000	20,000,000	19,000,002	1,900,000.20

2.3 Since incorporation there have been the following changes in the issued and authorised share capital of the Company:

(a) on 30 March 2004 by a resolution passed in writing by the shareholders of the Company pursuant to Article 10.5 of the Company's Articles of Association, the Directors were authorised and empowered:

(i) pursuant to section 80 of the Act, generally and unconditionally to allot and grant rights to subscribe for or to convert securities and shares of the Company up to a maximum nominal amount equal to £3 million, such authority to expire five years after the passing of the resolution;

(ii) pursuant to section 95(1) of the Act, to allot shares pursuant to the authority referred to in (i) above as if section 89(1) of the Act did not apply to any such allotment up to an aggregate nominal amount of £3 million, such authority and powers to expire five years after the passing of the resolution;

(b) on 18 December 2003, the Company issued 13,750,000 Ordinary Shares in consideration of the transfer of the entire issued share capital of AEC pursuant to a share exchange agreement of the same date, details of which are set out at paragraph 13.1 of this Part V;

(c) on 18 December 2003, the Company issued 250,000 Ordinary Shares at par for an aggregate consideration of £25,000 payable in cash via subscription as seed capital;

(d) on 18 December 2003, the company issued 5,000,000 Ordinary Shares at 15p per share for an aggregate consideration of £750,000 payable in cash via subscription as seed capital.

2.4 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

2.5 Except as stated in this Part V:

(a) the Company does not have in issue any securities not representing share capital; and

(b) there are no outstanding convertible securities issued by the Company.

2.6 Following Admission, the authorised and the issued ordinary and fully paid share capital of the Company is expected to be as follows:

	Authorised		**Issued**	
	Number	**Amount (£)**	**Number**	**Amount (£)**
Ordinary Shares	200,000,000	20,000,000	33,959,651	3,395,965.10

3. Memorandum of Association

The Memorandum of Association of the Company provides that the Company's principal object is to carry on business as a mining and mineral exploration company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association.

4. Articles of Association

The Articles of Association of the Company contain provisions, inter alia, to the following effect relating to the rights attaching to Ordinary Shares:

Dividends

4.1 The Ordinary Shares confer upon their holders the right to participate in any profits which the Company may from time to time determine to distribute in respect of any financial period.

4.2 Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, provided that no dividend shall exceed the amount recommended by the board.

4.3 Except as provided by the rights attached to shares, all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

4.4 Subject to the provisions of the Act, the board may declare and pay the fixed dividends on any class of shares carrying fixed dividends to be payable on fixed dates and may also from time to time declare and pay interim dividends on shares of any class and on such dates and in respect of such periods as it thinks fit, if it appears to the board to be justified by the profits of the Company available for distribution. No dividend or other monies payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

4.5 The Company on the recommendation of the board may by ordinary resolution direct that payment of any dividend be satisfied in whole or in part by the distribution of assets, including paid up ordinary shares or debentures of another company.

4.6 Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall revert to the Company. The board may retain any dividend or other moneys payable on or in respect of a share in which the Company has a lien, and may apply them towards the satisfaction of the debts, liabilities and engagement in respect of which the lien exists.

Rights attaching to ordinary shares on a distribution of assets

4.7 On a winding-up of the Company, with the sanction of an extraordinary resolution, and subject to any provision of law, the liquidator may divide amongst the members in specie the whole or any part of the assets of the Company in such manner as he may determine or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he, with like sanction, determines. No member shall be compelled to accept any shares on which there is a liability.

Voting rights

4.8 Subject to any rights or restrictions as to voting attaching to any shares, on a show of hands every member who is present in person shall have one vote and, on a poll, every member present in person or by proxy shall have one vote for every share of which he is the holder.

4.9 No member shall be entitled to vote at a general meeting of the Company, either in person or by proxy, in respect of any share held by him unless all monies presently payable by him in respect of that share have been paid.

Transfer of Ordinary Shares

4.10 Title to and interests in securities of the Company may be transferred without a written instrument in accordance with statutory regulations from time to time made under the Act. Subject thereto, transfers of ordinary shares may be effected by an instrument of transfer in any usual form or in any other form approved by the board. The instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. The board may refuse to register any transfer of a share, which is not fully paid. The board may also refuse to register any instrument of transfer unless the instrument of transfer:

(a) is lodged, duly stamped, at the registered office or such other place as the board may appoint, accompanied by the share certificate for the shares to which it relates and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer;

(b) is in respect of only one class of shares; and

(c) is in favour of not more than four joint holders.

Disclosure of interests in shares

4.11 If any member or other person appearing to be interested in shares of the Company has been duly served with a notice under section 212 of the Act and is in default for 14 days from the date of service of the notice in supplying to the Company the information thereby required, then the board may impose restrictions upon the relevant shares.

