

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 before taking any action. The whole of the text of this Document should be read. Investment in the Company is speculative and involves a high degree of risk. Your attention is also drawn to the section headed “Risk Factors” in Part III of this Document.

This Document comprises an admission document for the purposes of the AIM Rules. This Document does not constitute a prospectus for the purposes of the Prospectus Rules.

Application will be made for the whole of the ordinary share capital of St James’s Energy plc both issued and to be issued to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. 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. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the UK Listing Authority nor the London Stock Exchange plc has itself examined or approved the contents of this Document.

The Existing Directors and Proposed Directors of St James’s Energy plc, whose names appear on page 6 accept responsibility, individually and collectively, for the information contained in this Document. To the best of the knowledge and belief of the Existing Directors and Proposed 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.

The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. It is emphasised that no application is being made for admission of these securities to the Official List. The Ordinary Shares are not dealt in on any other recognised investment exchange and no other such applications have been or are intended to be made. The attention of prospective investors is particularly drawn to the section entitled “Risk Factors” set out in Part III of this Document and all statements regarding the Company’s business should be viewed in light of these risk factors.

It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 12 April 2007.

ST JAMES’S ENERGY PLC

*(Incorporated in England and Wales under the Companies Act 1985 (as amended) with Registered Number 5542880)
(ISIN GB00B1TYBN97)*

**Proposed acquisition of Immersion Technology International plc
Proposed Waiver of the Concert Party obligation under Rule 9 of the City Code
Proposed Consolidation of St James’s Share Capital
Proposed increase in Authorised Share Capital
Proposed Change of name to Immersion Technologies International plc
Proposed Admission to trading on AIM of the Enlarged Share Capital
Extraordinary General Meeting**

Nominated Adviser

Broker

NABARRO WELLS & CO. LIMITED

NABARRO WELLS & CO. LIMITED

Share capital immediately following Admission

Authorised			Issued and fully paid, up to	
Amount	Number		Amount	Number
£7,000,000	1,000,000,000	Ordinary Shares of £0.007 each	£1,574,087	224,869,614

The Acquisition Shares will on Admission rank in full for all dividends or other distributions declared, made or paid on the ordinary share capital of the Company after the date of this Document and will rank *pari passu* in all respects with all the Ordinary Shares which will be in issue on completion of the Acquisition.

Nabarro Wells, which is authorised and regulated by the Financial Services Authority, are acting as Nominated Adviser and Broker for the Company in relation to the Admission, and will not be responsible to any other person for providing the protections afforded to customers of each of them or for providing advice in relation to the Admission or the contents of this Document or any matter referred to herein. Nabarro Wells has not authorised the contents of any part of this Document.

The Offer summarised in Part IV of this Document is not being and will not be made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, facsimile transmission, electronic mail, telex or telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of the United States, Canada, the Republic of Ireland, South Africa, Japan or any jurisdiction where to do so would violate the laws in that jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facility, directly or indirectly from or within the United States, Canada, the Republic of Ireland, South Africa or Japan or any such jurisdiction.

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KEY INFORMATION

The following information should be read in conjunction with the full text of this Document from which it is derived. Prospective investors should read the whole of this Document and not rely solely on the summarised information set out below.

Overview

The Board of St James's Energy is pleased to announce today that the Company has made an offer to acquire the entire issued share capital of Immersion, to be satisfied by the allotment of the Acquisition Shares at Completion (the "Offer"). The Acquisition Shares will represent up to 78.2 per cent. of the Enlarged Share Capital following the Consolidation.

Immersion Technology International plc

Immersion is an audio technology company with patented and patent pending technologies. Immersion's technologies relate to both its high performance electrostatic loudspeakers ("ESL") and award-winning conventional cone loudspeakers ("CCL") and Immersion's ability to reduce audio distortion to extremely low levels thus enhancing clarity without compromising volume. Immersion's primary sales strategy is to manufacture and sell its audio technology to Consumer Electronics Manufacturers ("CEM") with their own established distribution, promotion and routes to market.

On 22 December 2006, Immersion signed a manufacture and supply agreement for the supply of a product incorporating its technologies with a premier audio/visual and multimedia equipment provider, Nakamichi Corporation Limited. The contract is for the supply of a hybrid ESL and CCL product. The contract is for a period of three years and includes a delivery schedule whereby Nakamichi indicates that it may order US\$12.1 million during the first two years, with a minimum order quantity of US\$5.5 million during the same period.

Reasons for the Acquisition

The Board has considered a number of opportunities within the stated investment focus. However, the Board was unable to identify a transaction that would meet its investment criteria. In particular, the Board found that assets in the upstream energy and utilities sectors were either overpriced or too far away from a revenue stream. However, through their contacts, the Existing Directors have seen an increasing number of potential technology transactions. The Existing Directors believe that the technology sector has been relatively undervalued since 2001 and many products which were in the embryonic stage between 2000–2001 are now coming to commercialisation.

The Board considers that the acquisition of Immersion represents an excellent opportunity to enter the audio technology market for two main reasons. Firstly, Immersion represents an investment which is currently generating revenue and, in addition, has a contract in place with a premier audio/visual and multimedia equipment provider. Secondly, the Existing Directors believe that the current lack of market penetration of ESL loudspeakers (which according to research by Global Industry Analysts, was only 2 per cent. of a US\$3.5 billion hi-fi speaker market in 2005) was largely due to its premium price over CCL loudspeakers. The Immersion Directors believe that the technology owned by Immersion offers superior audio performance at a cost that is competitive with the dominant CCL technology, which will enable them to target the entire loudspeaker market.

Board

It is proposed that Christopher Lambert will continue as Chairman of the Company and Kiran Morzaria will become a non-executive director of the Company. Timothy Wall will step down on Completion. Subject to Completion and Admission, the Immersion Directors will be appointed to the board of St James's Energy.

The City Code and Concert Party

Following discussions with the Panel, all of the shareholders of Immersion are considered to be sufficiently closely connected to be deemed to be acting in concert for the purposes of the City Code. In addition, certain St James's Energy Shareholders are deemed to be acting in concert for the purposes of the City Code because they are also co-investors in Immersion or in a number of other private and public companies. The Concert Party will own approximately 84.3 per cent. of the Enlarged Share Capital, assuming exercise in full by members of the Concert Party of the options issued as part of the Acquisition (and assuming that no other person exercises any options).

The Panel has been consulted and has agreed to waive any obligation of the Concert Party, which would otherwise arise as a result of the implementation of the Proposals, to make, pursuant to Rule 9 of the City Code, a general offer for the Company, subject to resolution 3 (as set out in the notice of EGM) being passed on a poll of Independent Shareholders. To be passed, this resolution will require a simple majority of votes cast on a poll by Independent Shareholders.

Following Completion, the Company and the Shareholders will no longer be entitled to the protections afforded by the City Code. On the basis of conversations with the Panel, the Enlarged Group would not be considered by the Panel to have its place of central management and control in the UK.

Lock-in Arrangements

Under the AIM Rules, the Existing and Proposed Directors, applicable employees (as defined in the AIM Rules) and Shareholders holding more than 10 per cent. of the New Ordinary Shares, whose interests in the Company in total will amount to 95,815,176 (representing 42.6 per cent. of the issued New Ordinary Shares on Admission assuming the Offer is accepted in full) have undertaken not to dispose of any interest in their New Ordinary Shares for a minimum period of twelve months following Admission except in the very limited circumstances allowed by the AIM Rules and for the period of a further twelve months, not to dispose of any interest in their New Ordinary Shares except with the prior written consent of Nabarro Wells (except in very limited circumstances).

In addition, Shareholders who received Immersion Shares as a result of and in connection with the sale of assets by Winovate to Immersion, and Shareholders who received Immersion Shares as a result of the sale of Whise to Immersion, which amount to 27,100,000 New Ordinary Shares (representing 12.0 per cent. of the issued New Ordinary Shares on Admission assuming the Offer is accepted in full), have undertaken not to dispose of any interest in their New Ordinary Shares for a minimum period of twelve months following Admission except in very limited circumstances and, for the period of a further twelve months, not to dispose of any interest in their New Ordinary Shares except with the prior written consent of Nabarro Wells (except in very limited circumstances).

In addition, Shareholders who invested in Immersion in the first round of investment following its incorporation, which amount to 33,250,000 New Ordinary Shares (representing 14.8 per cent. of the issued New Ordinary Shares on Admission assuming the Offer is accepted in full), have undertaken not to dispose of any interest in their New Ordinary Shares for a minimum period of six months following Admission except in very limited circumstances and, for the period of a further six months, not to dispose of any interest in their New Ordinary Shares except with the prior written consent of Nabarro Wells (except in very limited circumstances).

In addition, Novus Capital Markets Limited, have undertaken not to dispose of any interest in their holding of 800,000 New Ordinary Shares for the period of six months following Admission, except with the prior written consent of Nabarro Wells (except in very limited circumstances).

Change of Name

Subject to the approval of St James's Energy Shareholders and upon Completion, the name of the Company will change to Immersion Technologies International plc.

Risk Factors

Prior to investing in the Enlarged Group, prospective investors should consider, together with the other information contained in this Document, the risks and other factors attaching to an investment in the Enlarged Group, including in particular, the factors set out in "Risk Factors" in Part III of this Document.

EXPECTED TIMETABLE OF EVENTS

Publication of this Document	15 March 2007
First Closing of Date of the Offer	1:00 pm on 30 March 2007
Latest time and date for receipt of Forms of Proxy for the EGM	10:00 am on 9 April 2007
Extraordinary General Meeting	11 April 2007
Completion of the Acquisition	11 April 2007
Admission and commencement of dealings on AIM	8:00 am on 12 April 2007
Settlement of Acquisition Shares in uncertificated form through CREST	12 April 2007
Despatch of definitive share certificates in respect of the Acquisition Shares in certificated form by no later than	26 April 2007

ADMISSION STATISTICS

Number of Ordinary Shares in issue at the date of this Document	342,761,601
Number of Ordinary Shares following the Consolidation	48,965,943
Number of Acquisition Shares*	up to 175,903,671
Number of Ordinary Shares in issue following the Acquisition*	up to 224,869,614
Percentage of the Enlarged Share Capital*	78.2 per cent.
Number of New Ordinary Shares held by the Concert Party following the Acquisition*	187,049,556
Percentage of the Enlarged Share Capital held by the Concert Party	84.2 per cent.

(assuming exercise in full by members of the Concert Party of the options issued as part of the Acquisition and assuming that no other person exercises any options)

Note: *Assuming the Offer is accepted in full

DIRECTORS, SECRETARY AND ADVISERS

Existing Directors	Christopher Lambert (Non-executive Chairman) Kiran Caldas Morzaria (Executive Director) Timothy Lawlor Wall (Non-executive Director)
Proposed Directors	Craig Douglas Evans (Chief Executive Officer) Vincent David Fodera (Executive Director) Blair Francis Snowball (Finance Director) Alexander John (Sandy) Barblett (Non-executive Director) Gregory Elliott Turnidge (Non-executive Director)
Secretary	Kiran Caldas Morzaria
Registered Office	5 th Floor 22 Arlington Street London SW1A 1RD
Telephone number	020 7016 5100
Nominated Adviser & Broker	Nabarro Wells & Co. Limited Saddlers House Gutter Lane Cheapside London EC2V 6BR
Auditors and Reporting Accountants	MRI Moores Rowland LLP 3 Sheldon Square London W2 6PS
Solicitors to the Company in the UK	Wedlake Bell 52 Bedford Row London WC1R 4LR
Solicitors to the Company in Australia	Mallesons Stephen Jaques Level 50, Bourke Place 600 Bourke Street Melbourne, Victoria 3000 Australia
Solicitors to the Nominated Adviser	Halliwells LLP 1 Threadneedle Street London EC2R 8AY
Public Relations	Pelhams Public Relations No.1 Cornhill London EC3V 3ND
Registrars	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7BR

DEFINITIONS

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

“Acquisition”	the proposed offer to acquire the entire issued share capital of Immersion by the Company;
“Acquisition Shares”	up to 175,903,671 New Ordinary Shares being issued by the Company pursuant to the Acquisition;
“Act”	the Companies Act 1985, as amended;
“Admission”	admission of the Ordinary Shares in issue following the Acquisition to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
“AIM”	the AIM Market of the London Stock Exchange;
“AIM Rules”	the rules of AIM for companies as published by the London Stock Exchange;
“Board”	the Existing Directors as set out on page 6 of this Document;
“CES”	Consumer Electronics Show, last held in Las Vegas from 8 to 11 January 2007;
“City Code”	the City Code on Takeovers and Mergers;
“Company” or “St James’s Energy”	St James’s Energy plc;
“Completion”	completion of the Acquisition;
“Concert Party”	certain of the Immersion shareholders and certain shareholders of St James’s Energy, further details of which are set out in paragraph 13 of Part X of this Document;
“Consolidation”	the proposed consolidation of seven Ordinary Shares into one New Ordinary Share;
“Document”	this document;
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company, notice of which is set out in Part XI of this Document;
“Enlarged Group”	St James’s Energy, Immersion and Whise;
“Enlarged Share Capital”	the issued share capital of the Company following completion of the Acquisition;
“Existing Directors”	as set out on page 6 of this Document;
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this Document;
“First Closing Date”	the first closing date of the Offer, being 1:00 pm (London time) on 30 March 2007;
“Form of Proxy”	the form of proxy enclosed with this Document for use in connection with the EGM;
“Green Hair”	Green Hair Services Limited, a company incorporated in the UK with registered number 5308573 and registered address of Level 5, 22 Arlington Street, London SW1A 1RD;
“Immersion”	Immersion Technology International plc, a company incorporated in the UK with registered number 5727991 and registered address of Third Floor, 55 Gower Street, London WC1E 6HQ;
“Immersion Directors”	Alexander John Barblett, Craig Douglas Evans, Vincent Daniel Fodera, Blair Snowball and Gregory Elliott Turnidge;
“Immersion Shares”	the ordinary shares of Immersion;
“Independent Director”	Christopher Lambert;

“Independent Shareholders”	the St James Energy Shareholders that are not members of the Concert Party;
“London Stock Exchange”	London Stock Exchange plc;
“Malleons”	Malleons Stephen Jacques, the Company’s lawyer as to Australian law and the author of the Patent Report reproduced in Part V of this Document;
“Nabarro Wells”	Nabarro Wells & Co. Limited, the Company’s Nominated Adviser and Broker;
“New Ordinary Shares”	ordinary shares of 0.7p each in the capital of the Company;
“Offer”	the offer for Immersion by St James’s Energy by way of the Offer Document, on the conditions set out in Part IV of this Document;
“Official List”	the Official List of the United Kingdom Listing Authority;
“Ordinary Shares”	ordinary shares of 0.1p each in the capital of the Company;
“Panel”	the Panel on Takeovers and Mergers;
“Proposals”	the proposed acquisition of Immersion, the proposed waiver of the concert party obligation under Rule 9 of the City Code, the proposed consolidation of St James’s share capital, the proposed increased in authorised share capital, the proposed change of name to Immersion Technologies International plc, and the proposed admission to trading on AIM of the Enlarged Share Capital;
“Proposed Directors”	as set out on page 6 of this Document, and including Christopher Lambert and Kiran Morzaria;
“Record Date”	close of business on the day on which the EGM is held;
“Shareholders” or “St James’s Energy Shareholders”	holders of Ordinary Shares;
“Whise”	Whise Acoustics and its subsidiary companies, namely Whise Automotive and Whise Technologies;
“Whise Acoustics”	Whise Acoustics Limited, incorporated in Australia with registered number ACN088097312;
“Whise Automotive”	Whise Automotive Pty Limited, incorporated in Australia with registered number ACN107084757;
“Whise Technologies”	Whise Technologies Pty Limited, incorporated in Australia with registered number ACN099190575; and
“Winovate”	Winovate Pty Limited, incorporated in Australia with registered number ACN098972895.

GLOSSARY OF TERMS

“CCL”	Conventional Cone Loudspeaker means a dynamic loudspeaker. Its traditional design is in two parts, the most obvious being a fibrous semi-rigid cone. Attached to the apex of the cone is a copper coil of fine wire, called the voice coil or moving coil. The coil is oriented coaxially with a permanent magnet where one pole is outside the coil, whilst the other is within the axis of the coil. When an electrical signal is applied to the coil it becomes an electromagnet. The magnetic field of the voice coil interacts with the magnetic field of the permanent magnet causing the whole semi-rigid cone (diaphragm) to oscillate and reproduce sound at the frequency of the applied electrical signal. Where a multi-frequency signal is applied, the complex vibration results in reproduction of the applied signal as an audio signal;
“CEM”	Consumer Electronics Manufacturer;
“ESL”	Electrostatic Loudspeaker means a loudspeaker that uses a thin flat diaphragm usually consisting of a plastic sheet impregnated with a conductive material such as graphite, sandwiched between two grids, with a small air gap between the diaphragm and grids. The grids are charged to a high voltage. The voltage difference between the front and rear grids is modulated with the signal from an audio amplifier stepped up through a transformer. The variations in the voltage cause the diaphragm to move forwards and backwards, thus creating audible sound;
“HD- A TM or High Definition – Acoustics TM ”	A trade mark secured in Australia to describe the audio technology represented by a combination of Immersion patents and know-how, which reduce audio distortion to extremely low levels thus enhancing clarity without compromising volume in both CCL and ESL;
“HDTV”	High definition television;
“IP”	Intellectual Property, which may include patents, trade marks and proprietary know-how;
“NTM TM ”	Neville Thiele Method, being a unique patented crossover configuration that sums exactly to a flat response but has steep roll-offs for low order systems and has well behaved phase response and low group delay variation in the transition region. It is capable of implementation in active, passive, digital, analog, electronic and acoustic domains;
“OEM”	Original Equipment Manufacturer;
“PAM TM ”	Parametric Acoustic Measurement is a patented method of utilising acoustic waveguide sections to tailor the response of loudspeakers by incorporating overtones, and controlling acoustic wave reflections; and
“VR/UR TM ”	Velocity Reflex/Ultra Reflex are patented loudspeaker configurations based on specific combinations of rising acoustic response, low Qe, acoustic filtering and electrical equalisation. VR is a dipole system with the unique advantage of external acoustic field cancellation. Both configurations have particular advantages in automotive applications.

