

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

The Directors of the Company whose names appear on page 5 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 there are no other facts the omission of which would affect the import of such information. All the Directors accept responsibility accordingly. In connection with Admission, no person is authorised to give any information or make any representation other than as contained in this document.

This document has been drawn up in accordance with the PLUS Rules for Issuers. The contents of this document have not been approved by an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000.

The share capital of the Company is not presently listed or dealt in on any stock exchange. It is intended that an application will be made for all the Ordinary Shares of the Company to be admitted to trading on PLUS. It is expected that such admission will become effective on 17 December 2007. It is emphasised that no application is being made for the admission of the Ordinary Shares to the Official List of the UK Listing Authority or to trading on AIM or on the PLUS-listed Market.

PLUS is a market operated by PLUS Markets plc incorporating a primary market for the shares of small and medium companies (known as PLUS-quoted securities). PLUS-quoted securities are not listed and the market is not classified as a Regulated Market under EU financial services law. An investment in the shares of smaller companies tends to involve a higher investment risk than more mature companies. If you are in any doubt about the contents of this document you should consult a person authorised by the FSA to provide investment advice.

Lotus Resources Plc

(Incorporated in England and Wales under the Companies Act 1985 with registered number 5890789)

ADMISSION TO TRADING ON PLUS

PLUS Corporate Adviser

VSA Capital Limited

(Regulated and authorised by the Financial Services Authority)

SHARE CAPITAL ON ADMISSION

<i>Amount</i>	<i>Authorised</i> Number		<i>Amount</i>	<i>Issued</i> Number
£10,000,000	1,000,000,000	Ordinary Shares of £0.01 each	£307,174.13	30,717,413

VSA Capital Limited, which is regulated and authorised by the Financial Services Authority, is the Company's Corporate Adviser in connection with Admission for the purposes of the PLUS Rules. VSA Capital Limited has not made its own enquiries except as to matters which have come to its attention and on which it considered it necessary to satisfy itself and accepts no liability whatsoever for the accuracy of any information or opinions contained in this document, or for the omission of any material information, for which the Directors are solely responsible.

The advisers named on page 5 are acting for the Company and for no one else in relation to the arrangements proposed in this document and will not be responsible to anyone other than the Company for providing the protections afforded to clients of such advisers or for providing advice to any other person on the content of this document.

The text of this document should be read as a whole. This document is not an offer to purchase shares in the Company. An investment in Lotus Resources Plc involves a high degree of risk and, in particular, attention is drawn to Part II of this document, entitled "Risk Factors". All statements regarding the Company's business, financial position and prospects should be viewed in light of such Risk Factors. An investment in the Company may not be suitable for all recipients of this document. Prospective investors should consider carefully whether an investment in the Company is suitable for them in light of their personal circumstances and the financial resources available to them.

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DEFINITIONS

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

"Act"	the Companies Act 2006 and those sections of the Companies Act 1985 which remain in force
"Admission"	admission of the Ordinary Shares to trading on PLUS
"AIM"	the market of that name operated by London Stock Exchange plc
"Articles"	the articles of association of the Company
"AusIMM"	the Australian Institute of Mining and Metallurgy
"Lotus Resources" or "Company"	Lotus Resources Plc
"Board"	the board of directors of the Company
"China"	the People's Republic of China
"City Code"	the City Code on Takeover and Mergers
"CREST"	the computerised settlement system to facilitate the transfer of title to shares in uncertificated form operated by Euroclear UK & Ireland Limited
"Directors"	the directors of the Company, whose names are set out on page 4
"FSA"	Financial Services Authority
"FSMA"	The Financial Services and Markets Act 2000
"Group"	the Company and its wholly owned subsidiary, Lotus Resources (Xin Zhuang) Limited (a company registered in Hong Kong)
"IRR"	internal rate of return, being the discount rate which when applied to capital invested produces a net present value of zero
"JORC"	the Joint Ore Reserves Committee Code, as issued by AusIMM. A code of practice which sets minimum standards for public reporting of exploration results, mineral resources and ore results
"NI43-101"	National Instrument 43-101, a rule developed by the Canadian Securities Administrators governing the disclosure of scientific and technical information concerning mineral projects
"PLUS"	the PLUS-quoted Market operated by PLUS MARKETS
"PLUS MARKETS"	PLUS Markets plc
"PLUS Rules"	the PLUS Rules for Issuers as amended or extended from time to time
"Ordinary Shares"	ordinary shares of £0.01 each in the capital of the Company
"Starvest"	Starvest Plc (Company number 3981468)
"Takeover Panel"	The Panel on Takeovers and Mergers
"UK"	the United Kingdom of Great Britain and Northern Ireland

"UK Listing Authority"	the FSA acting in its capacity as the competent authority for the purposes of Section 72 of FSMA
"VSA Capital"	VSA Capital Limited
"Warrants"	the conditional warrants granted by the Company to Starvest entitling Starvest to subscribe for up to 19,995,000 Ordinary Shares, as described in more detail at paragraph 2.5 of Part IV of this document

DIRECTORS, SECRETARY AND ADVISERS

Directors	Simon Longworth James Benson Ian Wang Luka Lu	<i>Chief Executive Officer</i> <i>Finance Director</i> <i>Non Executive</i> <i>Non Executive</i>
Company Secretary	James Benson	
Registered Office	3 Sheldon Square LONDON W2 6PS	
Corporate Adviser	VSA Capital Limited 43 London Wall London EC2M 5TF T: 020 7628 3989 F: 020 7920 0563	
Solicitors to the Company	Burges Salmon LLP Narrow Quay House Narrow Quay Bristol BS1 4AH	
Accountants and Auditors	Mazars LLP 3 Sheldon Square London W2 6PS	
Bankers	HSBC plc 69 Pall Mall St James's LONDON SW1Y 5EY	
Registrars	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN	

PART I
INFORMATION ABOUT THE COMPANY

Business Overview

Lotus Resources Plc's core business is to identify and acquire (either wholly or through joint ventures) mining and exploration companies in China whose operations are not currently realising their full potential, and/or the properties of which offer scope to identify additional resources through further exploration.

The Company's objective is to build a medium scale mining and exploration company within 3 years with a balanced portfolio of properties and product commodities. As such the Company intends to be an active investor.