4.12 The restrictions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant shares and, additionally, in the case of a shareholding representing at least 0.25 per cent. of the class of shares concerned, the withholding of payment of dividends on, and the restriction of transfers of, the relevant shares.

Changes in Share Capital

4.13 Subject to the provisions of the Act any share may be issued with such rights or subject to such restrictions as the Company may by ordinary resolution determine.

4.14 The Company may by ordinary resolution increase its share capital by such sum to be divided into shares of such amounts as the resolution prescribes; consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares; subject to the provisions of the Act, subdivide its shares, or any of them, into shares of a smaller nominal value than is fixed by the memorandum of association; or cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

4.15 Subject to the Act, the Company may, by special resolution, reduce its share capital or any revaluation reserve or share premium account or any other reserve fund.

4.16 Subject to the provisions of the Act, the Company may purchase or may enter into any contract under which it will, or may, purchase any of its own shares (including any redeemable shares).

Variation of Rights

4.17 Subject to the provisions of the Act, the special rights attached to any class of shares may be varied or abrogated, either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of holders of the shares of the class (but not otherwise).

4.18 The rights conferred upon the holders of shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

Lien and Forfeiture

4.19 The Company will have a first and paramount lien (enforceable by sale) on every partly paid share for all monies (whether presently payable or not) called or payable at a fixed time in respect of such share. The board may call any monies unpaid on shares and may forfeit shares on which calls payable are not duly paid. The forfeiture shall include all dividends or other monies payable in respect of the forfeited shares which have not been paid before the forfeiture.

Directors' Interests

4.20 A director shall not vote at a meeting of the board on any resolution of the board concerning a contract or arrangement or any other proposal whatsoever in which he has or persons connected with him have a material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through, the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is not entitled to vote. Subject to the provisions of the Act, a director shall be entitled to vote (and be counted in the quorum) on any resolution concerning any of the following matters:

(a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;

(b) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(c) any proposal concerning an offer of securities of the Company or any of its subsidiary undertakings in which offer he is or may be interested as a participant in the underwriting or subunderwriting thereof;

(d) any proposal concerning any other company in which he does not hold an interest in shares representing one per cent. or more of either any class of the equity share capital or of the voting rights of such company;

(e) any proposal relating to a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which has been approved by or is conditional on approval by the Inland Revenue or does not award him any privilege or benefit not awarded to the employees to whom such scheme relates;

(f) any proposal concerning the purchase or maintenance of insurance for the benefit of any director or for the benefit of persons including directors.

4.21 A director may not vote or be counted in the quorum on a resolution of the board concerning his own appointment (including fixing or varying the terms of appointment) to an office or employment with the Company or any company in which the Company is interested.

Remuneration of Directors

4.22 The ordinary remuneration of the non-executive directors shall from time to time be determined by the board. Any director who holds any executive office or who serves on any committee of the board, or who otherwise performs services which in the opinion of the board are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, commission or otherwise, or may receive such other benefits, as the board may determine.

4.23 The board may repay to any director all such reasonable expenses as he may incur in attending and returning from meetings of the board of any committee of the board or shareholders' meetings or otherwise in connection with the business of the Company.

4.24 The board has the power to pay and agree to pay gratuities, pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any director or ex-director and for the purpose of providing any such gratuities, pensions or other benefits to contribute to any scheme or fund or to pay premiums.

4.25 A director shall not be required to hold any shares of the Company by way of qualification.

Appointment of Directors

4.26 Subject to the Act, directors may be appointed by the Company by ordinary resolution or by the board, either to fill a vacancy or as an addition to the existing board. A director holds office only until the next annual general meeting when he shall retire but shall then be eligible for re-election. Unless and until otherwise determined by ordinary resolution, the number of directors shall be not less than two and shall not be more than eight.

4.27 The Company at the meeting at which a director retires may by ordinary resolution fill the office being vacated by electing to that office the retiring director or some other person eligible for election. In default the retiring director shall be deemed to have been re-elected except in any of the following cases:

(a) where at such meeting it is expressly resolved not to fill such office or a resolution for the re-election of such director is put to the meeting and lost;

(b) where such director has given notice in writing to the Company that he is unwilling to be re-elected;

(c) where such director has attained any retiring age applicable to him as director; or

(d) where the default is due to the moving of a resolution.

4.28 Any provision of the Act which, subject to the provisions of the Articles, would have the effect of rendering any person ineligible for appointment or election as a director or liable to vacate office as a director on account of his having reached any specified age or requiring special notice or any other special formality in connection with the appointment or election of any director over a specified age, shall not apply to the Company.

Borrowing Powers

4.29 The board may exercise all the powers of the Company to borrow money, to give guarantees and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities.

Indemnity of Officers

4.30 Subject to the Act, every director or other officer shall be indemnified out of the assets of the Company against any liability incurred by him in the execution or discharge of his duties or otherwise in relation to or in connection with his duties, powers or office including any liability incurred by him in defending any proceedings, civil or criminal, in which judgment is given in his favour or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part, or in which he is acquitted.