PART I

LETTER FROM THE CHAIRMAN OF ST JAMES'S ENERGY

(Incorporated in England and Wales under the Companies Act 1985 (as amended) with Registered Number 5542880)

Existing Directors:

Christopher Lambert *(Non-executive Chairman)*
Kiran Morzaria *(Executive Director)*
Timothy Wall *(Non-executive Director)*

Registered Office:

5th Floor
22 Arlington Street
London SW1A 1RD

Proposed Directors:

Craig Evans (Chief Executive Officer)
Vincent Fodera (Executive Director)
Blair Snowball (Finance Director)
Sandy Barblett (Non-executive Director)
Gregory Turnidge (Non-executive Director)

15 March 2007

To St James's Energy Shareholders

Dear Sir or Madam,

Proposed acquisition of Immersion Technology International plc
Proposed waiver of the Concert Party obligation under Rule 9 of the City Code
Proposed consolidation of St James's Energy share capital
Proposed increase in authorised share capital
Proposed change of name to Immersion Technologies International plc
Proposed Admission to trading on AIM of the Enlarged Share Capital
Extraordinary General Meeting

Introduction

The Board of St James's Energy is pleased to announce today that the Company has made an offer to acquire the entire issued share capital of Immersion, to be satisfied by the allotment of the Acquisition Shares at Completion (the "Offer"). The Acquisition Shares will represent up to 78.2 per cent. of the Enlarged Share Capital following the Consolidation.

Immersion is an audio technology company with patented and patent pending technologies. Immersion's technologies relate to both its high performance electrostatic loudspeakers ("ESL") and award-winning conventional cone loudspeakers ("CCL") and Immersion's ability to reduce audio distortion to extremely low levels thus enhancing clarity without compromising volume. Immersion's primary sales strategy is to manufacture and sell its audio technology to Consumer Electronics Manufacturers ("CEM") with their own established distribution, promotion and routes to market.

On 22 December 2006, Immersion signed a manufacture and supply agreement for the supply of product incorporating Immersion's technologies with a premier audio/visual and multimedia equipment provider, Nakamichi Corporation Limited ("Nakamichi"). The contract is for the supply of a hybrid ESL and CCL product. The contract is for a period of three years and includes a delivery schedule whereby Nakamichi indicates that it may order US\$12.1 million during the first two years, with a minimum order quantity of US\$5.5 million during the same period.

In view of its size, the Acquisition constitutes a reverse takeover (in accordance with the AIM Rules) and is conditional, *inter alia*, on the approval of St James's Energy Shareholders, which is to be sought at the Extraordinary General Meeting and acceptance of the Offer made by St James's Energy for the Immersion Shares. Also at the Extraordinary General Meeting, the Company will seek the approval of the Independent Shareholders for a waiver of the obligation of the Concert Party to make a mandatory cash offer for the Company (on the basis that, as a result of the issue to Immersion Shareholders who are also members of the Concert Party of the Acquisition Shares, the Concert Party will hold over 30 per cent. of the issued ordinary share capital of the Company at Completion).

It is proposed that I will continue on the board of directors of the Company as non-executive Chairman and Kiran Morzaria will become a non-executive director of the Company. Timothy Wall will step down on Completion. Both Kiran Morzaria and Timothy Wall are disqualified from recommending the Proposals to Shareholders as Mr Wall was previously a director of Immersion (from 15 May 2006 and resigned on 20 September 2006), and both directors hold shares in Immersion as disclosed in paragraph 5.4 of Part X of this Document. I am recommending the Proposals to Shareholders as the only independent director on the Board.

The Proposals include, subject to the approval of Shareholders, the consolidation of the Ordinary Shares on the basis of one New Ordinary Share for every seven Existing Ordinary Shares currently held. In addition, Shareholder approval is being sought to change the name of the Company to Immersion Technologies International plc.

The purpose of this Document is to provide you with further information on the Proposals and to explain why I, as the sole independent director, believe that the Proposals are in the best interests of the Company and St James's Energy Shareholders as a whole. A notice convening the Extraordinary General Meeting is set out at the end of this Document.

Background to and Reasons for the Acquisition

In the Company's AIM admission document dated 5 May 2006, the Board stated its intention to make investments in the upstream energy and utilities sector. The Company's geographic focus was stated as Europe and the Asia Pacific Region.

Since this time, the Board has considered a number of opportunities of which two were taken to the advanced negotiation stage and one was taken to the advanced due diligence stage. However, the Board were unable to identify a transaction that would meet its investment criteria. In particular the Board found that assets in the upstream energy and utilities sector were either overpriced or too far away from a revenue stream. However, through their contacts, the Existing Directors have seen an increasing number of potential technology transactions. The Existing Directors believe that the technology sector has been relatively undervalued since 2001 and many products which were in the embryonic stage between 2000–2001 are now coming to commercialisation.

The Board considers that the acquisition of Immersion represents an excellent opportunity to enter the audio technology market for two main reasons. Firstly, Immersion represents an investment which is currently generating revenue and in addition, has a contract in place with a premier audio/visual and multimedia equipment provider. Secondly, the Existing Directors believe that the current lack of market penetration of ESL loudspeakers (which according to research by Global Industry Analysts, was only 2 per cent. of a US\$3.5 billion hi-fi speaker market in 2005) was largely due to its premium price over CCL loudspeakers. The Immersion Directors believe that the technology owned by Immersion offers superior audio performance at a cost that is competitive with the dominant CCL technology, which will enable them to target the entire loudspeaker market.

The Immersion CCL technology was acquired by way of the acquisition of Whise by Immersion on 20 October 2006. It is award winning technology and already earns Immersion revenue through licensing in the automotive sector with companies such as Alpine Electronics and Harmon International.

The Immersion Directors recognise that their business strategy and expansion plans depend upon Immersion's ability to raise working capital. They believe that the Acquisition and Admission will enable Immersion to achieve its objectives, which are to:

- Execute the sales and marketing strategy for Immersion's technology;
- Continue product development;
- Establish a manufacturing assembly facility in China;
- Further develop and protect Immersion's IP; and
- Provide general working capital.

The Immersion Directors consider that Admission will:

- Enhance Immersion's status and overall profile in its markets;
- Provide the credibility to deal on fair terms with its customers and suppliers;
- Provide access to equity capital markets as the Enlarged Group grows;
- Enable Immersion to recruit and retain key personnel; and

- Provide liquidity for investors through the ability to buy and sell New Ordinary Shares.

Background to Immersion

Immersion was incorporated on 2 March 2006 to acquire and commercialise the IP rights related to ESL technology which had been developed by Winovate, an Australian technology incubator, as set out in the asset sale agreement summarised in paragraph 6.5 of Part X of this Document.

More than ten years of research and development had been invested into the ESL technology acquired by Immersion. The original ESL IP was created by Vass Electronics Pty Ltd and was purchased and further developed by Winovate from its incorporation on 5 December 2001. The current ESL technology is a combination of patented technologies, know-how and trade secrets, which improve the characteristics and design of the generic electrostatic loudspeaker and enable their manufacture in large quantities at an extremely competitive cost whilst retaining their acknowledged superior audio qualities.

In May 2006, Immersion was introduced to the award-winning low frequency, CCL based, audio technologies owned by another private Australian company, Whise Acoustics. The Immersion Directors formed the view that the Whise technologies complemented Immersion's ESL technology and would further strengthen Immersion's market potential. Immersion entered into a share sale agreement to acquire Whise, as summarised in paragraph 6.6 of Part X of this Document, which was completed in October 2006.

Relationship with Winovate

The ESL technology had been incubated by Winovate prior to its acquisition by Immersion. Most of the Immersion employees upon Admission, have provided services to Winovate in the past. Since Immersion was incorporated in March 2006, Winovate has provided and will continue to provide electrical and electronic engineering services to Immersion due to the proximity, service and value offered. The supply of these services has been on commercial, arms length trading terms and a services agreement has been entered into between Winovate and Immersion to formalise this relationship which is conditional upon Admission. This agreement is summarised in paragraph 6.6 of Part X of this Document.

Winovate is owned and controlled by Mr E.D. Evans, the father of Immersion's CEO, Craig Evans, and was formed in late 2001 when Mr E.D. Evans acquired the assets of several electrical and engineering companies and re-hired key employees. These were all rolled into the premises currently occupied by Winovate and an employee consulting company, Ozteck Design Pty Ltd was formed by its consultants to provide new employment contracts. Four consultants from Ozteck Design Pty Ltd have accepted employment contracts with Immersion conditional upon Admission.

In addition, Winovate has agreed, conditional upon Admission to enter into a relationship agreement with Immersion, as summarised in paragraph 6.7 of Part X of this Document, to regulate day-to-day interaction whilst Immersion and Winovate share the same premises. Immersion and Winovate currently occupy premises at 12 Weir Street, Glen Iris, Victoria, Australia under a tenancy at will granted by E. D. Evans Holdings Pty Ltd, a company owned by Mr E.D. Evans. The premises are leased by E.D. Evans Holdings Pty Ltd from J.T. Snipe Investments Pty Ltd, an unrelated third party. Upon the renewal of the lease held by E.D. Evans Holdings Pty Ltd, Immersion proposes to enter into a sub-lease. The proposed terms of the sub-lease are that the term will expire on 12 August 2009 and rent will be at approximately AU\$55,000 per annum. The sub-lease will be governed by the laws of the State of Victoria, Australia.

Principal terms of the Acquisition

The Offer is contained in a letter from St James's Energy forming part of an Offer Document being sent to the shareholders of Immersion. The Offer is subject to certain conditions and further terms as set out in the Offer Document and is being made on the following basis:

for each Immersion Share	one Acquisition Share
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and so in proportion to any other number of Immersion Shares held.

Assuming the issue of the maximum number of Acquisition Shares and that no additional Ordinary Shares are issued in the period from the publication of this Document to the time when the Offer is declared unconditional as to acceptances, the enlarged issued share capital of St James's Energy would be held on such date, as to 78.2 per cent. by Immersion Shareholders. On this basis, the Offer values the existing issued ordinary share capital of Immersion at approximately

£19.7 million, based on the closing share price of the St James's Energy Shares on 7 March 2007, being the last Business Day on which St James's Energy Shares were able to be traded on AIM prior to the publication of this Document.

As described in paragraph 6.6.1 of Part X of this Document, it is expected that two current shareholders of Immersion will become entitled to have issued to them a further 1,731,646 Immersion Shares on 1 July 2007, representing approximately 0.97 per cent. of the entire issued share capital of Immersion. These Immersion Shares will not be subject to the Acquisition and so it is expected that these shareholders will hold a minority shareholding in Immersion as from 1 July 2007.

Further details of the Offer being made to Immersion shareholders are set out in Part IV of this Document.

Proposed Directors, Existing Directors and Employees

Subject to Completion and Admission, the Immersion Directors will be appointed to the board of St James's Energy. The directors of the Company following Completion and Admission to AIM will be:

Christopher Lambert, aged 48 (Non Executive Chairman)

Mr Lambert has 22 years' experience in investment banking and commodity markets, holding positions including Director of Precious Metals Trading Europe for Prudential Bache Securities Inc. and head of precious metals trading (UK) for Barclays Bank plc. During this period, he structured a number of major transactions for central banks, governments and mining companies. He has subsequently acted as a consultant to mining companies on financial strategies. Mr Lambert is also chairman of two other AIM listed companies.

Craig Douglas Evans, aged 39 (Chief Executive Officer)

Mr Evans studied engineering at RMIT (Royal Melbourne Institute of Technology) and has a background of more than 15 years' experience as an executive for various private companies and has spent almost five years as a General Manager within the Tyco International Group. He has a strong operational background in manufacturing, strategic development, operational excellence, program implementation, acquisition opportunities and plant rationalisation, development and expansion both in Australia and China. Prior to his appointment as CEO of Immersion, he acted as General Manager of Winovate, being the private company that developed the ESL technology, and is a co-inventor of the manufacturing patents for the Immersion technology.

Vincent Fodera, aged 36 (Executive Director)

Mr Fodera holds a Bachelor of Laws degree from Bond University. He is a Barrister and Solicitor of the High Court of Australia and the Supreme Court of Victoria. He has over 10 years' experience in Commercial and Intellectual Property Law, providing key strategic, contractual and corporate advice. He has developed key marketing strategies and overseen the industrial relations and financial management of several private companies, including the development and implementation of commercial operating plans. Mr Fodera has a genuine interest in and an understanding of Immersion's technology and developed Immersion's trade marks.

Blair Snowball, aged 33 (Finance Director)

Mr Snowball, based in London, has 13 years of international experience in finance and advisory roles. He is a qualified accountant and an Associate of the Institute of Chartered Accountants of Australia. After completing his Bachelor of Commerce at the University of Western Australia, Mr Snowball worked for four years at KPMG in Audit & Advisory. He then moved to Ireland where he helped establish Barclays Insurance (Dublin) Ltd for the Barclays Group. After a year with a private bank in London and the Channel Islands, he joined Cable & Wireless plc in 2000 and performed various finance management roles in both Europe and the Caribbean before joining Immersion in 2006.

Kiran Morzaria, aged 32 (Non-executive Director)

Mr Morzaria holds a Bachelor of Engineering (Industrial Geology) from the Camborne School of Mines and an MBA (Finance) from CASS Business School. He has five years of exploration, mining and civil engineering experience. He was appointed Finance Director of River Diamonds plc in 2004 and since then has been overseeing the development of its mining and exploration projects in Sierra Leone and Brazil. In this role, Mr Morzaria has been involved in acquisitions, joint ventures, valuations, independent experts' reports, due diligence and capital raisings. Mr Morzaria

is currently an executive director of St James's Energy, but upon Admission will become a non-executive director. Mr Morzaria is also a non-executive director of two other AIM listed companies.

Sandy Barblett, aged 39 (Non-executive Director)

Mr Barblett has extensive experience in sales and marketing having previously worked for the last ten years at Pace Micro Technology plc, where he was employed in senior executive management roles in the US, Asia Pacific and also Europe, Middle East and Africa. Mr Barblett holds a Bachelor of Laws from University of Queensland and a Bachelor of Business from Curtin University of Technology. Mr Barblett acts in various corporate advisory roles for start-up technology companies and is currently a non-executive director of Apogee Power, Inc and was previously a director of AIM traded company, Microfuzze International plc.

Gregory Turnidge, aged 53 (Non-executive Director)

Mr Turnidge has had a diverse range of experience in his 30 year career. After working for the Reserve Bank of Australia, Mr Turnidge took up a senior policy advisory role for the Victorian Chamber of Manufactures. He was seconded to work in the Office of Management and Budget in the Victorian Government in 1982 and was subsequently appointed Managing Director of Aluvic Pty Ltd, a company he grew to an annual revenue base of A\$250 million before being sold in 1998 for A\$500 million. Mr Turnidge has undertaken capital raisings, public listings, major foreign exchange transactions and cross border financings. He has established and operated joint ventures in the USA, France and China and engaged extensively in international commercial and trade arrangements, especially in commodities. He has developed detailed experience in financial administration, human resource management systems and employee motivation programs and continues to act as a mentor to a number of senior executives.

Timothy Wall, who has been a director since St James's Energy was first admitted to trading on AIM, and whose details are set out below, will step down on Completion and Admission to AIM.

Timothy Wall, aged 30 (Non-executive Director)

Mr Wall holds a Bachelor of Commerce degree from the University of Western Australia. He is an Associate of the Institute of Chartered Accountants of Australia with over eight years corporate and financial accounting experience. After spending three years working in Corporate Services for the Horwath Group in Australia, Mr Wall has spent the last five years performing various financial management and company secretarial roles in London. In 2004, Mr Wall was involved in establishing the London Office of Global Education Management Systems (GEMS) and performing an ongoing corporate accounting function. Mr Wall currently acts as Finance Director for MicroFuzze International plc, which is quoted on AIM, as well as performing other corporate advisory roles.

In accordance with Rule 7 of the AIM Rules, each of the Existing and Proposed Directors has agreed not to dispose of any interest in the Ordinary Shares held by him or his associates as at the date of Admission for a period of one year following Admission, save as permitted by the AIM Rules.

St James's Energy has had no employees since incorporation other than the Existing Directors. However, conditional upon Admission, Immersion and its subsidiaries will have seven employees including the following senior management:

Charles Van Dongen, aged 48 (Chief Technical Officer)

Mr Van Dongen holds a degree in electrical and electronic engineering from Swinburne University of Technology. He has 27 years experience in both the electrical and electronic industries and has been a director of several design/manufacturing companies. He is a specialist in areas of analogue, high frequency switchmode and audio electronics and has been developing the ESL technology for more than 15 years. He is dedicated to the improvement of audio reproduction and is the principal inventor of all the ESL patents held by Immersion.

Zeliko Velican, aged 44 (Senior Technical Advisor)

Mr Velican studied electrical engineering at Monash University and is a skilled acoustic designer with several patent applications to his credit. He is the principal inventor and designer of the low frequency technologies incorporated in the Immersion technology. Mr Velican was a technical sales manager for Philips Australia for approximately six years followed by Omron for a further six years. He has also had experience as an account manager with Tyco International. Prior to his employment with Immersion, he was the Chief Technical Officer of Whise. His experience in both

engineering and sales, and his lifelong passion for audio perfection gives him particular insights into acoustic application engineering.

Immersion also utilises the services of consultants, such as the following, for sales and marketing:

Ho Yu Teck, aged 41 (International Sales Manager – CEM)

Mr Ho holds a Bachelor of Engineering in Electrical & Electronics Engineering (Nanyang Institute of Technology) and an MBA in International Business (Nanyang Technological University). Mr Ho has worked as an engineer with Hitachi Electronic Devices (S) Pte. Ltd, and as an Assistant Sales & Marketing Manager, Components ASEAN for Philips Electronics (S) Pte. Ltd where he was later appointed Global Product Manager, Audio Systems between 2000 and 2002. He was then appointed as a director of LG Philips Displays (S) Pte. Ltd between 2002 and 2004. Mr Ho has extensive experience in consumer electronics and has many influential contacts in Asia Pacific and Europe.

Corporate Governance

The Existing and Proposed Directors recognise the importance of sound corporate governance commensurate with the size of the Company and the interests of Shareholders. As the Company grows, the Proposed Directors intend that it should develop policies and procedures appropriate for the Company. Initially, the Company intends, where practicable for a company of the Company's size and stage of development, to comply with the Corporate Governance Guidelines for AIM Companies, as published by the Quoted Companies Alliance in 2005.