The Board and Operational Committee have many years experience of the mining industry in China and in other countries. The core competencies of the team cover the skills needed to identify, develop and operate projects and to maximise project value. These include:

- Evaluation (for exploration prospectivity and project development).
- Exploration.
- Finance (both debt and equity).
- Development.
- Production.
- Asset optimisation and delivery of value.
- Application of relevant technologies.
- Technical, operational and corporate management.

In the view of the Directors, the mining industry in China is ready for consolidation. This factor and the characteristics of the Chinese mining industry represent a significant opportunity to build a substantial mining portfolio at relatively low cost. It is the intention of the Directors to build a portfolio of mining and exploration properties that will generate early cashflow from production. The portfolio will cover a range of minerals for which in the opinion of the Directors there is strong current and forecast future demand with a focus on gold and non-ferrous metals. Projects in the wider mineral resources sector may also be considered if they are suitably attractive.

The mining properties of interest to the Company will have some or all of the following characteristics:

- Potential to improve efficiency and productivity.
- Potential to maximise the recovery of existing resources.
- Potential to add to existing resources through further exploration.

In pursuing this strategy Lotus Resources intends also to capitalise on the current low cost base of the Chinese mining industry. In particular the Company will, as far as possible, use Chinese expertise and technology, and employ Western expertise or technology only where it can demonstrably add value.

Lotus Resources has a target IRR of 30 per cent. for the projects that it has under consideration. The Directors consider this to be a high but not unrealistic level, and reflects both the exploration and mining risk common throughout the industry, and the particular risk factors associated with doing business in China.

In order to be able to maintain tight managerial control over its operations the Directors plan that the geographical focus of the Company's operations will initially be restricted to provinces in North and North East China. These provinces all have a well established mining industry with, in the opinion of the Directors, many properties that meet the Company's selection criteria, and have the advantage of good infrastructure and being readily accessible. However the Company is prepared to take on projects in other parts of China if the opportunity is suitably attractive.

Implementation

Lotus Resources has a highly experienced Board of Directors and Operational Committee, the majority of whom are based in China, with substantial experience of the mining industry in China. As a result, the Company has an extensive network of contacts which it intends to exploit to identify suitable potential projects for evaluation.

The Company currently has a number of projects under review, and the priority now is to screen and prioritise these opportunities. As such therefore there are no investments in progress.

Equally, there is no current dependence on licenses, patents or new manufacturing processes. However, as stated under the section "Risk Factors", nearly all the projects will require Chinese Government approval including the issue of mining licenses.

It is the Directors' current intention that Lotus Resources will only take a majority interest in any project in order to acquire operational control.

Lotus Resources recognises the perceived immaturity of business processes and practices in China when judged against Western standards. Proof of ownership, license transparency, reliability of data, calculation of reserves/resources, and financial records are all areas of potential concern. To address these issues, the Company would expect to undertake thorough due diligence in order to identify and reduce the commercial uncertainty associated with a project at the earliest possible stage.

Future Policy

Lotus Resources intends to achieve growth and add value by pursuing a policy of acquisitions as well as adding resources through further exploration. Although the Company intends to acquire at least some assets that are already in production, and therefore benefit from positive cashflow at an early stage, it is in the opinion of the Directors unlikely that this will be adequate to fund fully the anticipated programme of acquisitions and exploration. This will require further raising of funds, which it is expected will be achieved by way of the issue of additional Ordinary Shares.

Organisational Structure

Lotus Resources (Xin Zhuang) Limited, a company incorporated in Hong Kong, is a wholly owned subsidiary of Lotus Resources. Lotus Resources (Xin Zhuang) Limited has never traded and has no assets (save for the amount subscribed for its issued share capital) or liabilities.

Risk Factors

Your attention is drawn to the risk factors set out in Part II of this document. Potential investors should carefully consider the risks described in Part II before making a decision to invest in the Company.

Reasons for Admission

The Directors believe that the benefits of being listed on PLUS include:

- raising the Company's profile;
- the increased potential to raise further funds in the future, either to enable a proposed acquisition or investment to be completed and/or to raise additional working capital or development capital for the Company once the acquisition or investment has been completed; and
- the increased potential to attract high quality directors and employees by offering share options at some time in the future. The Directors believe that the ability to grant options over shares traded on PLUS is potentially more attractive to directors and employees than the grant of options over unquoted shares.

The share capital of the Company is not presently listed or dealt in on any stock exchange. An application will be made for the Company's issued Ordinary Shares to be traded on PLUS. Dealings in the Ordinary Shares on PLUS are expected to commence on or around 17 December 2007. It is emphasised that no application is being made for the admission of the Ordinary Shares to the Official List of the UK Listing Authority, to trading on AIM or on the PLUS-listed Market.

The City Code

The City Code is issued and administered by the Takeover Panel. The Company is subject to the City Code and therefore its shareholders are entitled to the protection afforded by the City Code.

Under Rule 9 of the City Code when (i) a person acquires an interest in shares which (taken together with shares in which he and persons acting in concert with him are interested) carry 30 per cent or more of the voting rights of a company subject to the City Code, or (ii) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent of the voting rights of a company, but does not hold shares carrying more than 50 per cent of the voting rights of the company subject to the City Code, and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then in either case, that person together with the persons acting in concert with him, is normally required to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any class of transferable securities carrying voting rights (a "Mandatory Offer"). Offers for different classes of equity share capital must be comparable; the Takeover Panel should be consulted in advance in such cases.

On 14 June 2007 7,500,000 Ordinary Shares were issued and allotted, for cash, to Starvest (the "June Subscription"). Following the June Subscription Starvest held Ordinary Shares carrying approximately 33 per cent of the voting rights of the Company. In accordance with the City Code (and in the absence of a waiver from the Takeover Panel) Starvest is obliged, following the June Subscription, to make a Mandatory Offer at £0.01 per share.

Starvest has now agreed to subscribe for cash, and subject only to Admission, for an additional 7,500,000 Ordinary Shares (the "November Subscription") such that immediately following Admission Starvest will hold Ordinary Shares carrying approximately 48 per cent of the voting rights of the Company. In accordance with the City Code (and in the absence of a waiver from the Takeover Panel) Starvest will be obliged, following Admission, to make a Mandatory Offer at £0.03 per share (in the absence of any intervening acquisition of shares in the Company by Starvest at a higher price).