5. Directors' and other Interests

5.1 *Directors' and other significant interests in the Company's share capital*

(a) The interests of the Directors (including persons connected with the Director within the meaning of section 346 of the Act) in the issued share capital of the Company as at the date of this Document and immediately following Admission (but excluding any warrants and options over Ordinary Shares) (such interests being those which are required to be notified by each Director to the Company under the provisions of section 324 or 328 and Schedule 13 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act) are, and will be, as follows:

Director	Number of Ordinary Shares as at the date of this Document	Percentage of issued ordinary share capital at the date of this Document	Number of Ordinary Shares immediately following Admission	Percentage of issued ordinary share capital immediately following Admission
Christopher Eager	600,000	3.16	600,000	1.77
Jonathan Malins*	250,000	1.32	250,000	0.74
Michael Frayne	533,333	2.81	533,333	1.57

*These Ordinary Shares are held by Bowmaker Management Limited, a company in which Jonathan Malins has a 50 per cent. beneficial interest.

(b) The Directors have undertaken to W H Ireland that they will not dispose of any Ordinary Shares for a period of twelve months from Admission and for the following twelve months will effect a sale only through the Company's brokers.

(c) As at Admission the Directors (and all persons connected with the Directors within the meaning of section 346 of the Act) will hold the following Options over Ordinary Shares:

Name	Date of Grant	Number of Ordinary Shares	Exercise price (£)	Exercise Period
Christopher Eager	n/a	nil	n/a	n/a
Jonathan Malins	Admission	200,000	Placing Price	5 years from the date of Admission
Laith Reynolds	Admission	500,000	Placing Price	5 years from the date of Admission
David Lenigas	Admission	500,000	Placing Price	5 years from the date of Admission
Michael Frayne	Admission	500,000	Placing Price	5 years from the date of Admission

(d) Options may be exercised in whole or in part until the expiry of the exercise period. The holder of Options is entitled to receive notice of certain proposed transactions or events of the Company which may dilute or otherwise affect his Options, and may exercise or be deemed to have exercised his Options prior to the occurence thereof. The Company shall keep available sufficient authorised but unissued share capital to satisfy the exercise of Options. Ordinary Shares issued pursuant to an exercise of Options shall rank *pari passu* in all respects with the Company's existing Ordinary Shares save as regards any rights attaching by reference to a record date prior to the receipt by the Company of the notice of exercise of Options. The Company shall apply to admit to trading on AIM the Ordinary Shares issued pursuant to the exercise of Options.

(e) All of the above interests of the Directors are or will be beneficial.

5.2 *Substantial Shareholders*

(a) Save as disclosed in paragraph 5.1, as at 30 March 2004 (being the latest practicable date prior to the publication of this Document), so far as the Directors are aware, no person or persons, other than as set out below, are or will be, immediately following Admission, interested, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company.

Director	**Number of Ordinary Shares as at the latest practicable date before this Document**	**Percentage of issued ordinary share capital at the date of this Document**	**Number of Ordinary Shares immediately following Admission**	**Percentage of issued ordinary share capital immediately following Admission**
Deepgreen Minerals Corporation Limited	10,500,000	55.26	10,500,000	30.92
RAB Capital Special Situations LP*	5,000,000	26.32	6,255,000	18.42
HSBC Global Nominees a/c 811664	nil	nil	2,545,455	7.50

* Held by nominees, Morstan Nominees Limited, on behalf of RAB Capital Special Situations LP. Includes 2,000,000 Ordinary Shares currently held by ResourceWorks Limited, in respect of which settlement is expected to occur on or about 28 May 2004.

(b) Save as disclosed in paragraphs 5.1(a), 5.1 (c) and 5.2(a) above and in Part I of this Document, and insofar as the Company has the information, the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

6. Additional information on the Directors

6.1 The directorships and partnerships of the Directors currently held and held over the five years preceding the date of this Document (other than directorships of the Group companies) are as follows:-

Director	**Current directorships and partnerships**	**Past directorships and partnerships**
Christopher Eager	Croma Corporate Pty Limited Monterrico Metals Plc	
Jonathan Malins	Bowmaker Management Limited Cambrian Mining Plc East Rand Gold Resources Plc EIE Plc Logical Investments Limited London & Globe Securities Limited London & Mercantile Holdings Plc Miranda Mining Limited OreVest Plc Rothesay Securities Plc White Star Investments Limited	Aurora Trading & Investment Limited Big Mistake Limited Bio Waste Products (Europe) Limited Brif Management Limited British-Russian Investment Fund Plc Cambrian Forestry Products Plc Capital Property Company Limited Capital Representatives Limited East European Development Limited Gallery Publishing Limited General Overseas Limited Hanover Capital Group Plc London Equipment Suppliers Limited Net Payments Limited Oak Media Plc Risco International Limited Stokes International Limited Tekpro Project Consultants Limited Thurloe Corporate Finance (UK) Limited Thurloe Internet Services Ltd Timbaplus Limited Tyche Investments Limited Volto Limited