Audit Committee

An audit committee has been established which will meet at least twice a year and at any other time when it is appropriate to consider and discuss audit and accounting related issues. The audit committee will be responsible for monitoring the quality of internal controls and for ensuring that the financial performance of the Enlarged Group is properly monitored, controlled and reported on. It will also meet the Enlarged Group's auditors without the executive Board members being present and review reports from the auditors relating to accounts and internal control systems. The audit committee comprises of Christopher Lambert, who will be chairman, Kiran Morzaria, Sandy Barblett and Gregory Turnidge.

Remuneration Committee

A remuneration committee has also been established which will meet at least once a year and will review the performance of the executive directors and set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of Shareholders. In determining the remuneration of executive directors, the remuneration committee seeks to enable the Company to attract and retain executives of the highest calibre. The remuneration committee also makes recommendations to the Board concerning the allocation of Options to employees. No director is permitted to participate in discussions or decisions concerning his own remuneration. The remuneration committee comprises of Christopher Lambert, who will be chairman, Kiran Morzaria, Sandy Barblett and Gregory Turnidge.

AIM Rules Compliance Committee

An AIM Rules compliance committee has been established which will meet at least twice a year and at any other time when requested by a member of the AIM Rules compliance committee. The AIM Rules compliance committee will be responsible for, *inter alia*, monitoring the quality of internal procedures, resources and controls to enable compliance by the Company with the AIM Rules and the AIM Rules for nominate advisers and to enable the Company to seek advice from its nominated adviser regarding compliance with the AIM Rules and AIM Rules for nominated advisers whenever it is appropriate to do so and to take such advice into account. In undertaking its duties, the AIM Rules compliance committee shall bear in mind the size, profitability and market capitalisation of the Company, its reputation, its performance relative to other similar companies, the performance of individuals and the best interests of shareholders. The AIM Rules compliance committee comprises of Christopher Lambert, who will be chairman, Kiran Morzaria, Sandy Barblett and Gregory Turnidge.

The Company has adopted the Model Code for Directors' Dealings as applicable to AIM companies and will take all proper and reasonable steps to ensure compliance by the Directors and relevant employees.

City Code

The Acquisition gives rise to certain considerations under the City Code. The City Code is issued and administered by the Panel. Brief details of the Panel, the City Code and the protections they afford to Shareholders are set out below.

The Panel is an independent body, established in 1968, whose main functions are to issue and administer the City Code and to supervise and regulate takeovers and other matters to which the Code applies in accordance with the rules set out in the Code. It has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive on Takeover Bids (2004/25/EC) (the “Directive”). Its Directive functions are set out in and under The Takeovers Directive (Interim Implementation) Regulations 2006. Its rules are set out in the City Code and the Rules of Procedure of the Hearings Committee.

The City Code applies to all takeovers and merger transactions, however, affected, where the offeree company is, *inter alia*, a public company with its registered office in the UK and whose place of central management and control is in the UK. St James’s Energy is such a company and the Shareholders are entitled to the protections afforded by the City Code.

Following Completion,

- (i) the Concert Party will own 187,049,556 New Ordinary Shares representing, in total, approximately 83.2 per cent. of the Enlarged Share Capital; and
- (ii) the Company and the Shareholders will no longer be entitled to the protections afforded by the City Code. Following conversations with the Panel, the Enlarged Group would not be considered by the Panel to have its place of central management and control in the UK.

Under Rule 9 of the City Code, when any person who acquires an interest (as defined in the City Code) in shares in which, taken together with shares in which he is already interested and in which 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 is normally required to make a general offer to all remaining shareholders to acquire their shares. An offer under Rule 9 of the City Code must be made in cash at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the twelve months prior to the announcement of the offer.

The Concert Party

Following discussions with the Panel, all of the shareholders of Immersion, apart from three institutional shareholders holding in aggregate 6 per cent. of the total issued share capital of Immersion, are considered to be sufficiently closely connected to be deemed to be acting in concert for the purposes of the City Code. In addition, certain St James’s Energy Shareholders are deemed to be acting in concert for the purposes of the City Code because they are also co-investors in Immersion or in a number of other private and public companies incubated by Green Hair. Immersion and St James’s have both been incubated by Green Hair, which provides temporary office space and related office services to early stage private and public companies looking to develop their business and ultimately gain admission to the London equity markets.

Kiran Morzaria and Tim Wall are both shareholders in Immersion and are considered to be part of the Concert Party and are therefore not able to give an independent recommendation to the Shareholders in respect of the Proposals.

The largest members of the Concert Party and their respective holdings in the Enlarged Share Capital following Completion are set out below:

Concert Party member	Enlarged Share Capital	
	No. of shares	%
<i>Immersion shareholders</i>		
E.D. Evans Pty Ltd as trustee for the Evans Trading Trust	38,050,000	16.9%
Security Transfer Registrars Pty Ltd	34,563,671	15.4%
Miami Properties Pty Ltd as Trustee of the Craig Evans Family Trust	12,000,000	5.3%
Lindsay Alfred Champion	8,150,000	3.6%
Charles Van Dongen	7,950,000	3.5%
Janet Patricia Green as trustee for the R & J Family Trust	7,800,000	3.5%
Other Immersion shareholders (who will each hold less than 3 per cent.)	43,410,000	19.3%
	151,923,671	67.6%
<i>St James's Shareholders also holding shares in Immersion</i>		
Richard John Brooks	16,055,705	7.1%
Other St James's Shareholders (who will each hold less than 3 per cent.)	5,860,000	2.6%
	21,915,705	9.7%
<i>St James's Shareholders included in Concert Party through Green Hair</i> (all of whom will each hold less than 3 per cent.)		
	13,210,180	5.9%
Total Concert Party shareholding in Enlarged Share Capital	187,049,556	83.2%

The members of the Concert Party are deemed to be acting in Concert for the purposes of the City Code. On Completion, the members of the Concert Party will between them be interested in 187,049,556 New Ordinary Shares, representing 83.2 per cent. of the Enlarged Share Capital.

Assuming exercise in full by members of the Concert Party of the options issued as part of the Acquisition (and assuming that no other person exercises any options) the members of the Concert Party would between them be interested in 202,299,556 New Ordinary Shares, representing 84.2 per cent. of the Enlarged Share Capital. The earliest date on which the options can be exercised is 1 August 2008.

Details in respect of the members of the Concert Party who will hold more than 3 per cent. of the Enlarged Share Capital are as follow:

E.D. Evans Pty Ltd as trustee for the Evans Trading Trust

The directors of E.D. Evans Pty Ltd are Dianne Cathryn Evans and Evan Douglas Evans and its registered address is STE 6, 1 James Street, Bayswater, Victoria 3153, Australia. The Evans Trading Trust is a family trust for the benefit of the Evans family and as such, Craig Evans, Immersion's CEO, is a potential beneficiary.

Security Transfer Registrars Pty Ltd

Security Transfer Registrars, with a registered address at 770 Canning Highway, Applecross, Western Australia 6153, Australia, is a nominee representing all Whise shareholders that received share consideration under the Whise Acoustics Share Purchase Agreement detailed in paragraph 6.6.1 of Part X of this Document. It also holds nine Immersion shareholders who received Immersion Shares as a result of and in connection with the sale of assets by Winovate to Immersion.

Miami Properties Pty Ltd as Trustee of the Craig Evans Family Trust

The director of Miami Properties Pty Ltd is Craig Evans and its registered address is 6/1 James Street, Bayswater, Victoria, Australia, 3136. The Craig Evans Family Trust is a family trust for the benefit of the Craig Evans family and as such, Craig Evans, Immersion's CEO, is a potential beneficiary. This holding is disclosed in paragraph 5 of Part X of this Document.

Lindsay Alfred Champion

Lindsay Alfred Champion of 1 Grigg Avenue, Vermont, Victoria 3133, Australia is an employee of Ozteck Design Pty Ltd and provides services to Winovate, such arrangement being detailed on page 12 of Part I of this Document. Mr Champion received his shares from Winovate gratuitously, for previous contributions towards the creation of the Winovate ESL technology.

Charles Van Dongen

Further information in respect of Charles Van Dongen of 4 Chamouni Court, Frankston, Victoria 3199, Australia is set out in the section of Part I of this Document entitled “Proposed Directors, Existing Directors and Employees”.

Janet Patricia Green as trustee for the R & J Family Trust

Janet Patricia Green, 546 Brookton Highway, Roleystone, Western Australia 6111, Australia. The R & J Family Trust is a family trust for Janet Green and Robert Mackinlay. Mr Mackinlay is one of the inventors of the ESL technology purchased from Winovate and received these shares gratuitously from Winovate for his contribution towards the Winovate ESL technology.

Richard John Brooks

Richard John Brooks of 118B Ballanorris Crescent, Ballabeg, Arbory Isle of Man, IB9 4EU is a director of Green Hair and therefore has access to investments in public and private companies. Mr Brooks will have a shareholding in the Enlarged Group of 7.1 per cent. through beneficial shareholdings in the companies detailed in paragraph 13 or Part X of this Document.

Further details of the Concert Party are set out in paragraph 13 of Part X of this Document.

The Waiver

The Panel has been consulted and has agreed to waive any obligation of the Concert Party, which would otherwise arise as a result of the implementation of the Proposals, to make, pursuant to Rule 9 of the City Code, a general offer for the Company, subject to resolution 3 (as set out in the notice of EGM) being passed on a poll of Independent Shareholders. To be passed, this resolution will require a simple majority of votes cast on a poll by Independent Shareholders.

Following Admission the Concert Party will hold more than 50 per cent. of the Company's voting share capital. However, the Company and the Shareholders will no longer be entitled to the protections afforded by the City Code, because, following conversations with the Panel, the Enlarged Group would not be considered by the Panel to have its place of central management and control in the UK.

The Concert Party contains 132 individual shareholders. The Panel has confirmed that the approach adopted by the Company in obtaining the disclosures contained in paragraph 13 of Part X of this Document is appropriate in the circumstances. To this end, the Company circulated a disclosure questionnaire to the members of the Concert Party and made the assumption that disclosures were negative unless the members of the Concert Party confirmed otherwise within 3 business days of receipt of the questionnaire.

So far as the Directors are aware, none of the members of the Concert Party nor any person acting in concert with any of them has purchased Ordinary Shares in the 12 months immediately preceding the date of this Document. The Waiver, which the Panel has agreed to provide subject to the passing of Resolution 3, will be invalidated if any purchases of Ordinary Shares are made by any of the members of the Concert Party or any person acting in concert with any of them in the period between the date of this Document and the EGM. The members of the Concert Party have each undertaken to the Company that they will not make any such purchases of Ordinary Shares.

Lock-in Arrangements

The lock-in arrangements are detailed in paragraph 6.3 in Part X of this Document.

In accordance with the AIM Rules, the Existing and Proposed Directors, applicable employees (as defined in the AIM Rules) and Shareholders holding more than 10 per cent. of the New Ordinary Shares, whose interests in the Company amount to 95,815,176 New Ordinary Shares (representing 42.6 per cent. of the issued New Ordinary Shares on Admission assuming the Offer is accepted in full) have undertaken not to dispose of any interest in their New Ordinary Shares for a minimum period of twelve months following Admission except in the very limited circumstances allowed by the AIM Rules and for the period of a further twelve months, not to dispose of any interest in their New Ordinary Shares except with the prior written consent of Nabarro Wells (except in very limited circumstances).

In addition, Shareholders who received Immersion Shares as a result of and in connection with the sale of assets by Winovate to Immersion, and Shareholders who received Immersion Shares as a

result of the sale of Whise to Immersion, which amount to 27,100,000 New Ordinary Shares (representing 12.0 per cent. of the issued New Ordinary Shares on Admission assuming the Offer is accepted in full), have undertaken not to dispose of any interest in their New Ordinary Shares for a minimum period of twelve months following Admission except in very limited circumstances and, for the period of a further twelve months, not to dispose of any interest in their New Ordinary Shares except with the prior written consent of Nabarro Wells (except in very limited circumstances).

In addition, Shareholders who invested in Immersion in the first round of investment following its incorporation, which amount to 33,250,000 New Ordinary Shares (representing 14.8 per cent. of the issued New Ordinary Shares on Admission assuming the Offer is accepted in full), have undertaken not to dispose of any interest in their New Ordinary Shares for a minimum period of six months following Admission except in very limited circumstances and, for the period of a further six months, not to dispose of any interest in their New Ordinary Shares except with the prior written consent of Nabarro Wells (except in very limited circumstances).

In addition, Novus Capital Markets Limited have undertaken not to dispose of any interest in their holding of 800,000 New Ordinary Shares for the period of six months following Admission, except with the prior written consent of Nabarro Wells (except in very limited circumstances).

Current Trading and Prospects

As at the date of this Document, it is intended that the existing St James's Energy funds will be expended on:

	£'m
Sales & marketing strategy	1.2
Product development	0.6
Establish manufacturing assembly facilities in China	0.5
Further develop and protect the Company's IP	0.2
Provide general working capital	0.5
Costs of Admission	0.5
	<hr/>
	3.5
	<hr/>

Share Options

To motivate the Proposed Directors, key employees and consultants to the Company, the Board has adopted an option scheme to authorise the Company to issue options. Any options issued pursuant to the scheme will not exceed 15 per cent. of the total share capital in issue from time to time without the Board having first obtained the consent of the Shareholders.

Immersion has granted options to certain key employees and directors to subscribe for, in aggregate, 12,750,000 shares in the capital of Immersion. The exercise price of the options is 12.5 pence. Conditional upon Admission, these options will be converted into options to subscribe for shares in St James's Energy upon the same terms.

Conditional upon Completion and Admission, Immersion will grant a further 2,500,000 options to other key employees. The exercise price of these options will be 12.5 pence. Conditional upon Admission, these options will be converted into options to subscribe for shares in St James's Energy upon the same terms.

The Company issued 5,141,424 options, equivalent to 734,489 consolidated options in the Enlarged Share Capital, to Nabarro Wells in part consideration for its services as Nominated Adviser upon the Company's Admission to AIM on 19 May 2006. Post Consolidation, the options are exercisable at 21 pence at any time up to 19 May 2011.

To motivate the executive directors and key employees of the Company, the Board has adopted a share bonus scheme whereby the executive directors and key employees are set individual and Company objectives which if attained will result in the Company granting bonus shares.

Details of the proposed share consolidation

Upon implementation of the Consolidation, Shareholders on the register of members of the Company at the close of business on the Record Date, which is expected to be 11 April 2007, will

exchange seven Ordinary Shares for one New Ordinary Share and so in proportion for any other number of Ordinary Shares then held.

Apart from the change in nominal value, the New Ordinary Shares arising on implementation of the Share Consolidation will have the same rights as the Ordinary Shares, including voting, dividend and other rights.

No Shareholder will be entitled to a fraction of a New Ordinary Share and where, as a result of the consolidation of Ordinary Shares described above, any Shareholder would otherwise be entitled to a fraction only of a New Ordinary Share in respect of their holding of Ordinary Shares at the Record Date (a “**Fractional Shareholder**”) such fractions shall be aggregated with the fractions of New Ordinary Shares to which other Fractional Shareholders of the Company may be entitled so as to form full New Ordinary Shares and sold.

Any Shareholder not holding a number of Ordinary Shares which is exactly divisible by 7 on the Record Date will be entitled to receive part of the proceeds of this sale in respect of his fractional entitlement.

The Directors will be authorised to sell New Ordinary Shares arising from fractional shareholdings on behalf of the Company in the market as soon as reasonably practicable following the passing of the Resolution for the best price then reasonably available for those shares.

However, in accordance with the Resolution, cash proceeds of less than £3 will not be distributed to Fractional Shareholders but will be retained for the benefit of the Company. In view of the current share price, the Directors do not consider it likely that the due proportion of the proceeds of the sale of any fractional entitlements to be paid to the Shareholders concerned will be £3 or more.

The Consolidation is conditional upon the completion of the Acquisition, which is itself conditional upon the New Ordinary Shares being admitted to trading on AIM. Application for Admission will be made so as to enable the New Ordinary Shares to be admitted to trading on AIM as soon as practicable following the Record Date. It is expected that Admission will become effective at 8.00 am on 12 April 2007 whereupon the Consolidation will be effective.

If you hold a share certificate in respect of your Ordinary Shares in the Company, your certificate will no longer be valid from the time the proposed Consolidation becomes effective. If you hold 7 or more Ordinary Shares on the Record Date you will be sent a new share certificate evidencing the New Ordinary Shares to which you are entitled under the Consolidation. Such certificates are expected to be despatched no later than 26 April 2007 by first class post at the risk of the Shareholder. Upon receipt of the new certificate, you should destroy any old certificate(s). Pending the despatch of the new certificates, transfers of certificated New Ordinary Shares will be certified against the Company’s share register.

If you hold your Ordinary Shares in uncertificated form, you should expect to have your CREST account credited with the New Ordinary Shares to which you are entitled on implementation of the Consolidation on 12 April 2007 or as soon as practicable after the Share Consolidation becomes effective.

Dividend Policy

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

Taxation

Certain general information relating to taxation in the United Kingdom is set out in the taxation section in paragraph 10 of Part X of this Document.

Admission to Trading and Dealing Arrangements

Application will be made to the London Stock Exchange for the Existing Ordinary Shares and the Acquisition Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings on AIM in the Existing Ordinary Shares and the Acquisition Shares will commence on 12 April 2007.

The Existing Ordinary Shares settle through CREST and accordingly, the Acquisition Shares will also settle through CREST.

CREST

The articles of association of the Company permit the Company to issue shares in uncertificated form in accordance with the Uncertificated Securities Regulations 2001. The Directors have 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 in the CREST system if the relevant Shareholders wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain certificates will be able to do so.