Furthermore, any exercise by Starvest of the Warrants (in whole or in part) will (in the absence of a waiver from the Takeover Panel) result in an obligation on Starvest to make a Mandatory Offer at £0.03 per share (in the absence of any acquisition of shares in the Company by Starvest, in the 12 months preceding the exercise, at a higher price). If Starvest exercised the Warrants in full (and should there be no other change in the number of shares issued by the Company), Starvest will hold approximately 69 per cent of the voting rights of the Company.

Notwithstanding the above, and following receipt of written waivers from the shareholders of the Company (other than Starvest) of the relevant protections afforded to them by the City Code, the Takeover Panel has confirmed that the obligation on Starvest to make a Mandatory Offer as a result of the June Subscription has been waived and that no such obligation will arise as a result of the November Subscription and/or exercise of the Warrants (in whole or in part).

Following Admission, Starvest will be interested in shares carrying 30 per cent or more of the Company's voting share capital but will not hold shares carrying more than 50 per cent of such voting rights and any

further increase in that interest in shares, otherwise than pursuant to exercise of the Warrants, will be subject to the provisions of Rule 9 of the City Code.

Following the exercise of the Warrants Starvest may hold more than 50% of the voting share capital and may accordingly increase its interest in the shares without incurring any obligation under Rule 9 to make a General Offer.

Taxation

Information regarding taxation in relation to Admission is set out in paragraph 12 of Part IV of this document. If you are in any doubt as to your tax position you should consult your own professional adviser immediately.

Lotus Resources has undertaken that it has entered into appropriate arrangements with one or more Approved Information Service approved by the Financial Services Authority to disseminate regulatory information to the market. This information is currently distributed by Bloomberg, Thomson Financial, Reuters, ADVFN, Telekurs and FT Interactive Data Europe. It is also available to private investors through the Internet at www.plusmarketsgroup.com and via other licensed Internet vendors.

Any individual wishing to buy or sell PLUS-quoted shares, must trade through a stockbroker regulated by the FSA, as the market cannot deal directly with the public.

Lock-In Arrangements

On Admission, the Directors (and persons connected with them as defined by section 346 of the Companies Act 1985) will be interested in 5,956,967 Ordinary Shares representing approximately 19.4 per cent of the issued share capital of the Company as at Admission.

Each of the Directors has undertaken to the Company that, in accordance with paragraph 10 of the PLUS Rules, save in limited circumstances with the prior written consent of PLUS, they and their connected persons will not during a period of twelve months from the date of Admission dispose of any interest in Ordinary Shares held by them.

Lotus Resources will make a sufficient number of shares available to satisfy public demand through the appointed marketmakers and VSA Capital.

Financial Information

Audited financial information for the period from the Company's date of incorporation to 31 May 2007 is set out in the attachment to this document.

The Company's accounting reference date is 30 September.

CREST

The Company's Articles permit the Company to issue shares in uncertificated form in accordance with the Uncertificated Securities Regulations 2001. Application has been made for the Ordinary Shares to be admitted to CREST upon Admission.

Directors

Simon Longworth BA MA MBA – Chief Executive Age: 49

Simon graduated with an honours degree in Philosophy and Psychology from Durham University. From 1977-1990 he served as an army officer in the UK, Northern Ireland, Germany, Cyprus and Zimbabwe. He subsequently worked as a business manager in the National Health Service and in Education. In 2003 Simon completed a Masters degree at Newcastle University in Chinese Language and Culture for Business. Subsequently he spent much of his time in China on behalf of Angus & Ross Plc, where he successfully negotiated and gained central government approval for their joint venture in Anhui Province. During this period Simon has developed an extensive network of contacts in Government and the mining sector in a number of different provinces.

Simon is resident in the UK and Beijing.

James Benson FCA - Finance Director Age: 56

James qualified with Ernst & Young, before moving to Jardine Matheson in Hong Kong. On returning to the UK James held senior financial positions in a number of international companies including Inchcape Plc, Allied Domecq Plc, Rolfe & Nolan Plc and latterly with FDUK Ltd. During this time he has gained extensive experience of financial management, strategic business planning, corporate restructuring, mergers and acquisitions and raising both debt and equity funding in both listed and unlisted companies.

James lives in Bristol.

Ian Wang BSc MSc PhD – Non Executive Director Age: 50

Dr Ian Wang is a highly qualified geologist who has specialised in ore deposits and geochemistry, structural geology and rock mechanics for more than 20 years.

Ian was born in China and is bilingual. He studied English at the Shanghai College of Foreign Languages in Shanghai, and received his Diploma of English Language in 1982. In the same year, he graduated with a

Bachelor of Science degree (first-class honours), majoring in geochemistry and ore deposits, from the Nanjing University, China. Ian also holds MSc and PhD degrees (1983 and 1987) in structural geology and rock mechanics from the Imperial College of Science and Technology, University of London.

For the past 14 years, Ian has pursued gold and other minerals projects in China, and has worked with several Australian companies on major oil and gas projects in China and in Australia. During that time he worked as a: (i) Research Scientist and Associate Professor with the Institute of Geology, Chinese Academy of Sciences; (ii) Exploration Geologist with Ausmindex Mineral Exploration; (iii) Senior Geologist and Regional Manager Asia with In-Situ Australia Pty Ltd; (iv) Operations Manager with Lowell Petroleum NL; (v) Manager with Molopo Australia NL; (vi) Senior Geologist and then Chief Explorationist with Sydney Gas Ltd; and Manager, China with Sino Gas & Energy Ltd. Ian has held senior project management and development roles, with responsibility for delivering programs involving tens of millions of dollars of expenditure.

In 1991, Ian was awarded the Chinese National Young Scientist Prize for his work in the areas of faulting behaviour, tectonic evolution and crustal structures in China and Tibet. He is a Fellow of the Geological Society, and a member of the Society of Petroleum Engineers (USA), the Petroleum Exploration Society of Australia, and the Australian Geological Society.

Ian lives in Beijing.

Luka Lu – Non Executive Director Age: 38

Luka studied law at Peking University before completing her legal training with an American law firm in Beijing. She then joined C&C Law Office, the first Chinese law firm to specialise in providing legal services, before founding her own law firm, Capital Associates.

Luka has substantial experience of providing legal advice to Western companies seeking to establish operations in China, either as a Joint Venture or as a Wholly Foreign Owned Enterprise. Her clients include many multi national companies, particularly in the mining, power and banking and financial services industries. She has also assisted a number of Chinese companies seeking to list on overseas stock exchanges, particularly in Hong Kong and New York.