Director	Current directorships and partnerships	Past directorships and partnerships
David Lenigas	BM Diamondcorp Inc Deepgreen West Virginia Inc River Diamonds Limited	Pinnacle VRB Limited
Michael Frayne	Resource & Capital Management Pty Limited	Eureka Mining Plc
Laith Reynolds	Asia Energy (Bangladesh) Pty Limited Asia Energy Corporation Pty Limited Deepgreen Minerals Corporation Limited Pan Asian Corporation Limited ProBio Inc. ProBio International Holdings Pty Ltd Reynolds Securities Pty Ltd	American Tropical Plants Inc ICM Marketing Inc Integrated Coffee Technologies Inc Mid Pacific Plantations Inc Reynorg Management Inc

6.2 None of the Directors has:

(a) any unspent convictions in relation to indictable offences;

(b) been declared bankrupt or been the subject of an individual voluntary arrangement;

(c) been a director of a company which, while he was a director or within 12 months of his ceasing to be a director, had a receiver appointed, entered into compulsory liquidation, entered into a creditors' voluntary liquidation, entered into administration, entered into a company voluntary arrangement or made any composition or arrangement with its creditors generally or with any class of its creditors;

(d) been a partner in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, entered into compulsory liquidation, administration or a partnership voluntary arrangement;

(e) owned any asset or been a partner in a partnership which, while he owned that asset or was a partner or within 12 months after his ceasing to own that asset or be a partner, entered into receivership;

(f) been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies); or

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

6.3 No Director has, or has had, any interest in any transaction, which is or was unusual in its nature or conditions or significant in relation to the business of the Company and which has been effected by the Company since its incorporation and remains in any respect outstanding or unperformed.

6.4 There are no loans or guarantees provided by any member of the Group for the benefit of any Director.

7. Directors' Service Agreements and Emoluments

7.1 Christopher Eager was appointed as a Director under the terms of an engagement letter dated 30 March 2004. Under the terms of the engagement letter Mr Eager will be paid £24,000 per annum and the terms of the engagement letter are automatically continued upon the re-election of Mr Eager at any general meeting of the Company.

Under the terms of the engagement letter Mr Eager will at all times act in the best interests of the Company and shall maintain confidentiality on all aspects of the Company and the Group's activities and intellectual property. Either party may give three months' notice of cancellation of the engagement and the Company can terminate the engagement under certain circumstances and Mr Eager will resign immediately upon any termination.

7.2 Laith Reynolds was appointed as a Director under the terms of a service agreement dated 30 March 2004. Under the terms of the service agreement Mr Reynolds will be paid £24,000 per annum and the terms of the service agreement are automatically continued upon the re-election of Mr Reynolds at any general meeting of the Company.

Under the terms of the service agreement Mr Reynolds will at all times act in the best interests of the Company and shall maintain confidentiality on all aspects of the Company and the Group's activities and intellectual property. Either party may give three months' notice of cancellation of the service agreement and the Company can terminate the service agreement under certain circumstances and Mr Reynolds will resign immediately upon any termination. Under the terms of the service agreement Mr Reynolds has been granted 500,000 Options.

In addition Mr Reynolds, under the terms of a management services agreement entered into between Mr Reynolds and the Company on 30 March 2004, has been engaged for a minimum period of 18 months from the date of Admission to provide certain services to the Company. The management services agreement can be terminated by either party giving 6 months' notice. The terms of the agreement provide for an annual payment of £80,000 less any remuneration paid under the service agreement described above.

7.3 David Lenigas was appointed as a Director under the terms of a service agreement dated 30 March 2004. Under the terms of the service agreement Mr Lenigas will be paid £24,000 per annum and the terms of the service agreement are automatically continued upon the re-election of Mr Lenigas at any general meeting of the Company.

Under the terms of the service agreement Mr Lenigas will at all times act in the best interests of the Company and shall maintain confidentiality on all aspects of the Company and the Group's activities and intellectual property. Either party may give three months' notice of cancellation of the service agreement and the Company can terminate the service agreement under certain circumstances and Mr Lenigas will resign immediately upon any termination. Under the terms of the service agreement Mr Lenigas has been granted 500,000 Options.

In addition Mr Lenigas, under the terms of a management services agreement entered into between Mr Lenigas and the Company on 30 March 2004, has been engaged for a minimum period of 18 months from the date of Admission to provide certain services to the Company. The management services agreement can be terminated by either party giving 6 months' notice. The terms of the agreement provide for an annual payment of £80,000 less any amounts paid as remuneration under the service agreement described above.