Extraordinary General Meeting

Set out on pages 124 to 126 of this Document is a notice convening an Extraordinary General Meeting to be held at No.1 Cornhill, London EC3V 3ND at 10:00 am on 11 April 2007, at which the following Resolutions will be proposed:

1. an ordinary resolution to receive St James's Energy annual accounts for the period ending 31 August 2006;
2. an ordinary resolution to approve the Acquisition and the issue of the Acquisition Shares;
3. an ordinary resolution to approve the waiver of the obligation by the Concert Party (and persons acting in concert with it) to make a general offer under Rule 9 of the City Code. As described above this resolution will be held on a poll of St James's Energy Independent Shareholders;
4. an ordinary resolution to consolidate the share capital of the Company;
5. an ordinary resolution to increase the authorised share capital of the Company;
6. an ordinary resolution to grant the Directors power to allot New Ordinary Shares up to maximum nominal amount of £500,000;
7. a special resolution to grant the Directors power to allot New Ordinary Shares, (within the meaning of Section 94(2) of the Act) for cash up to an aggregate nominal value of £315,000 (being 45,000,000 ordinary shares of 0.7 pence) and (b) otherwise implement an offer of equity securities, whether by the Company or another person, open for acceptances for a fixed period without complying fully with the pre-emption requirements of the Companies Act 1985; and
8. a special resolution to change the name of the Company from St James's Energy plc to Immersion Technologies International plc.

Completion of the Acquisition will be conditional upon the passing of resolutions 2 to 8 and upon Admission.

The Acquisition Shares will be issued pursuant to authorities granted to the Existing Directors at the EGM. Following Completion, the Company will have authorised but unissued ordinary share capital comprising 775,130,386 New Ordinary Shares (assuming that the Offer is accepted in full).

Action to be Taken

St James's Energy Shareholders will find enclosed with this Document a form of proxy for use at the Extraordinary General Meeting. **Whether or not you intend to be present at the meeting, you are requested to complete, sign and return your form of proxy to the Company's registrars, Share Registrars Limited, as soon as possible but, in any event, so as to arrive no later than 48 hours prior to the meeting.** The completion and return of a form of proxy will not preclude you from attending the meeting and voting in person should you wish to do so.

Additional Information

Your attention is drawn to the further information set out in Parts II to XI of this Document. St James's Energy Shareholders are advised to read the whole of this Document and not rely solely on the summary information presented in this letter.

Recommendation

As the Independent Director of the Company, and having been so advised by Nabarro Wells, I believe the resolutions implementing the Proposals to be in the best interests of the Company and St James's Energy Shareholders as a whole. In providing such advice to the Company, Nabarro Wells has taken into consideration my commercial assessment of the Acquisition. Accordingly, I recommend St James's Energy Shareholders to vote in favour of the resolutions.

Yours faithfully

Christopher Lambert
Non-executive Chairman

PART II

INFORMATION ON IMMERSION

Introduction

Immersion is an audio technology company with patented and patent pending technologies. Immersion's technologies relate to both high performance electrostatic loudspeakers ("ESL") and award-winning conventional cone loudspeakers ("CCL") and Immersion's ability to reduce audio distortion to extremely low levels thus enhancing clarity without compromising volume. Immersion's primary sales strategy is to manufacture and sell its audio technology to Consumer Electronics Manufacturers ("CEM") with their own established distribution, promotion and routes to market. On 22 December 2006, Immersion signed a manufacture and supply agreement for the supply of product incorporating Immersion's technology with a premier audio/visual and multimedia equipment provider, Nakamichi Corporation Limited.

After more than ten years of research and development, the Immersion ESL technology is now being commercialised. Designed with the intention to provide the highest possible audio reproduction characteristics and set a new standard to benchmark these characteristics, Immersion has achieved what the Immersion Directors consider to be a new level of high definition acoustics and has made an application to register the trade marks, HD-ATM or High Definition – AcousticsTM, to reflect this standard internationally.

Immersion's technology reduces audio distortion to extremely low levels thus enhancing clarity without compromising volume. Immersion also has the ability to manufacture the devices in thin, small aesthetically pleasing designs and the Immersion Directors believe that these factors will provide a significant marketing advantage in the competitive market for audio reproduction devices.

The high performance characteristics of Immersion's technologies are attained in two ways:

1. improving the operation of an ESL with Immersion's proprietary technology (ESL is generally regarded as superior to CCL for sound reproduction) subject to eleven specific patent applications; and
2. improving the operation of a CCL with PAMTM, NTMTM and VR/URTM also being proprietary technologies to Immersion, covered by seven granted patents and four patent applications.

Both technologies have already received industry recognition, as follows:

Consumer Electronics Show, Las Vegas, January 8th to 11th – Innovations 2007 Awards Honourees

Since 1989, the prestigious Innovations Design and Engineering Awards at CES have given consumer technology manufacturers and developers an opportunity to have their newest products judged by a pre-eminent panel of independent industrial designers, independent engineers and members of the trade press. Immersion has supplied its ESL technology to Nakamichi Corporation Limited for the Nakamichi HD-ATM hybrid speaker (ESL and CCL) which is one of twelve honourees at the CES event in the "Home Theater Audio" category. CES states that the Nakamichi HD-ATM hybrid speaker "belongs to higher-end realm of speakers, herald an era of hybrid electrostatic technologies, designed with engineering sophistication and deserved its reputation for excellence."

119a Active Subwoofer Wins 2004 Sound & Image Award

At the 2004 Sound and Image Awards held in Sydney in June 2004, Whise took the award for best active sub bass CCL speakers in the AU\$1,000–2,999 category. The judges commented "*This small sub is packed with innovative technology that lets it take on – and beat – subwoofers twice its size and price*".¹

¹ <http://www.whise.com.au/index3.htm>

Immersion's improvements to ESL and CCL through its technologies enables it to achieve superior audio performance and to be manufactured at a cost that is competitive with the existing dominant CCL technology. The result is that the Immersion Directors believe that Immersion can compete in the audio reproduction market, estimated by Global Industry Analysts, Inc. to be worth over US\$3.5 billion in 2005.

The Immersion Directors believe that the major advantages of Immersion's technologies include:

ESL

- Low audible distortion with superior audio performance relative to CCL;
- Thin technology, high quality/ flat profile typically 16mm or less;
- Extremely scalable, almost any size or shape;
- Low cost of manufacture;
- Less volume deterioration – sound wave differences reduce volume losses over distance compared to CCL (i.e. sub-woofer);
- Less sound penetration – sound wave differences reduce unwanted noise pollution;
- Use of high performance (expensive) amplifiers is not required;
- Passive electronic bass correction – bass is enhanced electrically and electronically;
- Radical bass baffling extension – enforces low frequencies;
- Elimination of the requirement for a low frequency CCL on larger models;
- Reduction of air turbulence between grids;
- Compression (not clipping) of damaging peak transient signals; and
- Significant reduction in physical size whilst retaining sonic quality.



Fig 1: Example of an ESL



CCL

- Low audible distortion with superior audio performance relative to traditional CCL;
- Flexible enclosure design – design can be adapted to available space;
- Smaller than conventional low frequency devices;
- High efficiency – significantly reduced power required to achieve high volume;
- External sound pollution cancellation; and
- Integration – seamless integration with ESL.

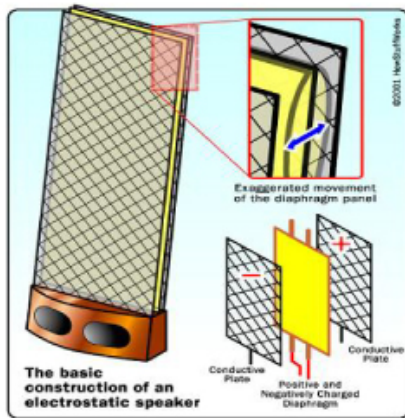


Fig 2: Example of a CCL

The Immersion Technology

ESL

The traditional ESL in its basic form is not a new technology and is considered by many audiophiles as an ideal medium for sound reproduction compared with any other technology existing today.



The differences between an ESL and a CCL are significant. Unlike a CCL, which is comprised of cones or diaphragms of varying size, i.e. – tweeter (for high frequencies), woofers (for mid-range frequencies) and subwoofers (for low frequencies or LF), the ESL is constructed of a single thin diaphragm stretched and fixed between two electrode plates. The electrodes carry a positive charge and the diaphragm carries a negative charge. When a music signal is passed through the ESL it carries a waveform that is replicated by the electrodes which in turn move the diaphragm thus creating sound. In simple terms, it provides one surface to reproduce most of the audible frequency bandwidth (proportionate to size).

Bell Telephone Laboratories made the decision in 1923 to develop a complete musical playback system consisting of an electronic phonograph and a loudspeaker to take advantage of the new recording medium. Bell Labs assigned the project to two young engineers, C.W. Rice and E.W. Kellogg.

After testing various audio reproduction devices, Rice and Kellogg had narrowed the field of competing technologies to the CCL and the ESL. Despite finding the ESL to be superior, the lack of available materials (unlike today) made the CCL a more practical alternative. The evolution of the CCL progressed and it is now the dominant audio reproduction device used today worldwide. Since then, the ESL has developed into a premium product delivering a sound quality to match its expensive price tag. This philosophical attitude has placed the ESL in a niche market and the Immersion Directors believe it has therefore been overlooked as a potential mainstream product.

The Immersion Directors believe that Immersion has exploited this oversight by patenting and applying for patents in relation to a range of manufacturing and technology improvements that will significantly reduce the production costs, enabling high volume manufacturing and has significantly increased product performance and capabilities.

CCL

The conventional cone loudspeaker consists of a coiled conductor placed in a permanent magnetic field and attached to a stiff piston or cone which is mechanically suspended at its centre and edges. As an audio signal passes through, the magnet causes the coil to move the piston in proportion to the audio signal creating sound.



In contrast to the ESL, a CCL relies on crossovers to separate the frequency ranges and is prone to issues such as phase shifts, non-linear distortion, cone break-up, box resonance and driver non-linearities. To minimise some of these effects, Immersion acquired specific CCL technologies through Whise, such as PAM™, NTM™ and VR/UR™ to maximise the CCL's performance capabilities cost effectively.

Intellectual Property

The Immersion patent portfolio covers 18 inventions and comprises seven granted patents, with a further 21 pending, relating to the manufacturing processes and technology used in the creation of both ESL and CCL.

Immersion utilises the services of a patent agent, Philips Ormande Fitzpatrick, to assist in the drafting of provisional and complete specifications. A detailed review of the patents held by

Immersion and the conduct of Immersion and its patent agent has been conducted by Mallesons and is reproduced in Part V of this Document.

In the opinion of Mallesons, Philips Ormande Fitzpatrick and their agents have taken all the usual steps in respect of the Immersion patent portfolio and conducted themselves appropriately in respect of the patents and patent applications entrusted to them. However, Mallesons note that provisional specifications drafted by Immersion are in general not well drafted and it may not be possible to maintain a claim to the priority dates of these provisional specifications. In this event, the priority dates are likely to be the filing dates of the complete specifications. The complete specifications must be filed no later than 12 months after the provisional specifications.

The granted patents were originally developed by Whise and include technologies such as PAMTM, NTMTM and VR/URTM:

- The PAMTM technology uses acoustic modelling and mechanical filtering techniques to control audio quality. This technology was incorporated into the award winning² Whise ProfunderTM subwoofer, the world's first TMH Qualified³ subwoofer.
- The NTMTM digital crossover (an acronym for the Neville Thiele Method) enables precise control of frequency signals giving the Company a proprietary advantage over competitors with conventional alternatives. This technology is currently non-exclusively licensed in BSS Audio products⁴ (a Harman International, Inc brand) (USA).
- VR/URTM technology enables LF CCL to be incorporated into unconventional locations within passenger vehicles or other industrial or commercial applications. This technology is currently non-exclusively licensed to Alpine Electronics of UK Limited and is incorporated in current Jaguar and Aston Martin motor vehicles. It is also licensed to Alpine Electronics of America, Inc. for its aftermarket retail products such as the award winning LAT PLV-7 produced in conjunction with Tympany Corporation⁵ and LAT PLT-5.

Set out below are some of Immersion's registered and unregistered brands and trade marks: .



The HD-ATM trade mark has been registered in Australia. Although, Immersion received letters of "provisional refusal" from the World Intellectual Property Organization on 2 February 2007 (United States of America) and 6 February 2007 (Singapore) in relation to the HD-ATM trade mark the Immersion Directors are confident that trade mark protection can be obtained on a less broad identification of goods to which the protection will apply. Notwithstanding, there is the potential for the HD-ATM trade mark to be refused registration in one or more jurisdictions.

Should Immersion be unable to obtain registration of the HD-ATM trade mark in major jurisdictions (i.e. the United States of America), it may consider making an application to register alternative trade marks to represent the Immersion technology or simply proceed with the unregistered mark. The Immersion Directors do not consider a failure to obtain registration of the HD-ATM trade mark in one or more jurisdictions to be critical to the operation of the business.

² Whise Profunder 624 wins Stereophile's 2000 Platinum Award for the "Best Subwoofer" See: <http://www.whise.com.au/index3.htm>

³ TMH Corporation Inc. – Tomlinson Holman invented 5.1 surround sound and designed THX (Tomlinson Holman eXperiment) for Lucasfilm Ltd

⁴ See: http://www.bssaudio.co.uk/includes/product_sheet_include.aspx?product_id=28

⁵ See: http://www.caraudiomag.com/features/0603cae_ces_topten/

An Overview of the Market for Electrostatic Loudspeakers

The world market for audio reproduction devices is considerable. In hi-fi loudspeakers, sales are expected to reach US\$3.682 billion (at manufacturers pricing level) by the end of 2006.⁶ With the increased uptake of new consumer electronics products such as plasma and LCD television screens, which incorporate speaker technology, the Immersion Directors believe that the prospects for growth are strong.

The Immersion Directors believe that Immersion's audio technologies are unlike any other audio technologies that exist today and its' technology for ESL and CCL gives it wide application in all facets of audio reproduction, in almost any environment.

Corporate Strategy

Immersion's corporate strategy can be analysed between three key areas: sales, marketing and manufacturing.

Sales Strategy

Immersion is already active in several sales channels, with a number of contracts in place. Whise has established an international presence in low frequency CCL speaker products. The Immersion sales strategy is to broaden those sales channels and introduce the ESL products. Immersion intends to establish its initial sales and distribution centres to support each sales tier in Europe, Australia, Asia (namely Singapore) and the United States.

The Company has a 4-tiered sales strategy for entering the world's audio market;

1. OEM – Design, develop and manufacture products for existing CEM customers.

The Immersion Directors believe that the fastest route to market is via the design, development and manufacture of products for CEMs. Immersion is focussed on developing new products for existing customers and attracting new customers.

By leveraging upon OEMs' existing distribution channels, Immersion will be able to maximise its sales focus on a limited number of large customers in this strategy tier.

2. Manufacture product under the Immersion/Whise brand.

Immersion intends to promote CCL audiophile products under the Whise brand and introduce new ESL audiophile products for retail distribution under the Immersion brand. Hybrid ESL and CCL products are also anticipated.

The Company has had discussions with established retail distribution chains in both Europe and Australia.

3. Manufacture product for commercial/industrial applications.

Immersion intends to promote its products in commercial/industrial applications (i.e. clubs and pubs) and custom designed systems. Areas such as professional audio, public cinemas, architectural, marine and aviation can also benefit from Immersion's technology.

4. Trade mark promotion/licensing.

Immersion's trade marks and logo will be licensed to customers to be displayed on the customers' equipment. These logos will be a key part of the offering from Immersion in order to identify that Immersion's technology has been utilised. It is intended that markets will be strategically approached with Immersion's product releases firstly in Europe and the Asia-Pacific regions and then a progressive introduction to distributors around the world.

Whise currently has a licence agreement with Harman International, Inc. for the use of its NTMTM technology by Harman's UK subsidiary company, BSS. This technology is used in BSS professional sound management systems, the Omnidrive and Minidrive systems and Soundweb products, under the "Whiseworks" and NTMTM logos. BSS regard it as a prime selling feature in their Omnidrive and Mindrive systems.

⁶ Loudspeakers – A Global Strategic Business Report 06/06 – Global Industry Analysts Inc at page II-61

Sales Contracts

Nakamichi Corporation Limited ("Nakamichi")

On 22 December 2006, Immersion signed a manufacture and supply agreement for the supply of product incorporating Immersion's technologies with a premier audio/visual and multimedia equipment provider, Nakamichi Corporation Limited. The contract is for a period of three years and includes a delivery schedule whereby Nakamichi indicates that it may order US\$12.1 million during the first two years, with a minimum order quantity of US\$5.5 million during the same period.

The Nakamichi contract is a significant milestone for Immersion given that it supports the Immersion Directors' belief that the Immersion technology is superior to its competitor's products.

Nakamichi Corporation (www.nakamichi.com) is a premiere manufacturer of high quality, high performance audio/video and multimedia equipment. Long renowned for the sophistication of its home audio and mobile sound systems. Nakamichi continues to introduce leading edge products that are widely available throughout the North American and other major markets.

The Immersion Directors intend to develop further products which they believe will be attractive to Nakamichi. The Nakamichi product which is the subject of the supply agreement has already received international recognition through CES Innovation 2007 Awards Honouree referred to in Part II of this document.

Alpine

Immersion's subsidiary, Whise Acoustics, has licence agreements for the supply of Immersion's CCL technology with Alpine Electronics of America, Inc. and Alpine Electronics of UK Limited. Alpine Electronics of UK Limited, has expressed interest in altering the arrangements and contracting Immersion as an OEM such that Immersion would develop, manufacture and sell complete products to Alpine. The Directors believe this has the potential to increase revenues and create a platform for Immersion to secure other automotive contracts.

Alpine (www.alpine.com) is a leading supplier of mobile media systems.

Harman International ("Harman")

Immersion's subsidiary, Whise Acoustics, currently has a license agreement with BSS Audio Limited, a Harman group company, for the supply of NTM™ technology.

Harman (www.harman.com) is a worldwide leader in the manufacture of high-quality, high-fidelity audio and electronic products for automotive, consumer and professional use.

Marketing Strategy

Building consumer awareness of Immersion's technology is critical to the longer term success of the business and therefore, Immersion will invest in significant marketing and brand recognition activities. Building Immersion's brands globally will be promoted in five key ways:

1. Association with CEMs

CEMs that adopt Immersion's technology will be licensed to display the Immersion trade marks. The recognition of the trade marks will be promoted largely by association with the CEM and its products.

The Immersion Directors intend to maintain the quality of the trade mark by associating the technology with only reputable and approved CEMs. The Immersion Directors believe that this will supplement Immersion's own marketing by ensuring swift market diffusion and deliver credence and confidence in Immersion technologies and in Immersion products. The Immersion Directors intend to use its brand to assist with future marketing opportunities to other major CEMs.