Luka is a member of the China International Mining Group and in 2004 was instrumental in conducting the Mining Law Review undertaken by the CIMG in conjunction with the Chinese Ministry of Land and Resources.

Operational Committee

The Company has established an Operational Committee in Beijing to advise and assist in the identification, evaluation and operation of its projects in China. All members of the Committee are founding shareholders in Lotus Resources.

Dean O'Keefe BSc Age: 43

Dean is a qualified geologist, has post graduate qualifications in geostatistics, an unrestricted quarry manager's certificate of competency, is a qualified shot-firer and is a "Competent Person" as defined by the AusIMM, of which he is a member.

Dean worked for more than ten years in the exploration and mining sector throughout Australia and New Zealand, finally as a principal geologist. He has worked in exploration and production in eluvial, alluvial, placer and hard rock gold, copper and manganese operations. Resource companies for whom he has worked include Valiant Consolidated, where he was responsible for the exploration of 1,500 square kilometres of licences in West Australia, Acacia Resources and Macraes Mining, for whom he worked as Senior Mine Geologist in charge of several large gold mines.

Dean joined Micromine Pty Ltd in 1999. He managed the International Consulting Services Division for three years, working on projects around the world in metals, coal and coalgas. Dean is expert in the use of exploration, resource estimation and mine design software, having designed large sections of the MICROMINE program. Dean has evaluated many international minerals projects to JORC and NI43-101 standards.

In 2002 Dean moved to China to manage Micromine's Chinese operations which he then developed as a separate corporate entity. Since then he has successfully developed the Company's business in China, obtaining Chinese government approval for the use of MICROMINE program for resource and reserve estimation. More recently he has expanded their operations into Mongolia, obtaining government endorsement for the software to be used as the industry standard there.

Dean is resident in Beijing.

Nigel Clark BSc Age: 56

Nigel Clark graduated with a BSc in Geology from Manchester University in 1971. He has over thirty years experience in new business development and management in the precious and base metals industry. He started working for Billiton in Brazil as an Exploration Geologist, later as an Exploration Manager in Portugal and Indonesia, as well as General Manager of both underground and open-pit gold mines in Indonesia, Business Development Manager in Singapore and ultimately as General Manager in China. During this period he set up and managed Billiton's entry into exploration and development in China, signed two major joint venture contracts and guided the development of Billiton's other businesses (coal, aluminium, marketing) in China.

Nigel recently retired as the Managing Director of the British Chamber of Commerce in China. He is currently the Chairman of the China International Mining Group – an informal association which promotes international interests in the mining industry in China and is working with review groups on mining legislation, related tax issues and safety and environmental concerns. He is also executive Chairman of Central China Goldfields Plc.

Nigel has been a special advisor to the Yunnan Government for their socio-economic development since 2000 and on the Board of Governors for the British School in Beijing. He is also a keen mountaineer, currently attempting the ‘seven summits’ and raised US\$50,000 for a British charity operating a foster care programme in China, Care For Children, whilst attempting to climb Everest in 2005.

Nigel resides in Beijing.

Warrants

The Company has, subject to Admission, granted warrants to Starvest over 19,995,000 Ordinary Shares. The warrants are exercisable at any time during the 3 years following Admission at an exercise price of £0.03 per Ordinary Share. Further details of these arrangements are set out in paragraph 2.5 of Part IV.

The Company has also, subject to Admission, granted warrants to VSA Capital over 700,000 Ordinary Shares. The warrants are exercisable at any time during the 3 years following Admission at an exercise price of £0.03 per Ordinary Share. Further details of these arrangements are set out in paragraph 2.6 of Part IV.

Share Option Schemes

In order to retain and motivate directors and key employees, the Directors will at an appropriate time, consider adopting a suitable share option scheme or schemes, although no such schemes are presently in place.

Dividend policy

The current intention of the Directors is to aim for capital growth by increasing the value of the Company’s resource properties and not to pay dividends.

Corporate governance and internal controls

The Directors recognise the importance of sound corporate governance and intend in due course to observe the requirements of the Combined Code on Corporate Governance (as published by the Financial Reporting Council and commonly known as the ‘Combined Code’) to the extent they consider appropriate in light of the Company’s size, stage of development and resources. At present, due to the size of the Company, audit and risk management issues will be addressed by the entire Board. As the Company grows it is intended that

further appointments will be made to the Board. Audit and remuneration committees will be established and the Board will consider developing further policies and procedures which reflect the principles of good governance and the Combined Code.

The Company has adopted and will operate a share dealing code for Directors and senior executives under the same terms as the model code on Directors' dealings in securities, published from time to time by the UK Listing Authority.

In addition, the Company is obliged to comply with the provisions of the PLUS Rules, as amended from time to time, which govern the operation and administration of PLUS, including the arrangements for the admission of securities to PLUS and ongoing requirements following Admission.

PART II

RISK FACTORS

The Directors consider the following risks to be the most significant for potential investors in the Company. However, the risks listed do not necessarily comprise all those associated with an investment in the Company:

Exploration and Mining Risks

The business of exploration for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. The mineral deposits to be assessed by the Company may not contain economically recoverable volumes of resources. Should the mineral deposits contain economically recoverable resources then delays in the construction and commissioning of mining projects or other technical difficulties may result in the Company's current or future projected target dates for production being delayed or further capital expenditure being required.

The operations of the Company may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupational and health hazards, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, explosions and other acts of God. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. No assurance can be given that the Company will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

The occurrence of any of these hazards can delay activities of the Company and may result in liability. The Company may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities for which it was not responsible.

Mineral exploration is highly speculative in nature, involves many risks and frequently is unsuccessful. There can be no assurance that any mineralization discovered will result in proven and probable reserves being attributed to the Company. If reserves are developed, it can take a number of years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish ore reserves through drilling, to determine metallurgical processes to extract metals from ore and, in the cases of new properties, to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that the exploration programmes undertaken by the Company will result in any new commercial mining operations being brought into operation.

Reserve and Resource Estimates

Any future reserve and/or resource figures are estimates and there can be no assurances that they will be recovered or that they can be brought into profitable production. Reserves and resources estimates may require revisions based on actual production experience. Furthermore, a decline in the market price for metals or minerals that the Company may discover could render ore reserves containing relatively lower grades of these minerals uneconomic to recover and may ultimately result in a restatement of reserves.

No guarantee can be given as to the success of drilling programmes in which the Company has interests. In addition, drilling, development and production may be delayed or adversely affected by factors outside the control of the Company and the companies operating those drilling programmes.