7.4 Michael Frayne was appointed as a Director under the terms of a service agreement dated 30 March 2004. Under the terms of the service agreement Mr Frayne will be paid £24,000 per annum and the terms of the service agreement are automatically continued upon the re-election of Mr Frayne at any general meeting of the Company.

Under the terms of the service agreement Mr Frayne will at all times act in the best interests of the Company and shall maintain confidentiality on all aspects of the Company and the Group's activities and intellectual property. Either party may give three months' notice of cancellation of the service agreement and the Company can terminate the service agreement under certain circumstances and Mr Frayne will resign immediately upon any termination. Under the terms of the service agreement Mr Frayne has been granted 500,000 Options.

In addition RCM Asia Limited, a company that provides the services of Mr Frayne, has entered into a management services agreement with the Company on 30 March 2004. Under the terms of the management services agreement RCM Asia Limited has been engaged for a minimum period of 18 months from the date of Admission to provide certain services to the Company. The management services agreement can be terminated by either party giving 6 months' notice. The terms of the agreement provide for an annual payment of £80,000 less any remuneration paid under the service agreement described above.

7.5 Jonathan Malins was appointed as a Director under the terms of a engagement letter dated 30 March 2004. Under the terms of the engagement letter Mr Malins will be paid £24,000 per annum and the terms of the engagement letter are automatically continued upon the re-election of Mr Malins at any general meeting of the Company.

Under the terms of the engagement letter Mr Malins will at all times act in the best interests of the Company and shall maintain confidentiality on all aspects of the Company and the Group's activities and intellectual property. Either party may give three months' notice of cancellation of the engagement and the Company can terminate the engagement under certain circumstances and Mr Malins will resign immediately upon any termination. Under the terms of the engagement letter Mr Malins has been granted 200,000 Options.

7.6 The remuneration or benefits in kind which have been granted by the Company to the Directors prior to the date of this Document amount to £34,000. The aggregate remuneration and benefits in kind which the Company estimates will be granted to the Directors under the arrangements in force at the date of this Document in the current financial period is £106,000.

7.7 Save as disclosed in this Part V, there are no existing or proposed service agreements, consultancy agreements or other contracts between the Directors and the Company.

8. Warrants

8.1 The Company has as at the date of this Document granted warrants over Ordinary Shares to W H Ireland:

Date of Grant	Number of Ordinary Shares	Exercise Price	Exercise Period
Admission	1,358,386	Placing Price	5 years from the date of Admission

8.2 Warrants may be exercised in whole or in part until the expiry of the exercise period. W H Ireland is entitled to receive notice of certain proposed transactions or events of the Company which may dilute or otherwise affect the Warrants, and may exercise or be deemed to have exercised the Warrants prior to the occurence thereof. The Company shall keep available sufficient authorised but unissued share capital to satisfy the exercise of Warrants. Ordinary Shares issued pursuant to an exercise of Warrants shall rank *pari passu* in all respects with the Company's existing Ordinary Shares save as regards any rights attaching by reference to a record date prior to the receipt by the Company of the notice of exercise of Warrants. The Company shall apply to admit to trading on AIM the Ordinary Shares issued pursuant to the exercise of Warrants.

9. Principal Subsidiaries, Associates and other Investments

9.1 The Company is the holding company of the Group and at the date of this Document has the following subsidiaries:

Name of Company	Address of registered office	Issued share capital	Nature of business	Country of incorporation	Shareholder
Asia Energy Corporation Pty Limited	Level 9 175 Collins Street Melbourne Victoria 3000 Australia	A$13,750,000	Mineral exploration	Australia	The Company (100%)
Asia Energy Corporation (Bangladesh) Pty Limited	Level 9 175 Collins Street Melbourne Victoria 3000 Australia	A$1	Mineral exploration	Australia	AEC (100%)
Pan Asian Corporation Limited	SF Ahmed & Co House-25 Road 13A Block D Banani Dhaka-1213 Bangladesh	Taka 100,000	Mineral exploration	Australia	AEC (99.9%) and Deepgreen (0.1%)*

* Held under a declaration of trust in favour of AEC.

9.2 Save as disclosed at paragraph 9.1 of this Part V, the Company has no subsidiary undertakings, associates or other investments.

10. Taxation

The following statements are intended only as a general guide to certain aspects of current tax law and UK Inland Revenue Practice, both of which are subject to change. The statements apply only to shareholders who are beneficial owners of Ordinary Shares and hold such securities for investment purposes, and not to dealers in securities.

Prospective subscribers for or purchasers of Ordinary Shares who are in any doubt about their tax position and, in particular, those who are subject to taxation in a jurisdiction other than the UK, are strongly advised to consult their own professional adviser. The statements below are not intended to be, nor should they be considered, legal or tax advice.

10.1 *Taxation of Dividends*

(a) Withholding Tax

There is no requirement to withhold tax at source on Asia Energy PLC when paying a dividend in respect of the Ordinary Shares (a “dividend payment”).