Whise has already successfully deployed this strategy with the application of "NTM" logos by Harman International and "Whiseauto" by Alpine Electronics (USA). Product marketing material support will be provided to the CEMs to ensure market acceptance of Immersion's trade marks is maintained.

2. Public Relations

Immersion has retained Pelham's Public Relations in London to assist with press releases in relation to the pre and post Admission to AIM. It is intended that this will continue with new product launches supplemented by editorials in the financial and trade press.

3. Verification

Immersion also intends to increase awareness by gaining the recognition of audiophiles in key audio publications. Building confidence in the technology and trade marks will be supported by technical data and scientific verification.

4. Retail Presence & Exhibitions

The Immersion Directors believe that the strong retail distribution of the CEMs it supplies, the education of dealer network and participation in various exhibitions will build recognition of Immersion's brands. Immersion's first hybrid ESL and CCL prototype for Nakamichi Corporation Limited was displayed at the world's largest Consumer Electronics Show (CES), in Las Vegas, Nevada early in January, 2007. This product has received a 2007 Innovations Honouree Award in the category of Home Theatre Audio.

Immersion intends to support CEMs at trade shows that they attend during the year e.g. IFA in Berlin and CES in Las Vegas.

5. Direct Marketing

Once Immersion's technology gains recognition, the Immersion Directors intend to embark on direct marketing in key strategic areas such as contemporary lifestyle magazines, television and cinema advertising.

Manufacturing & Operational Strategy

Immersion's strategy is to focus primarily on the design, development and manufacture of products for sale to CEM customers. The Immersion Directors intend to adopt a multi-tiered strategy for manufacturing assembly comprising:

- Control of the final processes and intellectual know-how to be retained by Immersion in-house, on Immersion premises;
- Supply of certain components, sub-assemblies and finished products to be externally sourced from first and second tier approved suppliers;
- Manufacture some components in-house to facilitate and maintain an efficient supply chain; and
- Certain key suppliers may also be accommodated in Immersion's own facilities to allow a more efficient supply chain and lower cost of supplied items.

Immersion has identified an appropriate geographic location for this assembly facility, taking into account set-up and production costs, expected overhead and variable costs, access to first and second tier suppliers, access to shipping ports and to a reliable and trusted workforce.

The Immersion CEO and senior management have considerable experience with large contract manufacturers in China. A facility in the Nanjing Jiangning Economic and Technological Development Zone has been identified and examined and the Immersion Directors are currently negotiating the final terms for this new manufacturing assembly facility.

Nanjing is the capital of the Jiangsu province and has a population of approximately 5.53 million. At one time it was the capital of China. The Nanjing Jiangning Economic and Technological Development Zone was formed with the purpose to "build the ecological and high tech new city and the knowledge and innovation base of Jiangsu". It covers some 300 sq km and has an administrative centre to facilitate all licences, investment and government requirements. The area is serviced by 4 highways, three major rail lines, an international airport and has the largest inland Asian port only 20km away. The area has ISO9001 and ISO14001 accreditation and has 13 universities and two scientific and technological innovation centres.

Companies such as Ford, Mazda, Fiat, Hitachi, Sony Ericsson, Siemens, Motorola, Toshiba, Flextronics, Pepsi-Cola and Kimberly-Clark have a presence in the zone. The Immersion Directors anticipate that the initial manufacturing assembly requirements for Immersion will necessitate a facility of 3,500m² to 7,000m². The Immersion Directors intend to initially employ 32 workers and grow the workforce as the manufacturing ramps up.

Immersion Directors intend to make the following investments in the manufacturing assembly facility, estimated to have a total capital cost of US\$250,000:

- Test equipment;
- Reaction Injection Moulding ("RIM") machine;

- Membrane coating and application machine;
- Packing, handling and storage equipment;
- Office equipment; and
- Assembly tools.

The principal advantage of this strategy is to exploit the cost advantages of China manufacturing against a volume driven sales strategy designed to deliver high margins.

Competitors

Given Immersion's strategy set out above and the intention to compete with CCL technology, the Immersion Directors believe that all CCL providers are potential competitors. Therefore many of Immersion's competitors have the potential to become customers under OEM contracts.

There are other companies specialised in commercialising flat audio devices that use different flat audio technologies. In particular, NXT plc, a company listed on the London Stock Exchange, uses a small exciter disc, or transducer, inlaid in a rigid ultra-thin panel. Unlike Immersion, NXT plc has a business model based on licensing revenue.

PART III

RISK FACTORS

Before deciding whether to invest in the Enlarged Group's Ordinary Shares, prospective investors should carefully consider the risk factors set out below together with all the information contained in this Document.

The risks listed below do not necessarily comprise all of those associated with an investment in the Enlarged Group. The investment offered in this Document may not be suitable for all its recipients. An investment in the Enlarged Group is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. No relative importance of the risk factors below ought to be inferred from the order in which they appear.

If any of the following risks actually occur, the Enlarged Group's business, financial condition and the results and scope of its operations could be materially and adversely affected. In such circumstances, the trading price of the Ordinary Shares could decline, and investors may lose all or part of their investment. Prospective investors are accordingly advised to consult an independent adviser who is authorised under the Financial Services and Markets Act 2000 and who specialises in advising on the acquisition of shares and other securities before making the decision to invest.

1. Business risk

1.1. *Enlarged Group's Objectives*

The value of an investment in the Enlarged Group is dependent upon the Enlarged Group achieving its objectives, being primarily the successful commercialisation of the Immersion technology. In addition, the Immersion brand may not receive acceptance within the market with a negative affect on the Enlarged Group's abilities to market its technologies and receive any revenues from licensing the trade mark. There can be no guarantee that the Enlarged Group will achieve these objectives to the level of success that the Existing Directors and Proposed Directors expect, in the timescale that the Existing Directors and Proposed Directors expect or at all.

1.2. *Commercial Risk*

Return on investment is not just dependent upon the successful technical development of the Enlarged Group's technology but also upon the Enlarged Group being able to secure suitable terms to licence or manufacture and market its product. Unforeseen problems with the mass manufacture of the Enlarged Group's ESL or CCL products or excessive marketing costs could adversely affect the commercial success of the Enlarged Group and the return on investment.

1.3. *Technical risk*

New technology, changing commercial circumstances and new entrants to the markets in which the Enlarged Group operates may adversely affect the Enlarged Group's value. Charles Van Dongen and Zeliko Velican have spent 10 years and 20 years respectively developing the Enlarged Group's ESL and CCL technology respectively which has involved addressing various technical issues. Although the Immersion Directors believe that any major technical issues with the Enlarged Group's ESL technology have been addressed, there can be no guarantee that further, as yet unforeseen, issues will not arise which could affect adversely the Enlarged Group's on-going technical development, growth and business performance.

1.4. *Manufacturing*

The Enlarged Group has built proto-type ESL and CCL products but has yet to manufacture a product in significant quantity nor has it manufactured any products at its proposed facility in Nanjing. Mass manufacturing may identify problems and delays may be encountered at that stage, that were previously unforeseen, which in turn could damage the Enlarged Group's relationships with its suppliers and customers, or prejudice its revenues under contracts.

1.5. *Competition*

Immersion's technology may face competition from other audio technologies, both ESL and CCL. Given the Enlarged Group's patent applications, subject to risk factor 1.7 below and confidential know-how the Immersion Directors do not believe that there currently exist any other audio companies whose combination of manufacturing cost and product performance capability is competitive.

Many of the Enlarged Group's competitors have financial resources, customer bases, businesses or other resources, which give them a significant competitive advantage over Immersion.

1.6. *Market Risk*

The market for audio reproduction devices may fail to grow and commercial and/or consumer spending patterns for such devices may change. There is also the potential for increases in raw material costs and component prices which could reduce margins.

As the Immersion's technologies are new, the market perception and acceptance of such technologies may not be as prompt as the Directors have anticipated. A failure to obtain market acceptance of the technologies will affect sales and thus profitability which could potentially affect the value of investor's holdings and the ability of the Enlarged Group to raise further funds by the issue of further New Ordinary Shares or otherwise.

1.7. *Intellectual Property Protection*

The business of the Enlarged Group is dependent on certain IP rights. Many participants in the consumer electronics industry have patents and patent applications and have demonstrated a readiness to pursue litigation based on allegations of patent or other IP infringement. The Enlarged Group could incur substantial costs in defending or bringing a claim whether or not successful. A successful claim for infringement against the Enlarged Group and its failure or inability to licence or develop the infringed IP on acceptable terms and on a timely basis, could harm the Enlarged Group's business, operating results and, or financial performance.

No assurance is given that the Enlarged Group will develop technology which is capable of being protected or that any protection gained will be sufficiently broad in its scope to protect the Enlarged Group's IP rights and exclude competitors from similar technology. Further, there can be no assurance that:

- patent applications now existing or made in the future will be granted;
- patents granted to the Enlarged Group will be sufficiently broad in scope to provide protection for the Enlarged Group's IP rights against third parties;
- the validity or scope of any patents which may in the future be granted to the Enlarged Group, or that claims in relation to the patents, will not be questioned or asserted by other parties; or
- a third party will not claim prior rights in relation to IP used by the Enlarged Group.

Immersion's IP protection is a combination of approved patents and PCT and national patent applications, which in some cases are at an early stage of the application process. The Whise technologies, PAM™ and NTM™ have been granted patents in USA and elsewhere. With respect to PCT and national patent applications, there is no guarantee that any of the applications will result in a granted patent and the Enlarged Group may become subject to lawsuits in which it is alleged that Immersion has infringed the IP rights of others or commence lawsuits against others who the Immersion Directors believe are infringing upon the Enlarged Group's rights or claims.

The Enlarged Group is at an early stage in the development of its technology and protection of IP relating thereto. Infringement reviews have yet to be undertaken in respect of the patent applications submitted by the Enlarged Group and there is a risk that the current patent applications may not proceed to grant.

The Enlarged Group has made application to register the HD-A™ Technology trade mark in Australia and internationally under the Madrid Protocol. The Australian trade mark application was accepted on 21 September 2006 and formal approval of registration was received on 22 January 2007. Immersion received letters of "provisional refusal" from the World Intellectual

Property Organization on 2 February 2007 (United States of America) and on 6 February 2007 (Singapore), however the Immersion Directors are confident that trade mark protection can be obtained on a less broad identification of goods to which the protection will apply. Notwithstanding, there is the potential for the Immersion's technology trade mark to be refused registration in one or more jurisdictions. Failure to obtain registration of a trade mark in any particular jurisdiction does not automatically preclude the ability to use the trade mark in that jurisdiction. It simply means that the Company would have to rely on any common law rights it may have with respect to same.

1.8. *Reliance on Strategic Relationships*

Immersion intends to outsource the manufacture of components for the products to third parties. As demand and production volumes increase there is no guarantee that disruption at third party manufacturers will not affect adversely the Enlarged Group.

1.9. *Force Majeure*

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

1.10. *Litigation*

Legal proceedings may arise from time to time in the course of Immersion's business. The Directors cannot preclude that such litigation may be brought against Immersion in the future from time to time or that it may become subject to any other form of litigation.

1.11. *Uninsured Risks*

Although the Enlarged Group proposes to maintain insurance which the Directors consider to be appropriate, there may be circumstances where the Enlarged Group's insurance will not cover or is not adequate to cover the consequences of certain events. Moreover, there can be no assurance that Immersion will be able to maintain adequate insurance in the future at rates the Existing Directors and Proposed Directors consider reasonable. Thus, Immersion may become subject to liability for hazards which cannot be insured against or against which it may elect not to be insured because of high premium costs or other commercial reasons. There can be no assurance that the Enlarged Group will be able to obtain insurance at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

1.12. *Dependence on Key Personnel*

The operation of Immersion is largely dependent upon the continuing employment and provision of services by certain key executives and personnel for its success. The future results of the Enlarged Group depend significantly upon the efforts and expertise of such individuals. While the Enlarged Group may enter into employment contracts with those persons, the loss of service of any key management personnel could have a material adverse effect on the business of the Enlarged Group and the retention of their services cannot be guaranteed. In addition, Immersion may find it difficult to recruit new executives and employees. The business may suffer if the Enlarged Group fails to attract, employ and retain the necessary skilled and experienced personnel.

1.13. *Additional Capital*

The Enlarged Group has incurred losses to date and expects losses and cash expenditure to continue until it achieves commercialisation and begins selling products.

Immersion may require further financing if its capital requirements vary materially from the Enlarged Group's expectations. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on other forms of financing and operating activities. If the Enlarged Group is unable to obtain additional financing as needed, it may be forced to reduce the scope of the Enlarged Group's operations or its anticipated expansion, or ultimately cease to trade.

1.14. *No Diversification*

Generally, risk is reduced through diversification. However, the Enlarged Group will concentrate on one core area, the development and commercialisation of audio technology.

1.15. *Foreign Currency Exposure*

As a consequence of the international nature of the Enlarged Group's business it will be exposed to risks associated with changes in foreign currency exchange rates. These may result in gains or losses with respect to the movements in exchange rates which may be material and may also cause fluctuations in reported financial information that are not necessarily related to the Enlarged Group's operating results. Currency fluctuations may also affect the cash flow that the Enlarged Group hopes to realise from its operations, as predominately manufacturing costs and sales will be in United States dollars, whilst operating costs are and will continue to be incurred primarily in the currencies of the countries in which it operates.

1.16. *Environmental risks*

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 Enlarged Group.

1.17. *Early stage of Immersion*

The Enlarged Group was only established in 2007 and has limited revenue and is not currently profit making. The development and grant of the Enlarged Group's business and its ability to earn revenues and make a much greater profit cannot be assured.

1.18. *Warranty Protection for Immersion*

Upon the acquisition of Whise Acoustics by Immersion, Immersion received the benefit of warranties and indemnities from Whise Acoustics. However, given that Whise Acoustics is a subsidiary of Immersion, it is unlikely that Immersion would wish to enforce such warranties and indemnities should a claim arise. As a result, Immersion has no effective method of recovery in the event of a claim arising from that acquisition.

In relation to the Acquisition, no warranties or indemnities will be received from the Immersion Shareholders by St James's Energy. As a result, St James's Energy has no method of recovery in the event that any of the information provided to it concerning Immersion is incorrect or misleading. This factor has been taken into consideration by the Existing Directors when concluding that the number of Acquisition Shares to be issued upon completion of the Acquisition reflects the value of Immersion to St James's Energy.

Although St James's Energy will have no means of recovery in the event that any information provided to it concerning Immersion is incorrect or misleading, the St James's Energy Shareholders who have relied on statements made in this Document may have a cause of action against the persons who have accepted responsibility for such statements. In addition, the Proposed Directors have given certain warranties to Nabarro Wells in relation to the information contained in this Document relating to Immersion.

1.19. *Forward Looking Statements*

Certain statements within this Document, including those in the part of this Document under the heading "Information on the Enlarged Group", may constitute forward looking statements. Such forward looking statements involve risk and other factors which may cause the actual results, achievements or performance of Immersion 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 Enlarged Group's ability to develop its existing brands and licenses, competition, changes in development plans and other risks described in this Part III. 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 Enlarged Group will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Document except as required by law or by regulatory authority.

2. Risks relating to the ordinary shares

2.1 *Control by the Concert Party*

Upon completion of the Acquisition, the Concert Party will be interested in 83.2 per cent. of the issued share capital of the Enlarged Group. The Concert Party will, therefore, be able to exercise significant influence over certain corporate governance matters requiring Shareholder approval, including the election of directors and the approval of significant corporate transactions and any other transactions requiring a majority vote.

In addition, the Company and the Shareholders will no longer be entitled to the protections afforded by the City Code. Following conversations with the Panel, the Enlarged Group would not be considered by the Panel to have its place of central management and control in the UK.

2.2 *Investment Risk and nature of AIM*

An active trading market for the Ordinary Shares may not develop and the trading price for Ordinary Shares may fluctuate significantly.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise his investment in the Enlarged Group than in a company whose shares are quoted on the Official List of the UK Listing Authority.

The trading price of the Ordinary Shares will also be subject to significant volatility in response to both company specific and broader issues.

The future success of AIM and the liquidity in the market for Ordinary Shares cannot be guaranteed. In particular, the market for Ordinary Shares may be, or become, relatively illiquid particularly given the lock-in arrangements described in paragraph 6 of Part X of this Document and therefore the Ordinary Shares may be or may become difficult to sell.

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Ordinary Shares or in response to various facts and events, including variations in the Enlarged Group's interim or full year operating results and business developments of the Enlarged Group and/or its competitors.

Potential investors should be aware that the value of securities and the income from them can go down as well as up and that investment in a security which is traded on AIM might be less realisable and generally carries a higher risk than a security quoted on the Official List. The Ordinary Shares will not be quoted on the Official List.

The price which investors may realise for their holding of Ordinary Shares, and when they are able to do so, may be influenced by a large number of factors, some of which are specific to the Enlarged Group and others of which are extraneous. The Ordinary Shares may not be suitable for short term investment.

The potential risks set out in this Part III do not necessarily comprise all those faced by the Enlarged Group and are not intended to be presented in any assumed order of priority.

Investors should therefore consider carefully whether investment in the Enlarged Group is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

PART IV

SUMMARY OF THE OFFER FOR IMMERSION

Set out below is a summary of the offer for Immersion by St James's Energy by way of the Offer Document.

Principal Terms of the Offer

The Offer is contained in a letter from St James's Energy forming part of an offer document being sent to the shareholders of Immersion. The Offer is subject to certain conditions and further terms as set out in the Offer Document and is being made on the following basis:

for each Immersion Share one Acquisition Share

and so in proportion to any other number of Immersion Shares held.

Assuming the issue of the maximum number Acquisition Shares and that no additional Ordinary Shares are issued in the period from the publication of this Document to the time when the Offer is declared unconditional as to acceptances, the enlarged issued share capital of St James's Energy would be held on such date, as to 78.2 per cent. by Immersion Shareholders (assuming the Offer is accepted in full). On this basis, the Offer values the existing issued ordinary share capital of Immersion at approximately £19.7 million, based on the closing share price of the St James's Energy Shares on 7 March 2007, being the last Business Day on which St James's Energy Shares were able to be traded on AIM prior to the publication of this Document.

The Consideration Shares will be issued credited as fully paid, will rank equally with the New Ordinary Shares and will be entitled to all dividends and other distributions declared or paid by St James's Energy by reference to a record date on or after the date when the Offer closes. The Consideration Shares will not carry any right to participate in any dividends and other distributions declared or paid by St James's Energy by reference to a record date prior to the date when the Offer closes.