Operational Risks

The availability of a ready market for products which may be sold by the Company depends upon numerous factors beyond its control, the exact effects of which cannot be accurately predicted.

All drilling to establish productive reserves is inherently speculative. The techniques presently available to technical specialists to identify the existence and location of resources are indirect and subject to a wide variety of variables which are subjective in nature. The business by its nature involves significant risks and hazards, including environmental hazards, industrial incidents, labour disputes, discharge of toxic chemicals, fire, drought, flooding and other acts of God. The occurrence of any of these hazards can delay or interrupt production, increase production costs and result in liability of the project. The Company could become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible.

Volatility of Commodity Prices and Currency Risks

Historically, prices have fluctuated widely and are affected by numerous factors over which the Company does not have any control, including world production levels, international economic trends, currency exchange fluctuations, expectations for inflation, speculative activity, consumption patterns and global or regional political events. The aggregate effect of these factors is impossible to predict.

Financing

The successful extraction of any precious and base metals may require very significant capital investment. In addition, delays in the construction and commissioning of any of the Company's mining projects or drilling projects or other technical difficulties may result in projected target dates for related production being delayed and/or further capital expenditure being required. In common with all mining and drilling operations, there is uncertainty, and therefore risk, associated with operating parameters and costs resulting from the scaling up of extraction methods tested in laboratory conditions. The Company's ability to raise further funds will depend on the success of existing and acquired operations. The Company may not be

successful in procuring the requisite funds and, if such funding is unavailable, the Company may be required to reduce the scope of its operations or anticipated expansion.

Environmental factors

The Company's operations will be subject to environmental regulation (including regular environmental impact assessments and permitting) in all the jurisdictions in which it operates. Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety.

Political and Economic - The China Risk

Projects in which the Company invests are likely to be in jurisdictions where legal uncertainties, ambiguities, inconsistencies and anomalies might arise which would not necessarily exist in the UK. In particular, the principal focus of the Company's business activities is in China.

China's economy differs from the economies of most developed countries in many respects, including government intervention; level of development; growth rate; control of foreign exchange; and allocation of resources.

State ownership

Although in recent years the Chinese Government has implemented economic reforms and reduced state ownership, in the opinion of the Directors, a substantial portion of productive assets in China is still owned by the Chinese Government. In addition, in the opinion of the Directors, the Chinese Government plays a significant role in regulating industry and exercises significant control over China's economic growth through the allocation of resources, control of foreign currency denominated obligations and setting monetary policy.

The Company's future earnings could be affected if the Chinese Government was to reverse recent trends and impose restrictions on Lotus Resources' business.

Government economic intervention

The Chinese Government has implemented various measures from time to time to control the rate of economic growth. Some of these measures may benefit the overall economy of China, but may have a negative effect on the Company. For example, the Company's operating results and financial position may be adversely affected by: changes in the rate or method of taxation; imposition of additional restrictions on currency conversion and remittances abroad; reduction in tariff or quota protection and other import restrictions; changes in the usage and costs of state controlled transportation services; and, state policies affecting the mining industry.

Government sector intervention

The central and local governments exercise a substantial degree of control and influence over the mining industry in China and, as a result, set standards that new entrants must meet; set or approve the framework for the pricing of electricity and other utilities and railway transportation; set tax levies and incentives; set import quotas and tariffs; and set safety, environment and quality standards such government intervention could have a detrimental effect on the Company.

Foreign investment

Despite the Chinese Government opening up opportunities for foreign investment in mining projects, if the Chinese Government should reverse this trend and impose greater restrictions on foreign companies, the Company's business and future earnings could be negatively affected.

Developing legal system

The Chinese legal system is a system based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have limited precedential value. Their interpretation or their enforcement or changes to the law may have a material adverse effect on the company's business operations.

Approval process

Nearly all projects require governmental approval including the issue of mining licences There can be no certainty that any approvals required by the Company will be granted in a timely manner, or at all.

Uninsured Risks

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

Other Areas of Risk

- Prior to Admission there was no public market for the Company's shares and nor have they ever been traded, quoted or dealt on any securities market. Consequently, each prospective investor should view his purchase of the Ordinary Shares as a long-term investment and should not consider such purchase unless he is certain he will not have to liquidate his investment for an indefinite period of time.
- Notwithstanding the fact that an application will be made for the Ordinary Shares to be traded on PLUS, this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares. An

investment in the Ordinary Shares may thus be difficult to realise. The Ordinary Shares will not be quoted on the Official List of the UK Listing Authority or to trading on AIM or on the PLUS-listed Market. Investments in shares traded on PLUS carry a higher degree of risk than investments in shares quoted on the official list of the UK Listing Authority or AIM.

- The Company will require additional financial resources to continue funding its future expansion. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Company or its shareholders.
- The Company will initially be dependent upon the ability of the Directors to identify suitable investment opportunities and implement the Company's strategy.
- The Company may be unable to effect an investment in an identified opportunity, as a consequence of which resources might have been expended fruitlessly on investigative work and due diligence.
- The Company's main strategic focus for investment will be in the mining and minerals sector and therefore the Company will be exposed to general exploration, mining and processing risks. 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 the damage to, or destruction of, mines and or other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimise risk will be taken, operations are subject to hazards which may result in environmental pollution and consequent liability which could have an adverse impact on business, operations and financial performance of the Company.
- The Company's total return and net assets can be significantly affected by currency movements.
- The Company may have minority interests in the companies, partnerships and ventures in which it invests and may be unable to exercise control over the operations of such companies.
- The managements of targeted companies may not always welcome pro-active involvement and may be resistant to change.
- The Company is likely to face competition from other entities operating in its business sector, many of which may have significantly greater resources than the Company.
- The market price of the Ordinary Shares may not reflect the underlying value of the assets of the Company.
- The provisions of section 89(1) of the Companies Act 1985 do not apply to the Company. Consequently the Directors are empowered to allot equity securities (as defined in section 94 of the

Companies Act 1985) for cash on a non pre-emptive basis, without the approval of the holders of Ordinary Shares.

- The market in the Ordinary Shares may be illiquid or subject to sudden or large fluctuations and it may be difficult for an investor to sell his Ordinary Shares and he may receive less than the amount originally invested.

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

PART III
FINANCIAL INFORMATION

The Directors accept full responsibility for the financial information attached to this Document, which has been prepared in accordance with applicable law.