(b) UK Residents

An individual shareholder who is UK tax resident and receives a dividend payment will generally be entitled to a tax credit, which he or she can set off against his or her income tax liability on the dividend payment. This tax credit (the “tax credit”) will equal 10 per cent. of the aggregate of the dividend payment and the tax credit (the “gross dividend”) or one-ninth of the dividend payment. An individual shareholder who, taking account of the gross dividend he or she receives, is liable to income tax at the basic or starting rate will pay income tax at 10 per cent. on the gross dividend so that the tax credit will satisfy his or her income tax liability on the dividend payment. An individual shareholder must, to the extent that his or her income, including the gross dividend, exceeds the threshold for higher rate income tax, pay income tax at 32.5 per cent. on the gross dividend. After deducting the tax credit, he or she will therefore have to account for additional income tax equal to 22.5 per cent. of the gross dividend.

UK residents who are not liable to income tax, including pension funds and charities, will not be entitled to claim repayment of tax credits attached to the dividend payments. In lieu of this entitlement, charities will generally be entitled to limited compensation until 5th April 2004. UK tax resident corporate shareholders will generally not be subject to corporation tax on dividend payments from another UK tax resident corporate. Corporate shareholders will not, however, be able to claim repayment of tax credits attaching to the dividend payments.

(c) Non-UK Residents

Non-UK resident shareholders should consult their own tax advisers in respect of their tax liabilities on dividend payments. Specific advice should always be sought.

10.2 *Taxation of Chargeable Gains*

A disposal of Ordinary Shares by a shareholder who is (at any time in the relevant UK tax year) resident or, in the case of an individual at the time of disposal, tax resident or ordinarily resident for tax purposes in the UK, or who is not UK-resident but carries on a trade, profession or vocation in the UK through a permanent establishment (or a branch or agency in the case of an individual) to which the Ordinary Shares are attributable, may, depending on the shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains. A shareholder who is an individual and who is temporarily non-UK resident may, in certain circumstances, be subject to tax in respect of gains realised whilst he or she is not resident in the UK. Persons who are in doubt about their tax position should consult their own professional adviser.

10.3 *Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

(a) No liability to stamp duty or SDRT should arise on the allotment of the Ordinary Shares by the Company.

(b) Subsequent sales of Ordinary Shares inside CREST will generally be liable to SDRT at the rate of 0.5 per cent of the amount or value of the consideration.

(c) Subsequent sales of Ordinary Shares outside CREST will also generally be liable to SDRT at the rate of 0.5 per cent. of the amount or value of consideration. An instrument to transfer (stock transfer form) will normally be liable to ad valorem stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration, the stamp duty being rounded up to the nearest whole £5 above. However, where an instrument of transfer which completes an unconditional agreement to transfer shares is duly stamped within six years after the agreement was entered into (or it became unconditional), the stamp duty paid will cancel the SDRT liability and any SDRT paid can be recovered.

The information above is a general summary of certain tax provisions and should not be construed as constituting advice. Potential investors should obtain advice from their own investment or taxation adviser.

11. Working Capital

The Directors are of the opinion, having made due and careful enquiry, and taking into consideration the net proceeds receivable by the Company pursuant to the Placing, that the working capital available to the Company and to the Group will, from Admission, be sufficient for its present requirements, that is, for at least twelve months from the date of Admission.

12. Litigation

There are no legal or arbitration proceedings active, threatened or pending against, or being brought by, any member of the Group which are having or may have a significant effect on the Company's or Group's financial position.

13. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by a member of the Group or are otherwise relevant to the Group and are, or may be, material:

13.1 A share sale agreement dated and completed on 18 December 2003 between the Company and Deepgreen, AEC and AECB by which Deepgreen sold, or procured the sale as agent of, the whole of the issued share capital of AEC to the Company. The consideration for the acquisition comprised the issue of 13,750,000 Ordinary Shares, the assumption by the Company of certain liabilities of AEC and AECB amounting to approximately A$232,000 and the grant by the Company of royalty payments of US$1 per tonne in respect of each tonne of coal produced by the Phulbari coal deposit sold and/or consumed, subject to the terms of a royalty deed referred to at paragraph 13.2 of this Part V.

13.2 A royalty deed dated 26 August 2003 between AECB, Deepgreen and AEC, by which AECB granted to Deepgreen a royalty in consideration of the assumption by Deepgreen of AECB's liability to pay royalties to BHP under the sale agreement between BHP and AECB referred to in paragraph 13.5 of this Part V. AECB is obliged to pay to Deepgreen a royalty of US$1 for each tonne of coal produced from the Phulbari coal deposit and sold by, or on behalf of, AECB. Deepgreen indemnifies AECB in respect of any liability or claim in connection with the payment of royalties to BHP under the sale agreement. AEC guarantees AECB's payments to Deepgreen under this deed, and indemnifies Deepgreen in respect thereof. Any transfer or assignment by AECB of any of its exploration or mining rights is subject to the transferee entering into a deed of covenant by which the transferee agrees to be bound by and to observe the provisions of the royalty deed.