Immersion shareholders will retain all rights and interest in any dividends and other distributions declared or paid by Immersion by reference to a record date prior to the date when the Offer closes.

The Offer extends to any Immersion Shares which are unconditionally allotted or issued fully paid (or credited as fully paid) prior to the date on which the Offer closes (or such earlier date as St James's Energy may determine).

Irrevocable undertakings to accept the Offer

The Immersion Directors who hold Immersion Shares, with the exception of Gregory Turnidge, have given irrevocable undertakings to St James's Energy to accept the Offer in respect of their beneficial shareholdings amounting, in aggregate, to 17,810,000 Immersion Shares representing approximately 10.1 per cent. of Immersion's existing issued share capital. These undertakings will only cease to be binding if the Offer lapses or is withdrawn. Mr Turnidge has not undertaken to accept the Offer as his shares are held in a trust which also holds Immersion Shares for other beneficial owners.

In addition, St James's Energy has received irrevocable undertakings from certain other Immersion Shareholders to accept the Offer in respect of, in aggregate, 114,590,000 Immersion Shares representing approximately 65.1 per cent. of Immersion's existing issued share capital. These undertakings will only cease to be binding if the Offer lapses or is withdrawn.

In aggregate, therefore, St James's Energy has received irrevocable undertakings to accept the Offer from Immersion Shareholders in respect of 132,400,000 Immersion Shares representing approximately 75.3 per cent. of Immersion's existing issued share capital.

Squeeze-out

If the Company receives acceptances under the Offer in respect of, and/or otherwise acquires, in aggregate 90 per cent. or more of the Immersion Shares to which the Offer relates, the Company may, if the Existing Directors deem it appropriate to do so, apply the provisions of sections 428 to 430F (inclusive) of the Act to acquire compulsorily any remaining Immersion Shares following the Offer becoming or being declared unconditional in all respects.

The Company also intends to re-register Immersion as a private company under the relevant provisions of the Act following the Offer becoming or being declared unconditional in all respects.

Conditions of the Offer

The Offer is subject to the following conditions:

- (a) the London Stock Exchange agreeing, conditional only upon the proper allotment and issue of the relevant shares, to admit the New Ordinary Shares to trading on AIM (together with the existing issued Ordinary Shares);
- (b) the passing of resolutions 2 to 8 to be proposed at the EGM;
- (c) valid acceptances of the Offer being received (and not, where permitted, withdrawn) from all persons to whom unexercised options to subscribe for Immersion Shares have been granted;
- (d) the obligations of Nabarro Wells under the Introduction Agreement becoming wholly unconditional (save for any condition relating to admission of the New Ordinary Shares to trading on AIM)
- (e) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by no later than 1:00 p.m. (London time) on the First Closing Date (or such later time(s) and/or date(s) as St James's Energy may decide) in respect of not less than 90 per cent. (or such lesser percentage as St James's Energy may decide) in nominal value of the Immersion Shares to which the Offer relates, provided that this condition will not be satisfied unless St James's Energy and/or its wholly-owned subsidiaries shall have acquired or agreed to acquire, whether pursuant to the Offer or otherwise, Immersion Shares carrying, in aggregate, more than 50 per cent. of the voting rights then normally exercisable at a general meeting of Immersion including for this purpose any voting rights attaching to any Immersion Shares that may be unconditionally allotted or issued before the Offer becomes or is declared unconditional to acceptances. For this purpose:
 - (i) Immersion Shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry upon being entered in the register of members of Immersion; and
 - (ii) the expression "Immersion Shares to which the Offer relates" shall be construed in accordance with sections 428 to 430F inclusive of the Companies Act;
- (f)
 - (i) the Office of Fair Trading not having indicated prior to the date when the Offer would otherwise have become unconditional in all respects that it intends to refer the Offer or the Acquisition or any part thereof or any matter arising therefrom or relating thereto to the Competition Commission under Sections 22 or 33 of the Enterprise Act 2002;
 - (ii) all necessary filings having been made and all approvals having been obtained, in terms and in a form satisfactory to St James's Energy, from all relevant authorities of the Member States (for the purposes of this Part IV being the member states of the European Union) and/or parties to the European Economic Agreement and all applicable waiting periods under any relevant national merger statute, legislation, regulation, decision or order of the Member States and/or parties to the European Economic Agreement having expired, lapsed or been terminated as appropriate, and all necessary statutory or regulatory obligations in the Member States and/or parties to the European Economic Agreement having been complied with, in each case in respect of the Offer or the Acquisition;
- (g) no central bank, government, government department or governmental, quasi governmental, supranational, municipal, statutory, tax, regulatory or investigative body, authority (including any national anti-trust, competition or merger control authorities) or any court, trade agency, association, institution or professional or environmental body (each a "Relevant Authority") having instituted or implemented any action, proceedings, suit, investigation, reference or enquiry, or made, proposed or enacted any statute, regulation or order and there not continuing to be outstanding any statute, legislation, regulation, decision or order thereof, which would or might reasonably be expected to:

- (i) make the Offer or its implementation or the Acquisition void, unenforceable, prohibited and/or illegal under the laws of any relevant jurisdiction or restrain, restrict, prohibit, delay or otherwise, directly or indirectly, interfere with the implementation thereof, or impose additional conditions or obligations with respect thereto, or otherwise challenge or interfere with the Offer or its implementation or the Acquisition in any such case to a material extent;
- (ii) require, prevent or delay the divestiture, or alter the terms of any proposed divestiture, by any member of the Wider St James's Energy Group or the Wider Immersion Group of all or any part of their respective businesses, assets or property or impose any limitation on the ability of any member of the Wider St James's Energy Group or the Wider Immersion Group to conduct any of their respective businesses or own or dispose of any of their respective assets or property or any part thereof in each case the result of which would have a material adverse effect on the Wider Immersion Group or the Wider St James's Energy Group, as the case may be, taken as a whole;
- (iii) impose any material limitation on, or result in a material delay in, the ability of any member of the Wider St James's Energy Group or any member of the Wider Immersion Group to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership of shares or loans or securities convertible into shares in any member of the Wider Immersion Group or to exercise management control over any member of the Wider Immersion Group;
- (iv) require any member of the Wider St James's Energy Group or the Wider Immersion Group to acquire or offer to acquire any shares or other securities (or their equivalent) or any interest in any member of the Wider Immersion Group owned by any third party (other than in implementation of the Offer) or to sell or offer to sell any shares or other securities (or their equivalent) in the Wider St James's Energy Group or the Wider Immersion Group;
- (v) result in any member of the Wider St James's Energy Group or the Wider Immersion Group ceasing to be able to carry on business under any name under which it presently does so or ceasing to be able to use in its business any name, trade mark or other intellectual property right which it at present uses in each case on the same basis and terms as at present apply where such name or use is material to the business of the Wider St James's Energy Group or the Wider Immersion Group taken as a whole;
- (vi) otherwise materially and adversely affect the business, assets, profits, financial or trading position or prospects of the Wider Immersion Group;

and all applicable waiting periods during which any such Relevant Authority could decide to take, institute, implement or threaten any such action, proceedings, suit, investigation, reference or enquiry or otherwise intervene under the laws of any relevant jurisdiction in respect of the Offer or in connection with the Acquisition having expired, lapsed or been terminated;

- (h) all authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, certificates, permissions and approvals ("Authorisations") necessary for or in respect of the Offer or the Acquisition, or the acquisition or proposed acquisition, of any shares or other securities in or control of Immersion or any other member of the Immersion Group by St James's Energy or the carrying on by any member of the Immersion Group of its business having been obtained in terms and in a form reasonably satisfactory to St James's Energy from all Relevant Authorities and such Authorisations together with all material Authorisations necessary to carry on the business of each member of the Wider Immersion Group remaining in full force and effect and there being no intimation of any intention to revoke or not renew any of them (in each case where the absence of such Authorisations might have a material adverse effect on the Immersion Group taken as a whole) and in relation thereto all necessary statutory or regulatory obligations in connection with the Offer in any jurisdiction having been complied with;
- (i) all filings, applications and/or notifications deemed necessary or appropriate (including any national anti-trust, competition or merger control filings) by St James's Energy having been made, and all necessary waiting and other time periods (including extensions thereof) under

any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed or been terminated, and all statutory or regulatory obligations in any relevant jurisdiction having been complied with, in each case in respect of the Offer or in connection with the Acquisition or any part thereof, or any matter arising therefrom or relating thereto;

- (j) except as Disclosed there being no provision of any arrangement, agreement, licence, permit, lease, franchise, instrument or authorisation to which any member of the Wider Immersion Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject and which, in consequence of the Offer or the Acquisition would or might reasonably be expected to, in each case to an extent which is material in the context of the Wider Immersion Group, taken as a whole result in:
- (i) any monies borrowed by, or other indebtedness (actual or contingent) of, any such member being or becoming repayable or capable of being declared repayable immediately or prior to their or its stated maturity or repayment dates or the ability of any such member to borrow monies or to incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn or inhibited;
 - (ii) any such arrangement, agreement, licence, permit, lease, franchise, instrument or authorisation or the rights, liabilities, obligations or interests of any such member thereunder being terminated or adversely modified or affected or any ongoing obligation of an adverse nature, or liability arising or any action being taken or arising thereunder;
 - (iii) the creation of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable or being capable of being enforced;
 - (iv) the rights, liabilities, obligations or interests of any such member under any such arrangement, agreement, licence, permit, lease, franchise, instrument or authorisation being terminated or modified;
 - (v) any assets or interest of any such member being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged, in any such case, other than in the ordinary course of business;
 - (vi) any such member ceasing to be able to carry on business under any name under which it presently does so or ceasing to be able to use in its business any name, trademark or other intellectual property right which it at present uses, in each case on the same basis and terms as at present apply;
 - (vii) the value or business, assets, financial or trading position, prospects, profits of any such member being prejudiced or adversely affected; or
 - (viii) the creation of any liability (actual or contingent) by any member of the Wider Immersion Group)

and no event having occurred which, under any provision of any agreement, arrangement, licence, permit other instrument or authorisation, to which any of the Wider Immersion Group is a party or by or to which any such member or any of its assets may be bound entitled, or subject, could result in any of the events or circumstances as are referred to in subparagraph (i)-(viii); of this condition (in each case to an extent which is material in the context of the Wider Immersion Group); or

- (k) except as Disclosed, no member of the Wider Immersion Group having since 31 December 2005:
- (i) issued or agreed to issue, or authorised or announced an intention to propose the issue of, additional shares of any class, or securities convertible into or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities, or redeemed, purchased or reduced any part of its share capital;

- (ii) recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus issue in respect of shares, dividend or other distribution, whether payable in cash or otherwise, other than lawfully paid or made to another wholly-owned member of the Immersion Group;
- (iii) acquired or disposed of or transferred, mortgaged or charged or created any security interest over any material asset or any right, title or interest in any material asset (including shares and trade investments) or proposed or announced any intention to do so;
- (iv) (save for intra-Immersion Group transactions and other than in the ordinary course of business) implemented, effected, authorised, proposed or announced its intention to implement, effect, authorise or propose any merger, demerger, reconstruction, amalgamation, scheme, commitment or acquisition or disposal of assets or shares (or the equivalent thereof) in any undertaking or undertakings or any change in its share or loan capital;
- (v) issued, authorised or proposed or announced an intention to propose the issue of any debenture or loan capital, become subject to any contingent liability or incurred or increased any indebtedness or contingent liability;
- (vi) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities;
- (vii) entered into or varied or become bound by or announced its intention to enter into or vary, or become bound by any contract, commitment, arrangement or transaction (whether in respect of capital expenditure or otherwise) which (a) is of a long term or unusual nature or magnitude or which involves an obligation of such a nature or magnitude or (b) restricts or could restrict the business of any member of the Wider Immersion Group, in each case which is material in the context of the Wider Immersion Group;
- (viii) waived or compromised or settled any material claim otherwise than in the ordinary course of business;
- (ix) taken any corporate action or had any order made or legal proceedings started or threatened against it for its winding-up (voluntary or otherwise), dissolution or reorganisation or for the appointment of any receiver, administrator, administrative receiver, trustee or similar officer of all or any of its assets and revenues or any analogous proceedings or similar event having occurred in any jurisdiction or any analogous person having been appointed in any jurisdiction;
- (x) entered into or made an offer (which remains open for acceptance) to enter into, or materially changed the terms of, any agreement, contract, commitment or arrangement with any of the directors of Immersion;
- (xi) made or agreed or consented to any material change to the terms of the trust deeds constituting the pension schemes established for its directors and/or employees and/or their dependants or to the benefits which accrue, or to the pensions which are payable, thereunder, or to the basis on which qualification for, or accrual of or entitlement to, such benefits or pensions are calculated or determined or to the basis upon which the liabilities (including pensions) of such pension schemes are funded or made, or agreed or consented to any change to the trustees involving the appointment of a trust corporation;
- (xii) been unable, or having admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business in a manner which has a material adverse effect on the Wider Immersion Group;
- (xiii) (save as disclosed on publicly available registers) made any alteration to its memorandum or articles of association;

- (xiv) terminated or varied the terms of any agreement or arrangement between any member of the Wider Immersion Group and any other person in a manner which would have a material adverse effect on the financial position of the Wider Immersion Group;
 - (xv) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by the Wider Immersion Group; or
 - (xvi) entered into any contract, commitment, agreement or arrangement otherwise than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to, or announced an intention or proposal to effect, in each case, any of the transactions, matters or events referred to in this condition.
- (l) since 31 December 2005, except as Disclosed:
- (i) there having been no receiver, administrative receiver, or other encumbrance, appointed over any of the assets of any member of the Wider Immersion Group, or any analogous proceedings or steps having taken place under the laws of any jurisdiction and there having been no petition presented for the administration of any member of the Wider Immersion Group or equivalent proceedings or steps taken under the laws of any other jurisdiction;
 - (ii) there having been no adverse change or deterioration in the business, assets, financial or trading position, profits of any member of the Wider Immersion Group which in any such case is material in the context of the Wider Immersion Group,
 - (iii) no litigation, arbitration proceedings, prosecution or other legal proceedings having been instituted or announced by or against or remaining outstanding against or in respect of any member of the Wider Immersion Group which in any such case might be likely materially and adversely to affect the Wider Immersion Group,
 - (iv) there having been no inquiry or investigation by or complaint or reference to any Relevant Authority or other investigative body in respect of any member of the Wider Immersion Group and no such inquiry, investigation, complaint or reference having been announced or instituted or remaining outstanding which in any such case might be likely materially and adversely to affect the Wider Immersion Group,
 - (v) no steps having been taken which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider Immersion Group which is material in the context of the Wider Immersion Group,
 - (vi) no contingent or other liability having arisen or become apparent or increased which would or might be likely to materially adversely affect any member of the Wider Immersion Group;
- (m) St James's Energy not having discovered that save as Disclosed any financial or business information concerning any member of the Wider Immersion Group disclosed at any time by or on behalf of any member of the Immersion Group is misleading, contains a misrepresentation of fact, or omits to state a fact necessary to make that information not misleading, in each case to an extent that is materially detrimental in the context of the Wider Immersion Group taken as a whole, which has not, prior to the date of this Document, been corrected by notification to St James's Energy or that any member of the Wider Immersion Group or any partnership in which any member of the Wider Immersion Group has a substantial interest has any liability (contingent or otherwise) that has not been so announced in each case to an extent that is material in the context of the Wider Immersion Group, taken as a whole;
- (n) St James's Energy not having discovered that, except as Disclosed:
- (i) any past or present member of the Wider Immersion Group has not complied with all applicable legislation, directives, regulations, common laws, notices, orders, circulars or guidance notes of any applicable jurisdiction with regard to the use, presence, treatment, handling, storage, transport, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance capable of causing harm or

damage to the environment, man, flora or fauna, which non-compliance would be likely to give rise to any liability (whether actual or contingent) or cost on the part of any member of the Wider Immersion Group; or

- (ii) there has been any use, presence, treatment, handling, storage, transport, disposal, discharge, spillage, emission or leak of any waste or hazardous substance or any substance capable of causing harm or damage to the environment, man, flora or fauna, from any land, water or other asset owned, occupied or controlled by any member of the Wider Immersion Group, or in which any such member may have an interest, which would be likely to give rise to any liability (whether actual or contingent) or cost on the part of any member of the Wider Immersion Group; or
- (iii) there is or is likely to be any liability (whether contingent or otherwise) on the part of any member of the Wider Immersion Group to improve or install new plant or equipment or to make good, repair, reinstate or clean up any property, land or any waters now or previously owned, occupied or made use of or controlled by any past or present member of the Wider Immersion Group, or in which any such member may now have or previously have had or be deemed to have or have had an interest, under any past, present or future environmental legislation, directives, regulations, common laws, notices, circulars, guidance notes or orders or requirements of any relevant authority, or to contribute to the cost thereof or associated therewith or indemnify any person in relation thereto;

in each case to an extent which is material in the context of the Wider Immersion Group, taken as a whole.

For the purposes of these conditions, “the Wider Immersion Group” means Immersion and its subsidiary undertakings, associated undertakings (including, for the avoidance of doubt, Whise) and any other undertakings in which Immersion and/or such undertakings (aggregating their interests) have a substantial interest and “the Wider St James’s Energy Group” means St James’s Energy and its subsidiary undertakings, associated undertakings and any other undertakings (including without limitation any joint ventures, partnerships, firms or bodies corporate) in which St James’s Energy and/or such undertakings (aggregating their interests) have a substantial interest and, for these purposes, “substantial interest” means a direct or indirect interest in 30 per cent. or more of the equity or voting capital of an undertaking and “Disclosed” shall mean fairly disclosed in (i) the Admission Document; or (ii) the annual report and accounts of Immersion for the year ended 31 December 2005.

St James’s Energy reserves the right to waive, in whole or in part, all or any of the conditions other than conditions (a) and (b).

St James’s Energy shall be under no obligation to waive or treat as satisfied any of conditions (c) to (k) inclusive by a date earlier than the latest date specified above for the satisfaction thereof, notwithstanding that such condition or the other conditions of the Offer may at such earlier date have been waived or satisfied and that there are at such earlier date no circumstances indicating that any such conditions may not be capable of satisfaction.