Audited accounts of the Company for the period to 31st May 2007 are attached.

PART IV
ADDITIONAL INFORMATION

1 Incorporation and Status of the Company

- 1.1 The Company's name is Lotus Resources Plc. The Company was registered in England and Wales under the Companies Act 1985, with registration number 5890789. The date of incorporation of the Company was 28 July 2006. The Company operates under the laws of England and Wales.
- 1.2 The Company's registered office is at 3 Sheldon Square, London W2 6PS and its principal place of business is A19H Wanhao International Apartments, Yonganxili, Chaoyang, Beijing 100022, China (telephone number: 0086 (0) 10 65699982).
- 1.3 The Company's accounting reference date is 30 September.
- 1.4 The Company's principal activity is that of a general commercial company.
- 1.5 The Company owns 100% of the issued share capital of Lotus Resources (Xin Zhuang) Limited.

2 Share Capital

- 2.1 At the date of incorporation the Company had an authorised share capital of £50,000 divided into 5,000,000 Ordinary Shares. By resolutions passed on 6 February 2007 and 14 June 2007 the authorised share capital of the Company has been increased to £10,000,000 divided into 1,000,000,000 Ordinary Shares.
- 2.2 The issued share capital of the Company on incorporation was £0.02. Since incorporation, the issued share capital of the Company has increased as follows:-
- (a) to £90,000.00 by the issue of a further 8,999,998 Ordinary Shares on 28 July 2006;
 - (b) to £119,822.98 by the issue of a further 2,982,298 Ordinary Shares on 6 February 2007;
 - (c) to £122,174.13 by the issue of a further 235,115 Ordinary Shares on 19 March 2007;
 - (d) to £124,174.13 by the issue of a further 200,000 Ordinary Shares on 21 March 2007;
 - (e) to £132,674.13 by the issue of a further 850,000 Ordinary Shares on 21 May 2007;
 - (f) to £136,674.13 by the issue of a further 400,000 Ordinary Shares on 13 June 2007;
 - (g) to £211,674.13 by the issue of a further 7,500,000 Ordinary Shares on 14 June 2007;
 - (h) to £219,674.13 by the issue of a further 800,000 Ordinary Shares on 5 July 2007; and
 - (i) to £232,174.13 by the issue of a further 1,250,000 Ordinary Shares on 18 October 2007.

2.3 The Ordinary Shares rank pari passu in all respects including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares.

2.4 The authorised and issued share capital of the Company immediately following Admission will be as follows:

	£	No. of Ordinary Shares
Authorised Share Capital	10,000,000	1,000,000,000
Issued and fully paid up share capital	307,174.13	30,717,413

Convertible Securities

2.5 The Company will, on 17 December 2007 and conditional on Admission, grant to Starvest warrants over 19,995,000 Ordinary Shares exercisable in whole or in part (in tranches of 1,000,000 Ordinary Shares), at any time up to the third anniversary of Admission, at an exercise price of £0.03 per Ordinary Share.

2.6 The Company will, on 17 December 2007 and conditional on Admission, grant to VSA warrants over 700,000 Ordinary Shares exercisable in whole or in part (in tranches of 100,000 Ordinary Shares), at any time up to the third anniversary of Admission, at an exercise price of £0.03 per Ordinary Share.

3 Memorandum and Articles of Association

3.1 The Memorandum of Association of the Company provides that the principal object of the Company is to carry on business as a general commercial company and to carry on any other trade or business which may seem to the Company and the Directors to be advantageous to directly or indirectly enhance all or any of the business of the Company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association.

3.2 The Articles contain, inter alia, provisions to the following effect:

Voting Rights

Subject to any rights or restrictions attaching to any shares, on a show of hands every holder of an Ordinary Share present in person or by proxy (if an individual) or duly authorized representative (if a Corporation) shall have one vote, and on a poll every holder of an Ordinary Share shall have one vote for each Ordinary Share of which he is the holder.

Dividends

Subject to the provisions of the Act, no dividend or interim dividend shall be paid otherwise than in accordance with the provisions of Part VIII of the Act which apply to the Company.

Return of Capital

If the Company shall be wound up, the liquidator may, with the authority of an extraordinary resolution (and any other sanction required by the Act), divide among the members in specie the whole or any part of the assets of the Company and may determine how such division shall be carried out between the members or different classes of members.

Restrictions on transferability of shares

There are no rights of pre-emption in respect of transfers of issued Ordinary Shares. In order to transfer Ordinary Shares, all transfers must be in any usual form or in such other form which the Directors may approve. The instrument of transfer must be signed by or on behalf of the transferor and, if the shares being transferred are not fully paid, by or on behalf of the transferee.

Changes in share capital

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

Pre-emption rights – Section 89(1) of the Act

The provisions of section 89(1) of the Act do not apply to the Company. Consequently the Directors are empowered to allow equity securities (as defined in section 94 of the Act) for cash on a non pre-emptive basis without the approval of holders of Ordinary Shares.

Purchase by the Company of its own shares

Subject to Chapter VII of the Act, the Company may purchase its own shares (including redeemable shares) out of distributable profits or the proceeds of a fresh issue of shares.

Borrowing powers

The Directors may exercise all the powers of the Company to borrow money, whether in excess of the nominal amount of the share capital of the Company for the time being issued or not, and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and to issue debentures, debenture stock or any other securities whether outright or as security for a debt, liability or obligation of the Company or any third party.

Directors

The number of Directors shall not be less than two.

References in this paragraph 3.2 to the "Act" are to the Companies Act 1985.