13.3 Contract number 11/C-94 between the Government and BHP dated 20 August 1994 (the "Contract"), under which the parties established the terms of prospecting licences and the form of mining lease, and established the form of an investment agreement to be executed simultaneously, which is described in paragraph 13.4 of this Part V. BHP's rights, interests and obligations under this agreement were assigned and transferred to AECB pursuant to the sale and purchase agreement and the assignment agreement referred to in paragraphs 13.5 and 13.6 of this Part V. BHP obtained licences in respect of Licence Areas "B" and "G" on 15 January 1995 and 9 January 1997 respectively, and AECB obtained a licence in respect of Licence Area "H" on 15 August 2002, subject to the terms of the Contract.

The agreement provides that AECB has the first right to obtain a mining lease in respect of areas over which a prospecting licence has been granted pursuant to the Contract.

Under the form of prospecting licence the Government grants to AECB the sole right and licence to prospect and explore within specifically licensed areas and to remove coal samples for testing. AECB has given various covenants regarding the conduct of exploration, including payment of annual fees. AECB may not dispose of any right or interest under the licence without prior approval of the Government. The Government has reserved certain rights in respect of the mining areas, including the power to appropriate operations in the event of a state of war or grave national emergency on payment of appropriate compensation, and the power to revoke licences in the event of breach. AECB has the right to renew the licences on an annual basis. Licences will terminate if the licensee is controlled by an individual from or company incorporated in any country which does not allow reciprocal Bangladeshi participation in mining concessions.

Under a mining lease, the Government will grant rights to the prospecting licence holder in respect of all the coal within the licensed areas for a period of 30 years, subject to payment of annual fees and to compliance with the conditions of the lease. The lessor will be granted all necessary rights over land to establish mining operations, and will be obliged to comply with various covenants in connection with the conduct of mining operations and post-operational matters, including undertaking a feasibility study within 24 months of the date of grant of the mining lease and commencing mining operations within 36 months of such date, provided that it shall not be required to mine where the market price of coal is such that mining would be unprofitable. The lessee has the right to renew the lease for further terms not exceeding ten years. The Government has reserved certain rights, including a first option to acquire coal produced at a mutually agreeable price, the right to appropriate the mining operations in the event of national emergency or war, subject to payment of fair compensation, and the power to revoke the lease in the event of arrears of fees, breach of the terms of the lease or insolvency of the lessor.

13.4 An investment agreement between the Government and BHP dated 20 August 1994, by which the parties thereto established the fiscal, monetary and economic terms relating to the investments made and to be made under the prospecting licences and the mining lease agreements. BHP's rights, interests and obligations under this agreement were assigned and transferred to AECB pursuant to the sale and purchase agreement and the assignment agreement referred to in paragraphs 13.5 and 13.6 of this Part V. AECB is entitled to import supplies necessary to support its operations, subject to an import duty of 2.5 per cent. of the value thereof and to prior approval of Bangladeshi authorities as to the actual materials proposed to be imported. AECB is entitled, subject to the terms of the mining lease, to freely take, receive and market coal mined pursuant to the mining lease, and may export such coal free of duty and fees. AECB is obliged to sell such coal on the best market terms. Following commencement of "commercial production" (as defined in the agreement), AECB is obliged to pay on 1 January and 1 July in each calendar year a royalty at the rate of 6 per cent. of the sale value in US$ of all coal produced and sold pursuant to the mining lease by AECB during the preceding half year; "sale value" means the price received by AECB less overheads (as set out in the agreement). The Government has the right to receive its royalty in kind. Subject to the following, AECB must pay corporate income tax of 45 per cent. on all profits received or accrued and a tax of 5 per cent. on the amount of any dividend payment. The corporate income tax is relieved by a 9-year holiday from the date of commencement of commercial production and further deductions and allowances. The agreement contains a guarantee that the financial and taxation provisions set out in the agreement will remain in force during the term of the prospecting licences and mining leases, provided that any more beneficial terms introduced by the Government will apply to it.

13.5 A sale and purchase agreement between BHP and AECB dated 20 December 1997, under which BHP sold and transferred to AECB its rights and interests in the Contract, the investment agreement, the Licence Area "B" and the Licence Area "G" and various studies and other items of know-how relating to the exploration area. The consideration payable by AECB comprised US$250,000 plus a royalty of 1 per cent. of the value of the first 8 million tonnes of coal produced from the mining area less expenses, payable on the 1 January and 1 July in each year in respect of sales in the preceding six months.

13.6 An assignment agreement dated 11 February 1998 between the President of Bangladesh represented by the Director of the Bureau of Mineral Development and AECB, by which the Government agreed to the assignment to AECB of the rights and interests of BHP under the Contract, the investment agreement and the Exploration Licences pursuant to the sale and purchase agreement. AECB agrees to observe and perform all the obligations and covenants of BHP thereunder.