The Offer will lapse unless all of the conditions set out above (other than conditions ((a) and (b)) are satisfied or (if capable of waiver) waived or, where appropriate, determined by St James’s Energy in its opinion to be or to remain satisfied, by midnight on the later of 20 April 2007 and the date which is 21 days after the date on which the Offer becomes or is declared unconditional as to acceptances, or such later date as St James’s Energy may decide.

The Offer will lapse if, before 1:00 p.m. (London time) on the later of the First Closing Date or the date on which the Offer becomes or is declared unconditional as to acceptances, the Secretary of State for Trade and Industry announces a reference of the Offer or Acquisition to the Competition Commission.

If the Offer so lapses, the Offer will cease to be capable of further acceptance and St James’s Energy and accepting Immersion Shareholders shall then cease to be bound by Forms of Acceptance submitted at or before the time when the Offer so lapses.

Further terms of the Offer

The full terms of the Offer are set out in the Offer Document, which is available for inspection in accordance with paragraph 15 of Part X of this Document.

PART V

PATENT PORTFOLIO REPORT

St James's Energy plc
Level 5 Arlington Street
London SW1A 1RW
United Kingdom
Attn: The Directors

14 March 2007

Nabarro Wells & Co. Limited
Saddlers House
Gutter Lane
London EC2V 6BR
United Kingdom
Attn: The Directors

Wayne McMaster
Partner
Direct Line
+61 3 9643 4407

Dear Sirs

Patent Portfolio Report

Immersion Technology International plc (*Immersion*)

Our ref: 03-5164-8365

This report has been prepared for inclusion in the admission document which we have been advised is being prepared in connection with the application for admission of the entire issued share capital of St James's Energy plc to trade on the AIM of the London Stock Exchange plc.

1. Mallesons Stephen Jaques (*Mallesons*)

Mallesons is a leading commercial law firm with a primary focus on assisting major organisations in the Asia Pacific region.

The firm was founded in 1832 and currently comprises approximately 207 partners and 737 other lawyers and over 900 support staff. Mallesons is a single, fully-integrated partnership with offices in Sydney, Melbourne, Brisbane, Canberra, Perth, Hong Kong, Beijing, Shanghai and London, and an associated office in Port Moresby.

Our clients include many leading Australian and international corporations and financial institutions. They operate in a diverse range of industries including aviation, banking and finance, capital markets, commercial property, construction, consumer goods, e-commerce, energy, funds management, high technology, insurance, investment banking, life sciences and healthcare, manufacturing, media and entertainment, mining, oil and gas, software, telecommunications and transport. We also act for governments, government bodies, charitable and educational institutions and individuals.

Our lawyers are involved in many of the region's most complex and high profile transactions, cases and matters and we have also received numerous first tier rankings (Australia) in *Asia Pacific Legal 500 2005-2006*, *PLC Which Lawyer? Yearbook 2006* and *Chambers Global Guide 2005-2006*.

None of the principals of Mallesons has any financial interest in Immersion. All work has been performed on a fee for service basis, based on our usual rates of charging.

2. IP Protection

Intellectual property includes unregistered intellectual property such as know-how, ideas, reputation, common law trade marks, copyright, concepts and styles and registered intellectual property such as registered trade marks, registered designs and patents. This report focuses only on the intellectual property owned by Immersion which is embodied in patents and patent applications.

3. The Immersion Patent Portfolio

The Immersion patents and patent applications relate to electrostatic loudspeaker technology and conventional cone loudspeakers (the ***Immersion patent portfolio***). In particular, the Immersion patent portfolio principally covers loudspeakers and acoustic electromechanical transducers, amplifiers and waveguides and devices of the waveguide type.

The list of patents and patent applications comprising the Immersion portfolio was provided to us by Immersion. We have not carried out any independent searches to verify whether this list is complete.

The Immersion portfolio relates to the following;

- A. *Loudspeaker system incorporating acoustic waveguide filters and method of construction,*
- B. *Improved crossover filters and method,*
- C. *Improvements in push-pull amplifiers,*
- D. *An electrostatic loudspeaker and stator,*
- E. *Electrostatic loudspeaker stators and their manufacture,*
- F. *An electrostatic loudspeaker (1),*
- G. *An electrostatic loudspeaker (2),*
- H. *Loudspeaker system with extended output and field cancellation,*
- I. *Improvements in the design of electrostatic loudspeakers,*
- J. *Loudspeaker with acoustic equalisation,*
- K. *Method of improving the efficiency of a multi-band loudspeaker system,*
- L. *Ported electroacoustic transducer,*
- M. *An electrostatic loudspeaker,*
- N. *Electronic circuitry for electrostatic loudspeaker,*
- O. *A baffle for an electrostatic loudspeaker,*
- P. *Switched loudspeaker,*
- Q. *Acoustic equalisation for resonances in loudspeakers, and*
- R. *A loudspeaker system.*

The Schedule to this report records the Immersion patents and patent applications grouped according to patent 'families'. A patent 'family' consists of all the patents or patent applications filed in various jurisdictions for a given invention. We have checked the electronic registers of IP Australia, the United States Patent & Trade Mark Office, the European Patent Register, the Canadian Patent Office, WIPO and the UK Patent Office on 14 March 2007 and confirm that the provisional applications, patents and published patent applications listed in the Schedule were flagged as 'live' on the relevant registers at that date.

The comments and data provided in this report are based on the records of Phillips Ormonde & Fitzpatrick (**POF**) as provided to us on 7 March 2007 which we are informed is the patent agent firm representing Immersion (see section 5 below).

4. Patents in the Technical Field

The International Patent Classification (**IPC**) system provides codes relevant to different types of technology and every patent is officially allocated one or more of these codes. As mentioned above the Immersion patent portfolio principally covers loudspeakers and acoustic electromechanical transducers (IPC code H 04R), amplifiers (H03F) and waveguides and devices of the waveguide type (H 01P). We have checked the World Patent Index (**WPI**) database for an indication of the numbers of patent families filed within the past 20 years which fall within these codes. WPI covers 14.8 million patent families filed in over 40 countries. Each IPC typically includes at least several thousand patent families.

We have also checked the US patent register for the number of patent applications filed in that country during the past 20 years and which fall within the equivalent US patent classification codes.

<i>IPC code</i>	<i>WPI (families)</i>	<i>US (patent applications)</i>
H 03 F	24,000	12,000
H 01 P	23,000	13,000
H 04 R	29,000	14,000

Accordingly, the Immersion patent portfolio relates to technology fields for which a large number of patents have been sought.

5. Patent agent

We have been informed by Immersion that the Melbourne firm of Phillips Ormonde & Fitzpatrick (**POF**) coordinates and acts for Immersion concerning the Immersion patent portfolio. POF has provided its files relating to the Immersion patent portfolio for our review. POF incorporates a patent and trade mark attorney firm, a law firm and a research and investigation company and employs about 140 people and to our knowledge is a firm of longstanding in Australia.

We have been advised by POF that they have acted for Immersion and Immersion's predecessors in title in respect of many of the patents and patent applications in the Immersion patent portfolio. This has included the preparation, filing and prosecution of the Australian patent applications and instructing foreign associates with respect to filing, prosecution and maintenance of patent applications in other jurisdictions.

We have reviewed the files provided to us by POF. These included files for all the applications listed in the Schedule. We understand that patent applications in Hong Kong for invention A and in Singapore for invention I were allowed to lapse on instruction from Immersion. A Canadian application for invention B (now lapsed) was not filed by POF and POF advise that they do not have a relevant file. Immersion have advised us that based on a cost benefit analysis they decided not to continue with the aforementioned Hong Kong, Singapore and Canadian applications. Over time it became apparent to them that the originally anticipated benefit of commercialising the relevant inventions in those countries was not sufficient to justify maintaining the patent applications.

As mentioned above, the list of patents and patent applications comprising the Immersion patent portfolio was provided to us by Immersion. This list corresponded to the files provided to us by POF except that we were not provided with files for the aforementioned lapsed Hong Kong, Singapore or Canadian applications.

POF have advised us that apart from the files provided to us, it does not have any other files in its possession that are relevant to the present matter.

We have reviewed the complete patent specifications for Inventions A to J in this report and we have also reviewed the prosecution histories (i.e., interactions with the various national patent offices) provided to us for pending applications appearing in the Schedule and provide our opinion whether a patent is likely to be granted for each, and the scope of protection likely.

We have also reviewed the provisional specifications for Inventions A to R. Not all of the provisional applications for the inventions were drafted by POF – many were drafted in-house by Immersion or its predecessor in title.

6. Proprietorship

We have reviewed the devolution of title of the patent applications and patents listed in the Schedule from the inventors to Immersion.

Once an assignment is executed transferring rights in a patent application or patent, the assignee can be recorded as the new proprietor on the relevant patent register. For an International (**PCT**) patent application, the new proprietor can be recorded at the World International Patent Office (**WIPO**). For national or regional patent applications and patents, the new proprietor can be recorded by the appropriate national or regional patent office. Recordal of the new proprietor typically takes 1 to 3 months.

In our opinion the assignments viewed by us should be effective to properly transfer title of inventions A to R to Immersion.

The Schedule lists the parties currently listed on the relevant patent registers as proprietor of the patents and patent applications of the Immersion patent portfolio. Immersion has been recorded as

the new proprietor for all the Australian, UK, European and Canadian patents and patent applications in the Immersion patent portfolio. As recorded in the Schedule, the US patent for A still records the inventors (Huon, Cambrell & Dower) as proprietors and the US patents for B and C still record Techstream as proprietor. However, in all three cases, US associates responsible for the patents were instructed in December 2006 to record Immersion as subsequent proprietor. We would expect recordal to be completed within the first quarter of 2007.

7. Licences

We have been provided with copies of 3 licence documents relating to patents and patent applications of the Immersion patent portfolio. The licensees are Alpine Electronics of America, Inc (**Alpine USA**), Alpine Electronics UK Limited (**Alpine UK**) and Harman International Industries Incorporated (**Harman**).

The three licences are non-exclusive but worldwide and relate to the following:

	Parties	Date of licence	Patents/Patent applications licensed
1	Alpine US (Licensee) <ul style="list-style-type: none"> Precision Audio (Licensor) Whise Automotive (Licensor) 	2005	<ul style="list-style-type: none"> all patents/patent applications relating to Invention A all patents/patent applications relating to Invention H
2	Harman (Licensee) <ul style="list-style-type: none"> Precision Audio (Licensor) 	3 Sept. 2003 (as amended 1 Jan 2006)	<ul style="list-style-type: none"> all patents/patent applications relating to Invention B
3	Alpine UK (Licensee) <ul style="list-style-type: none"> Whise Automotive (Licensor) 	15 Dec 2004	<ul style="list-style-type: none"> all patents/patent applications relating to Invention H

Based on our review of these documents we conclude that the patents/patent applications associated with the Harman, Alpine USA and Alpine UK licences were transferred to Whise Technologies and, subsequently, to Immersion. Furthermore, with transfer of the patents/patent applications, Immersion has taken on the rights and obligations of the licensor under the Harman, Alpine USA and Alpine UK licences.

We are advised by Immersion that these licences are still current.

8. The Patenting Process

The patent applications of the Immersion patent portfolio are at various stages in the patenting process. The process for obtaining patent protection is relatively long and complicated and in order to assist understanding of the Immersion patent portfolio, we include the following brief explanation of the patenting process.

8.1 Basic (priority) Application

Most countries around the world are members of the *Paris Convention* for the protection of intellectual property. One of the key features of the *Paris Convention* is an obligation on each member country to grant protection to nationals of other member countries which is equivalent to the protection it grants its own nationals (Art 2(1) of the *Paris Convention*). Another key obligation relates to recognising a claim to priority relating to a basic application provided it is filed no more than 12 months earlier in a member country.

The priority date is the date at which the novelty and inventiveness of an invention is adjudged and is thus important to the validity of any patent application. Patent applicants therefore seek to claim the earliest possible priority date to which they are entitled.

Most of the patent families in the Immersion patent portfolio claim priority from a basic Australian provisional patent application – the first patent application filed in respect of the relevant invention.

8.2 Complete Application

As mentioned above, a patent application in a Paris Convention member country can claim priority from a basic application filed no more than 12 months earlier. The later basic filing is referred to as a ‘complete’ application. (Note that it is not mandatory for a complete application to claim priority from an earlier application.)

The complete application may be:

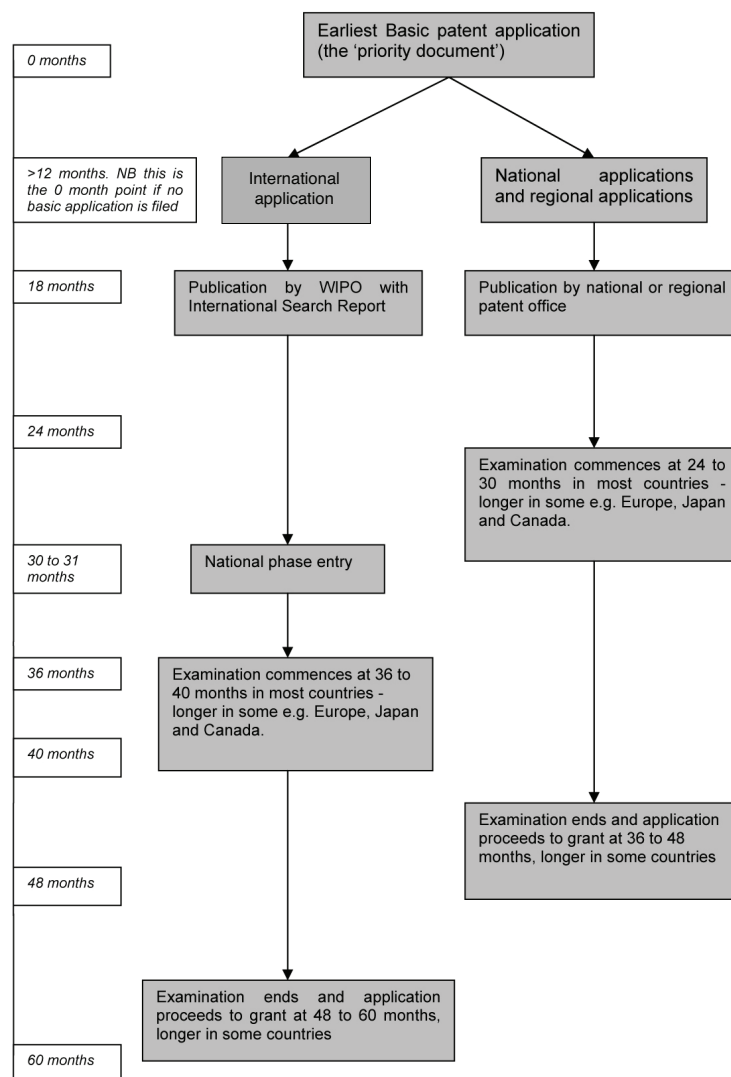
- a “national” application filed at the patent office in a country of interest;
- a “regional” application filed at the central patent office for a region and designating the regional members in which protection is sought (e.g. Europe, Northern African nations (**OAPI**) or Southern African (**ARIPO**) nations); and
- an “international application” filed at WIPO and designating all member countries of the multilateral *Patent Cooperation Treaty* (**PCT**) member countries.

Most of the patent families in the Immersion patent portfolio are based on International patent applications that claim priority from a corresponding basic Australian provisional patent application. The PCT provides for the filing of a single complete patent application designating any number of PCT member countries including certain regional designations (namely ARIPO, Eurasia, Europe and OAPI). There are currently more than 100 member countries all of which are automatically nominated when a PCT application is filed.

8.3 Timeline

We set out below a flow chart depicting an approximate time line for grant of a patent based on a PCT application and a patent based on a national/regional patent application.

Please note that this flow chart is a guide only – the actual time taken will vary from country to country and can depend on the nature of the technology. Please also note that we have not addressed procedures such as filing of a divisional application, filing of a continuation or continuation-in-part application or oppositions which may delay the grant of a patent for up to several years.



8.4 Searches

As mentioned above, the novelty and inventiveness of an invention is assessed as at the priority date of the patent application. Mallesons has not carried out any searches to assess the novelty or inventiveness of the inventions covered by the Immersion patent portfolio.

(a) Patent Office Searches (post-filing of an application)

With respect to PCT applications, shortly after they are filed, an International patent literature search is carried out and an International Search Report (*ISR*) is issued by WIPO based on the search. The ISR reports on the novelty and inventiveness of the invention claimed in the PCT application based on the results of the search. The search is carried out by patent examiners at WIPO or a patent office working on behalf of WIPO. Following national/regional phase entry the application is examined by the national/regional patent offices which may carry out further searches, typically covering patent literature only.

A patent application filed directly at a national or regional patent office is also usually the subject of a separate search during examination by that office.

(b) Voluntary novelty searches (pre-filing)

The International search and national patent office searches mentioned above are of good quality, but typically do not extend beyond patent literature. Patent applicants often choose, prior to filing a basic application, or a complete application, to carry out a more exhaustive validity search. From our review of POF's files there does not appear to have been any such searches carried out by POF in respect of the inventions. We are advised by Immersion that some in-house searching was carried out for some of the inventions.

In our opinion, literature searching (particularly patent literature searching) is best carried out by a specialist searcher. In our opinion only a specialist searcher has appropriate knowledge of the most effective and efficient approach to searching the incredible volume of published literature available. Furthermore companies providing specialist searching services have access to an enormous number of subscriber databases not available to other members of the public.

We recommend to our clients that they have a literature search carried out either prior to filing a provisional or complete patent application. The results of the search assist the client to assess the likelihood of obtaining a valid patent (and concomitantly whether it is worth proceeding with the application) and assists the person drafting to avoid casting claims that may be anticipated by prior art.

With respect to Immersion patent portfolio we note that all the granted patents and national patent applications have been the subject of patent literature searches by WIPO/national patent offices. Furthermore an ISR has issued on all the PCT applications, thus providing some indication of the novelty and inventiveness of the inventions therein as compared to patent literature publications. No such search has been completed in respect of the pending provisional patent applications.

9. Granted Patents

9.1 Granted patents for immersion inventions

The Immersion patent portfolio includes 7 patents and 21 patent applications. The 7 granted patents relate to the following three inventions:

- A. PAM – Loudspeaker system incorporating acoustic waveguide filters and method of construction (in Australia, the UK and the USA),
- B. NTM – Improved crossover filters and method (in Australia and the USA), and
- C. Zero delta – Improvements in push-pull amplifiers (in Australia and the USA).