4 **Directors' and Other Interests**

4.1 The interests of the Directors and the persons connected with them (as defined by Section 346 of the Companies Act 1985) all of which are beneficial (which have been notified to the Company pursuant to Sections 324 and 328 of that Act or are required to be disclosed in the Register of Directors' interests pursuant to Section 325 of that Act) as at the date of this document and as expected immediately following Admission are as follows:

<i>Director</i>	<i>Post Admission</i>		<i>Pre Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued ordinary share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued ordinary share capital</i>
SJ Longworth	3,713,217	12.1%	3,713,217	16.0%
JP Benson	400,000	1.3%	400,000	1.7%
I Wang	500,000	1.6%	500,000	2.1%
L Lu	1,343,750	4.4%	1,343,750	5.8%

4.2 Other than the holdings of the Directors, which are set out in paragraph 4.1 above, the Directors are aware of the following persons who, as at the date of this document, are (or, on Admission, will be) directly or indirectly interested in 3 per cent or more of the Company's share capital:

	<i>Post Admission</i>	<i>Percentage of</i>	<i>Pre Admission</i>	<i>Percentage of</i>
	<i>Number of Ordinary Shares</i>	<i>issued ordinary share capital</i>	<i>Number of Ordinary Shares</i>	<i>issued ordinary share capital</i>
Starvest Plc	15,000,000	48.8%	7,500,000	32.3%
Dean O'Keefe & Fu Teng Hong	2,158,358	7.0%	2,158,358	9.3%
Robin Grayson	2,158,958	7.0%	2,158,958	9.3%
Nigel Clark	1,807,552	5.9%	1,807,552	7.9%
Chris Morgan	1,307,552	4.3%	1,307,552	5.6%
Eleana Pinglo	1,250,000	4.1%	1,250,000	5.4%

4.3 Save as disclosed in paragraphs 4.1 and 4.2 above, as at the date of the document, none of the Directors are aware of any interest (within the meaning of Part VI of the Companies Act 1985) which represents or will immediately following Admission represent 3 per cent or more of the issued share capital of the Company or which directly or indirectly, jointly or severally, exercises or could exercise control of the Company.

4.4 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.

- 4.5 Save as disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its name or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

5 Service Agreements/Letters of Appointment

The following Directors have entered into letters of appointment or service agreements with the Company:

- 5.1 Mr S J Longworth is employed by the Company as Chief Executive under a service agreement dated 19 November 2007. The appointment (which takes effect from Admission) is terminable at any time by the Company on 12 months' notice or by Mr Longworth on 6 months' notice. A salary of £36,000 per annum together with reimbursement of China living expenses up to £500 per month is payable in respect of his services. The salary will be reviewed following the Company's first successful investment. The agreement prevents, without the Board's consent, Mr Longworth being involved in any other business (other than Steppe Resources Limited) and contains non-compete covenants for a period of 6 months post termination.
- 5.2 Mr J P Benson is employed by the Company as Finance Director and Company Secretary under a service agreement dated 19 November 2007. The appointment (which takes effect from Admission) is terminable at any time by the Company on 12 months' notice or by Mr Benson on 6 months' notice. Under the terms of the agreement Mr Benson is required to work for the Company for at least 12 days per annum. A salary of £12,000 per annum is payable in respect of his services. Mr Benson is entitled to continue to provide his services to other companies and businesses (save in the event of a conflict of interest) and otherwise contains non-compete covenants for a period of 3 months post termination.
- 5.3 Mr I Wang and Ms L Lu each have a letter of appointment dated 19 November 2007 appointing each as a non-executive director of the Company for an annual fee of £5,000 each. The appointments are deemed to commence on Admission and are terminable by either the Company or the relevant Director on 3 months' notice.

6 Additional Information on the Board

- 6.1 In addition to directorships of the Company the Directors hold or have held the following directorships (including directorships of companies registered outside England and Wales) within the five years prior to the date of this document:

Director	Current Directorships	Past Directorships
Simon Longworth	Bringwood Ltd Lotus China Ltd Steppe Resources Ltd Central Asia Mining Ltd Steppe Oil Resources Ltd	

	Lotus Resources (Xin Zhuang) Ltd (HK) Getsafety Ltd	
James Benson	Louisiana Oil & Gas plc Psiphon Ltd FDUK Associates Ltd FDUK Limited Goblin Combe Environment Centre Ltd Graphicgrade Ltd 112 Edith Rd Ltd	lpm plc Fishworks plc
Ian Wang	Dynasty Resources Ltd	
Luka Lu	Danasia Berry Corporation (Beijing) Ltd Euro – Alarm (Beijing) Co., Ltd Palm Commerce Holdings Co., Ltd	

6.2 Mr J P Benson was formally a director of C H Industries plc when an administrative receiver was appointed on 1 March 1991. The company was subsequently put into compulsory liquidation as a result of a creditors petition issued on 22 May 1991. It was finally dissolved on 24 December 1997.

6.3 Save as disclosed at paragraph 6.2 above, none of the Directors have any unspent convictions, have been declared bankrupt or have been the subject of an individual voluntary arrangement. None of the Directors were directors of any company at the time of, or within the 12 months preceding, its bankruptcy, receivership, administration, liquidation, company voluntary arrangement or composition or arrangement with its creditors generally. There have been no public criticisms of any of the Directors by any statutory or regulatory authority and no Director has ever 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 a company. No Director was a partner in any partnership at the time or within 12 months preceding its compulsory liquidation, dissolution, administration or partnership voluntary arrangement. None of the Directors has been contacted by the Department of Trade and Industry in connection with their conduct with respect to any of the companies set out above.

7 Related Party Transactions

7.1 FDUK Limited provides certain professional services to the Company, pursuant to an agreement dated 19 November 2007. FDUK is related to the Company as Mr J P Benson is a director and shareholder of FDUK Limited. Under the agreement FDUK provides the services of Mr Benson for a daily fee of £750 (plus VAT). The agreement is terminable by either party on 2 months' notice.

7.2 Save as set out in paragraph 7.1 above, the Group has no material related party transactions required to be disclosed under the accounting standards applicable to the Group, to which the Group was a party during the period of twelve months preceding the date of this document.

8 Legal and arbitration proceedings

- 8.1 No member of the Group is involved in any legal or arbitration proceedings which may have or have had since incorporation a significant effect on the Group's financial position and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Group.

9 Significant change in financial or trading position

- 9.1 Save as disclosed in this document, there has been no significant change in the Group's financial or trading position since incorporation.

10 Working Capital

- 10.1 In the opinion of the Directors having made due and careful enquiry, the working capital available to the Company will be sufficient for its present requirements, that is the period of at least 12 months following Admission.