13.7 An agreement dated 19th December 2003 (as amended) made between the Company and W H Ireland under which the Company has appointed W H Ireland as Nominated Adviser to the Company. The Company has given certain representations, warranties and indemnities as to the accuracy of the information given in this Document and other matters in relation to the Company and its business. In consideration for their service the Company will pay a fee of £60,000 for the initial fundraising and advice. Further an annual advisory fee of £15,000 will be paid to W H Ireland. Furthermore, the Company will issue to W H Ireland Warrants pursuant to the Warrant Instrument.

13.8 An agreement dated 19th December 2003 made between the Company and W H Ireland under which the Company has appointed W H Ireland as Broker to the Company. The Company has given certain representations, warranties and indemnities as to the accuracy of the information given in this Document and other matters in relation to the Company and its business. In consideration for their service the Company will pay an annual fee of £10,000. The Company will also pay to W H Ireland an amount equal to 5 per cent. of the monies which W H Ireland procures pursuant to the Placing. The Placing Agreement contains representations, warranties and indemnities given by the Company and the Directors to W H Ireland and also contains provisions entitling W H Ireland to terminate its obligations thereunder in certain circumstances prior to Admission.

13.9 A Placing Agreement dated 30 March 2004 entered into between the Company, the Directors and W H Ireland pursuant to which W H Ireland will use reasonable endeavours to procure subscribers for the Placing Shares. The Placing Agreement contains warranties and indemnities given by the Company and the Directors to W H Ireland and also contains provisions entitling W H Ireland to terminate its obligations thereunder in certain circumstances prior to Admisson.

14. General

14.1 The financial information in respect of the Company for the three months period ended 31 December 2003 as set out in Part IV of this Document does not constitute full statutory accounts as referred to in section 240 of the Act. Small company accounts have not been delivered to the Registrar of Companies.

14.2 There are no persons (excluding professional advisers disclosed in this Document and trade suppliers) who, directly or indirectly, have received, from the Company within the 12 months preceding this Document, nor have they entered into contractual arrangements to receive, directly or indirectly, from the Company, on or after Admission fees totalling £10,000 or more or any securities in the Company with a value of more than £10,000 (calculated with reference to the Placing Price), or any other benefit with a value of £10,000 or more at the date of Admission.

14.3 The expenses of or incidental to the Placing payable by the Company are estimated to amount to approximately £805,000 (excluding VAT). The net proceeds receivable by the Company are estimated to be approximately £10.42 million.

14.4 Ernst & Young LLP have given and have not withdrawn their written consent to the inclusion in Part IV of this Document of their report and references to the report and to their name in the form and context in which they are included and they have authorised the contents of their report for the purposes of regulation 13(1)(g) of the POS Regulations 1995 and accept responsibility for it.

14.5 Ernst & Young have given and have not withdrawn their written consent to the inclusion in Part IV of this Document of their report and references to the report and to their name in the form and context in which they are included and they have authorised the contents of their report for the purposes of regulation 13(1)(g) of the POS Regulations 1995 and accept responsibility for it.

14.6 GHD have given and have not withdrawn their written consent to the inclusion in Part III of this Document of their report and references to the report and to their name in the form and context in which they are included and they have authorised the contents of their report for the purposes of regulation 13(1)(d) of the POS Regulations 1995 and accept responsibility for it.

14.7 W H Ireland has given and has not withdrawn its written consent to the issue of this Document with the inclusion of its name in the form and context in which it appears.

14.8 Save for remuneration received in respect of services rendered to the Company, no payment or other benefits have been paid or given or are now proposed to be paid or given to any promoter.

14.9 Save as disclosed in this Document the Directors are not aware of any exceptional factors which have influenced the Company's activities.

14.10 At the date of this Document the Company has no intention to make any new principal investments save as set out herein.

14.11 The Placing Price represents a premium over nominal value of 65 pence per Ordinary Share.

14.12 Save as disclosed in this Document, there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business.

14.13 The minimum amount which, in the opinion of the Directors, must be raised and receivable by the Company pursuant to the Placing to provide the sums required in respect of the matters specified in paragraph 21 of Schedule 1 to the POS Regulations is £10 million which will be applied as follows:

(a) the purchase of any property purchased or to be purchased – £nil;

(b) the payment of preliminary expenses payable by the Company and commissions payable in relation to the Placing – £805,000 excluding VAT;

(c) the repayment of money borrowed by the Company in respect of (a) or (b) above – £nil;

(d) working capital – £9.2 million including payments to Deepgreen of £45,000 and BHP of £90,000.

There are no amounts to be provided otherwise than from the proceeds of the Placing in respect of the matters specified in paragraphs 21(a) (i) to (iv) of Schedule 1 to the POS Regulations.

Date: 31 March 2004

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