11 Material Contracts

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

- (a) A letter of engagement dated 31 May 2007 appointing VSA Capital Ltd as corporate finance adviser to the Company in connection with the Admission. A fee of £20,000 plus VAT plus a commission of 7% of all monies raised prior to Admission through VSA's introduction will be payable on Admission of which £10,000 has been paid in advance. Following Admission an annual fee of £10,000 will be payable quarterly for VSA to act as the Company's Plus Markets corporate advisor.
- (b) A letter of engagement dated 10 October 2007 appointing Mazars LLP as the reporting accountants to the Company in connection with Admission, under which the Company has agreed to pay fees up to £10,000 plus VAT.
- (c) A letter of engagement dated 25 October 2007 appointing Burges Salmon LLP as solicitors to the Company in connection with the application for Admission, under which the Company has agreed to pay fees up to £20,000 plus VAT.
- (d) The agreement with FDUK Limited summarised in paragraph 7.1 above.
- (e) A placing letter entered into between the Company and Starvest, dated 21 November 2007, pursuant to which Starvest has agreed to subscribe (and the Company has agreed to allot and issue) 7,500,000 Ordinary Shares at a subscription price (payable in cash) of £0.03 per share, subject only to Admission.
- (f) The Warrants. Details of the agreement with Starvest can be found in Part IV, paragraph 2.5.

- (g) A warrant instrument pursuant to which the Company has granted warrants to VSA entitling VSA to subscribe for up to 700,000 Ordinary Shares at any time up to the third anniversary of Admission, at an exercise price of £0.03 per Ordinary Share.

12 **Taxation**

UNITED KINGDOM (UK) TAXATION

The following paragraphs are intended as a general guide only and summarise advice received by the Directors about the UK tax position of shareholders who are resident (and in the case of individuals, ordinarily resident and domiciled) in the UK, holding shares as investments and not as securities to be realised in the course of a trade. Unless otherwise noted the paragraphs below are based on current UK legislation and HM Revenue & Customs practice. It should be noted that a number of the UK tax treatments referred to below relate to unquoted shares as shares listed on the PLUS market are generally treated as unquoted for these purposes.

An investor should consult his/her own tax professional about the tax consequences of an investment in the shares of the Company.

Taxation of dividends

- (a) Under current UK legislation, no tax is withheld from dividend payments by the Company.
- (b) Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or ten percent of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the dividend basic rate (10 per cent.) or the dividend higher rate (32.5 per cent.).

The effect will be that the taxpayers who are otherwise liable to pay at only the lower rate or basic rate of income tax will have no further liability or income tax in respect of such a dividend. Higher rate payers will have an additional liability (after taking into account the tax credit) of 22.5 per cent of the aggregate of the cash dividend and the associated tax credit, or an effective rate of 25 per cent of the dividend actually received. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such individuals.

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

- (d) Trustees of discretionary trusts are liable to account for income tax at the dividend trust rate, currently 32.5 per cent.

(e) Persons who are not resident in the UK should consult their own tax advisers on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

Taxation of capital gains made by shareholders

(a) A UK resident individual shareholder who disposes of, or who is deemed to dispose of, their shares in the Company may be liable to capital gains tax in relation thereto at rates up to 40 per cent of any chargeable gain thereby realised. In computing the chargeable gain, the shareholder should be entitled to deduct from proceeds the cost to him of the shares (together with incidental costs of acquisition and disposal).

Under current legislation any gain arising on the disposal of Ordinary Shares by individual Shareholders may be reduced by taper relief, depending upon the period the shares were owned. However, in the Chancellor's Pre Budget Report proposals were announced to abolish taper relief with effect from 6 April 2008 and replace it instead with a flat rate of capital gains tax at 18% irrespective of the length of the period of ownership. These changes have yet to be legislated for and are potentially subject to change.

(b) A UK resident corporate shareholder disposing of its shares in the Company may be liable to corporation tax on chargeable gains in relation thereto at the usual rates of corporation tax applicable to it (currently 20-30 per cent depending on the taxable profits of the shareholder, with the top rate reducing to 28 per cent from 1 April 2008). In computing the chargeable gain liable to corporation tax, the shareholder is entitled to deduct from the disposal proceeds, the cost to it of the shares, together with incidental costs of acquisition, as increased by indexation allowance, and disposal costs.

Indexation allowance on the cost apportioned to the Ordinary Shares in the Company should be available (when calculating a chargeable gain but not an allowable loss) up to the month of disposal of the Ordinary Shares in the Company.

In some circumstances, a shareholder may be exempt from corporation tax in relation to its disposal of shares under the substantial shareholding exemption or be able to reduce the quantum of the gain by capital and/or income losses arising to the corporate shareholder.

Inheritance tax

The Company's shares are treated as unquoted shares for UK inheritance tax (IHT) purposes. Individuals and Trustees subject to IHT may be entitled to business property relief of up to 100% after a holding period of two years, providing all the relevant conditions for the relief are satisfied at the appropriate time.

Stamp duty and stamp duty reserve tax ("SDRT")

(a) 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 calculated to the nearest penny. The SDRT is normally settled by CREST, on behalf of the purchaser or transferee, on the same day as

the sale, but otherwise is payable on the “accountable date” for SDRT purposes. The accountable date is the seventh day of the month following the month in which the agreement for the transfer is made.

(b) Subsequent sales of Ordinary Shares outside CREST will generally be liable to ad valorem stamp duty, at the rate of 0.5 per cent of the amount or value of the consideration. An obligation to account for SDRT at the rate of 0.5 per cent of the amount or value of the consideration will also arise if an unconditional agreement to transfer the Ordinary Shares is not completed by a duly stamped instrument of transfer before the “accountable date” for SDRT purposes, as described above. Stamp duty is normally, and SDRT is always, the liability of the purchaser or transferee of the Ordinary Shares. 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 becomes unconditional) the stamp duty will cancel the SDRT liability and any SDRT paid can be recovered.

13 General

- 13.1 The total costs and expenses of the start of trading on PLUS payable by the Company are estimated to amount to £78,000 (excluding VAT).
- 13.2 Except as disclosed in this Document and for the advisers named on page 5 of this document no person has received, directly or indirectly, from the Company during the twelve months preceding the date of this document or has entered into a contractual arrangement to receive, directly or indirectly, from the Company on or after the start of the trading on PLUS, fees totalling more than £10,000 or more or securities in the Company with a value of £10,000 or more or any other benefit to a value of £10,000 or more.
- 13.3 Except as disclosed in this document, there are no significant investments in progress by the Company.
- 13.4 Except as disclosed in this document, no exceptional factors have influenced the Company's activities.
- 13.5 Except as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 May 2007.
- 13.6 None of the Directors, or any members of their families, has a related financial product referenced to the Ordinary Shares.
- 13.7 Copies of this document will be available free of charge to the public during normal business hours on any weekday (public holidays excepted) from the offices of VSA Capital Limited at 43 London Wall, London, EC2M 5TF and at the Company's registered office and shall remain available for at least one month after the date of Admission.

Dated: 20 November 2007