9.2 Challenges

The method by which a patent can be challenged varies from country to country. Virtually all countries include within their patent law, a provision for their courts to revoke invalid patents. Many countries also include provisions in their patent law for post-grant opposition, which proceeds before the relevant national/regional patent office. (Australia is one of very few countries that includes provisions for pre-grant opposition.) A decision issued by a patent office in an opposition can typically be appealed to a court or administrative tribunal.

The POF files reviewed by us do not reveal any challenges to these patents.

10. Patent Applications

The Immersion patent portfolio currently has 21 pending patent applications which relate to the inventions B and D to R as listed above.

These inventions are the subject of 21 applications at various stages in the patenting process. Specifically the Immersion portfolio consists of:

- 8 Australian provisional patent applications which have been filed since March 2006 – patents are unlikely to be granted for 4-5 years,
- 4 International patent applications, all filed on 4 August 2006 for which patents are unlikely to be granted for 3-4 years; and 1 International patent application filed on 21 February 2007 for which a patent is unlikely to be granted for 4-5 years,
- 3 European patent applications awaiting or undergoing examination – patents are unlikely to be granted for 2-3 years,
- 2 US applications awaiting examination – patents are unlikely to be granted for 2 to 3 years,
- 1 Canadian application awaiting examination – a patent is unlikely to be granted for 2 to 3 years, and
- 2 Australian applications awaiting examination – patents are unlikely to be granted for 2 to 3 years.

With respect to the 8 provisional patent applications mentioned above, please note that provisional applications lapse 1 year after their filing date. During the year a provisional application is alive, one or more complete applications may be filed claiming priority from the provisional application (see comments above at *8.1 Basic (priority) Application*). It is possible for a complete application to claim priority from any number of relevant provisional applications. Furthermore, more than one complete application may claim priority from the same provisional application.

11. Details of the Immersion patent portfolio

The Immersion patent portfolio covers the inventions listed as A to R in the Schedule. In the following paragraphs we comment on the 28 patents/patent applications corresponding to these patents/patent applications.

A. Loudspeaker system incorporating acoustic waveguide filters and method of construction

The invention relates to a method of constructing an improved acoustic filter for a loudspeaker system having an enclosure in combination with at least one electro acoustic driver. The acoustic filter has a specified response and at least one acoustic waveguide section modelled on distributed elements with characteristic impedance. The model is analysed so that variables representing the distributed elements are optimised to produce the specified response. The response is characterised by deployment of at least one resonance identified as a result of modelling the acoustic waveguide section as distributed elements. The distributed elements of the acoustic filter are then physically realised as one or more acoustic waveguide sections wherein the acoustic waveguide section is dimensioned in accordance with the corresponding characteristic impedance specified by the optimised variables.

Australia

Australian patent no. 707281 for the invention was sealed on the application on 21 October 1999. The expiry date is 19 December 2015.

USA

A US patent on the application issued on 1 May 2001 under patent no. 6,223,853. The expiry date is 19 December 2015.

United Kingdom

British patent no. 2295518 for the invention was granted on 7 July 1998. The expiry date is 19 December 2015.

B. Improved crossover filters and method

The invention relates to an improved filter system including a low pass filter having a response which rolls off towards a crossover frequency and a high pass filter having a complementary response which rolls off towards the crossover frequency. The combined response of the filters is substantially constant in amplitude at least in the region of the crossover frequency. The response of the low pass filter is defined by a low pass complex transfer function having a numerator and a denominator. The response of the high pass filter is defined by a high pass complex transfer function having its own numerator and denominator. The two denominators are substantially the same. The sum of the two numerators has substantially the same squared modulus as either of the two numerators individually.

Australia

An Australian patent on the invention was sealed on 4 December 2003. The expiry date is 1 September 2020.

USA

A US patent on the application issued on 8 February 2005 under patent no. 6,854,005. The expiry date is 22 March 2021.

Europe

The application is currently under examination. In our opinion the most recent examination response filed by Immersion is likely to overcome the examiner's objections which would allow the application to proceed to grant of a patent.

C. Improvements in push-pull amplifiers

The invention relates to a push-pull amplifier having upper and lower output devices operating in a mode in which said devices drive a load alternatively. A bias means in the amplifier provides a bias current to the devices at all times and is incorporated in a feedback loop. Transitions from load current to minimum bias current in the output devices are sufficiently gradual that the harmonic frequencies generated by the transitions are within the capability of the amplifier under all signal conditions. The feedback loop includes non-linear transformer means for each output device to prevent the bias current reducing to zero and linearity control means for controlling the harmonic frequencies in the output devices.

Australia

A patent on the invention was sealed on 11 November 2005. The maximum duration of the patent is to 7 June 2021.

USA

A patent on the application was granted on 7 October 2003 under patent no. 6,630,865. The maximum duration of the patent is until 7 June 2021.

D. An electrostatic loudspeaker and stator

This application is not yet publicly available.

This invention is the subject of an International patent application no. PCT/2006/001099 filed on 4 August 2006, claiming priority from Australian provisional application no. 2006 901861 filed on 10 April 2006.

E. Electrostatic loudspeaker stators and their manufacture

This application is not yet publicly available.

This invention is the subject of an International patent application no. PCT/2006/001100 filed on 4 August 2006, claiming priority dates of 5 August 2005, 8 February 2006 and 10 April 2006 from, respectively, Australian provisional application nos. 2005 904224, 2006 900608 and 2006 901861.

F. An electrostatic loudspeaker (1)

This application is not yet publicly available.

This invention is the subject of an International patent application no. PCT/2006/001102 filed on 4 August 2006, claiming priority from Australian provisional application no. 2006 901861 filed on 10 April 2006.

G. An electrostatic loudspeaker (2)

This application is not yet publicly available.

This invention is the subject of an International patent application no. PCT/2006/001103 filed on 4 August 2006, claiming priority from Australian provisional application no. 2006 901861 filed on 10 April 2006.

H. Loudspeaker system with extended output and field cancellation

This invention relates to a loudspeaker system suitable for a confined space including an electro-acoustic transducer having a low total quality factor of resonant behaviours located in an enclosure. The enclosure has a second order topology and means for modifying a rate of rise of acoustic response and to filter harmonics out of the acoustic response to reduce distortion. An electrical path for driving the electro-acoustic transducer and equalizing the rising acoustic response to be substantially flat overall and to provide dynamic headroom at least at selected frequencies.

Australia

The International application entered national phase in Australia and was allocated application no. 2004 204987. The application is pending. A request for examination has been filed.

USA

The application is awaiting examination. There are currently delays in the examination of certain types of technology in the US Patent Office due to lack of examiners. It is difficult to predict whether this application will be affected.

Europe

The application is awaiting examination. There is currently a long delay between national phase entry and examination in Europe. The first examination report is unlikely to be issued until at least 2009.

I. Improvements in the design of electrostatic loudspeakers

The invention relates to an electronic circuit for compensating for a reduction in output sound pressure level of an electrostatic loudspeaker caused by front to back sound cancellation effects within the loudspeaker. The circuit includes a step-up audio transformer having primary and secondary windings. Parallel connected input paths connect an input audio signal to the primary winding of the audio transformer. The secondary winding of the audio transformer provides output voltages for driving the electrostatic loudspeaker. The inductor and the audio transformer together with further passive components provide a circuit portion which is resonant at frequencies of the input audio signal within the frequency range of the input audio signal at which the front to back sound cancellation effects occur. The resonance induces an increased output voltage in the secondary windings of the audio transformer and thereby drives the electrostatic loudspeaker to increase its output sound pressure level for frequencies of the input audio signal at which the front to back sound cancellation effects occur.

Australia

The application is pending. An official direction to request examination has been issued. A request for examination is yet to be filed. It is intended to amend the claims at the time of requesting examination.

USA

The application is awaiting examination. There are currently delays in examination of certain types of technology in the US Patent Office. It is difficult to predict when this application will be examined.

Canada

The application is awaiting examination. The delay between national phase entry and examination in Canada is longer than in most other countries. The first examination report is unlikely to issue until at least 2010.

Voluntary amendment of the claims of the Canadian application was requested in November 2006.

Europe

The application is awaiting examination. There is currently a long delay between national phase entry and examination in Europe. The first examination report is unlikely to issue until at least 2009.

J. Loudspeaker with acoustic equalisation

This application is not yet publicly available.

This invention is the subject of an International patent application no. PCT/2007/000185 filed on 21 February 2007, claiming priority from Australian provisional application no. 2006 901570 filed on 28 March 2006 and Australian provisional application no. 2006 904700 filed on 29 August 2006.

K. Method of improving the efficiency of a multi-band loudspeaker system

This application is not yet publicly available.

This invention is the subject of an Australian provisional application no. 2006 901569 filed on 28 March 2006. Any complete international, regional or national applications filed within 12 months of this application can claim priority from this provisional application.

L. Ported electroacoustic transducer

This application is not yet publicly available.

This invention is the subject of an Australian provisional application no. 2006 901570 filed on 28 March 2006. Any complete international, regional or national applications filed within 12 months of this application can claim priority from this provisional application.

M. An electrostatic loudspeaker

This application is not yet publicly available.

This invention is the subject of an Australian provisional application no. 2006 901867 filed on 10 April 2006. Any complete international, regional or national applications filed within 12 months of this application can claim priority from this provisional application. The provisional specification was prepared and filed by POF.

N. Electronic circuitry for electrostatic loudspeaker

This application is not yet publicly available.

This invention is the subject of an Australian provisional application no. 2006 901869 filed on 10 April 2006. Any complete international, regional or national applications filed within 12 months of this application can claim priority from this provisional application.

O. A baffle for an electrostatic loudspeaker

This application is not yet publicly available.

This invention is the subject of an Australian provisional application no. 2006 901904 filed on 11 April 2006. Any complete international, regional or national applications filed within 12 months of this application can claim priority from this provisional application.

P. Switched loudspeaker

This application is not yet publicly available.

This invention is the subject of an Australian provisional application no. 2006 904699 filed on 29 August 2006. Any complete international, regional or national applications filed within 12 months of this application can claim priority from this provisional application.

Q. Acoustic equalisation for resonances in loudspeakers

This application is not yet publicly available.

This invention is the subject of an Australian provisional application no. 2006 904700 filed on 29 August 2006. Any complete international, regional or national applications filed within 12 months of this application can claim priority from this provisional application.

R. A loudspeaker system

This application is not yet publicly available.

This invention is the subject of an Australian provisional application no. 2006 905925 filed on 24 October 2006. Any complete international, regional or national applications filed within 12 months of this application can claim priority from this provisional application.

12. Infringement and Validity Considerations

Mallesons have not carried out patent infringement searches to assess whether practice of the inventions covered by the Immersion patent portfolio will infringe any prior patent rights. We can say however, that based on review of the POF files, Mallesons is not aware of any patent that presents an infringement risk and no allegations have been made that any third party rights have been infringed.

In our opinion, POF and their agents have taken all the usual steps in respect of the Immersion patent portfolio and conducted themselves appropriately in respect of the patents and patent application entrusted to them.

We note however, that most of the provisional specifications were drafted “in-house” and provided to POF. In general, the in-house specifications are not well drafted and it may not be possible to maintain a claim to the priority dates of these provisional specifications. In this event, the priority dates are likely to be the filing dates of the complete specifications.

In our opinion the provisional and complete specifications drafted by POF have been drafted with due care and attention to the legislative requirements for preparation of patent specifications. However, whilst we understand that novelty searches have been conducted in-house, by Immersion, our review of the POF files did not locate any novelty searches carried out by professional searchers in respect of the inventions prior to preparation of the provisional or complete specifications. This increases the risk that prior art relevant to the patentability of the Immersion inventions or freedom to operate may unexpectedly come to light at a later date.

13. Comment and Responsibility

In our opinion, a review of the POF files reveal that Immersion (through that agent) has taken reasonable steps to protect their technology subject to the comments above.

We both give and confirm that we have not revoked our written consent to the inclusion of our name and this report in the Admission Document in the form and context in which it appears.

Yours faithfully

Mallesons Stephen Jaques

Schedule – Patents & patent applications grouped in families

	Country/Region	Application no./ publication no./ grant no.	Filing date	Owner entered on the relevant patent register at 14 March 2007	Status at 14 March 2007 on the relevant patent register
A. Loudspeaker system incorporating acoustic waveguide filters and method of construction					
1	Australia	40514/95 (707281)	19 Dec 1995	Immersion Technology International plc	Granted patent (Expiry date 19 December 2015)
2	UK	9525960 (2295518)	19 Dec 1995	Immersion Technology International plc	Granted patent (Expiry date 19 December 2015)
3	USA	08/574477 (6,223,853)	19 Dec 1995	Huon, Cambrell & Dower (a US attorney was instructed in December 2006 to record Immersion Technology International plc as subsequent proprietor)	Granted patent (Expiry date 19 December 2015)
B. Improved crossover filters and method					
4	Australia	72607/00 (764595)	1 Sept 2000	Immersion Technology International plc	Granted patent (Expiry date 1 September 2020)
5	USA	10/077992 (20030002694) 6,854,005	20 Feb 2002	Techstream Pty Ltd (a US attorney was instructed in December 2006 to record Immersion Technology International plc as subsequent proprietor)	Granted patent (Expiry date 22 March 2021)
6	Europe	00960221.0 (1208721)	1 Sept 2000	Immersion Technology International plc	Pending (Under examination)
C. Improvements in push-pull amplifiers					
7	Australia	2001 263659	7 June 2001	Immersion Technology International plc	Granted patent (Expiry date 7 June 2021)
8	USA	10/313002 (6,630,865)	6 Dec 2002	Techstream Pty Ltd (a US attorney was instructed in December 2006 to record Immersion Technology International plc as subsequent proprietor)	Granted patent (Expiry date 7 June 2021)
D. An electrostatic loudspeaker and stator					
9	International	PCT/AU2006/001099	4 August 2006	Immersion Technology International plc	Pending
E. Electrostatic loudspeaker stators and their manufacture					
10	International	PCT/AU2006/001100	4 August 2006	Immersion Technology International plc	Pending
F. An electrostatic loudspeaker (1)					
11	International	PCT/AU2006/001102	4 August 2006	Immersion Technology International plc	Pending
G. An electrostatic loudspeaker (2)					
12	International	PCT/AU2006/001103	4 August 2006	Immersion Technology International plc	Pending
H. Loudspeaker system with extended output and field cancellation					
13	Australia	2004 204987	13 Jan 2004	Immersion Technology International plc	Pending
14	Europe	04701554.0 (1584215)	13 Jan 2004	Immersion Technology International plc	Pending
15	USA	10/542031 (20060050915)	13 June 2005	Immersion Technology International plc	Pending
I. Improvements in the design of electrostatic loudspeakers					
16	Australia	2004 220897	18 March 2004	Immersion Technology International plc	Pending
17	USA	10/573,860 (20070003079)	18 March 2004	Immersion Technology International plc	Pending
18	Canada	2,538,668	18 March 2004	Immersion Technology International plc	Pending
19	Europe	04721430.9	18 March 2004	Immersion Technology International plc	Pending
J. Loudspeaker with Acoustic Equalisation					
20	International	PCT/AU2007/000185	21 February 2007	Immersion Technology International plc	Pending
K. Method of improving the efficiency of a multi-band loudspeaker system					
21	Australia	2006 901569	28 March 2006	Immersion Technology International plc	Provisional application (pending)
L. Ported electroacoustic transducer					
22	Australia	2006 901570	28 March 2006	Immersion Technology International plc	Provisional application (pending)
M. An electrostatic loudspeaker					
23	Australia	2006 901867	10 April 2006	Immersion Technology International plc	Pending

	<i>Country/Region</i>	<i>Application no./ publication no./ grant no.</i>	<i>Filing date</i>	<i>Owner entered on the relevant patent register at 14 March 2007</i>	<i>Status at 14 March 2007 on the relevant patent register</i>
N.	<i>Electronic circuitry for electrostatic loudspeaker</i>				
24	Australia	2006 901869	10 April 2006	Immersion Technology International plc	Pending
O.	<i>A baffle for an electrostatic loudspeaker</i>				
25	Australia	2006 901904	11 April 2006	Immersion Technology International plc	Pending
P.	<i>Switched loudspeaker</i>				
26	Australia	2006 904699	29 Aug 2006	Immersion Technology International plc	Pending
Q.	<i>Acoustic equalisation for resonances in loudspeakers</i>				
27	Australia	2006 904700	29 Aug 2006	Immersion Technology International plc	Pending
R.	<i>A loudspeaker system</i>				
28	Australia	2006 905925	24 Oct 2006	Immersion Technology International plc	Pending

PART VI

FINANCIAL INFORMATION ON ST JAMES'S ENERGY

The following is the full text of a report on the Company from MRI Moores Rowland LLP, the Reporting Accountants, to the Directors and Proposed Directors of the Company and Nabarro Wells & Co. Limited.



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The Directors
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15 March 2007

Dear Sirs

We report on the financial information set out below which has been prepared for inclusion in the AIM Admission Document (the '**Document**') dated 15 March 2007 of St James's Energy Plc (the '**Company**') on the basis of the Company's accounting policies set out in Note 2 to the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the Company on the basis set out below and in accordance with applicable International Financial Reporting Standards.

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

Basis of opinion

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

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

Opinion

In our opinion the financial information gives for the purposes of the Document dated 15 March 2007 a true and fair view of the state of affairs of the Company as at the date stated and of its losses and cash flows for the period then ended in accordance with the basis of preparation set out below and in accordance with applicable International Financial Reporting Standards and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

Declaration

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

Yours faithfully

MRI Moores Rowland LLP

Chartered Accountants

Income statement

The income statement of the Company for the period ended 31 August 2006 is set out below:

	Notes	Period ended 31 August 2006 £'000
Revenue		—
Administrative expenses		(147)
Loss from operations	4	(147)
Investment income	7	62
Loss before tax		(85)
Income tax expense	6	—
Loss after tax		(85)
Loss for the period		(85)
Loss per share		
Basic and diluted	8	0.05 pence

Balance sheet

The balance sheet of the Company at 31 August 2006 is set out below:

	Notes	31 August 2006 £'000
Assets		
Current assets		
Trade and other receivables	9	34
Cash and cash equivalents	9	3,729
Total assets		3,763
Liabilities		
Current liabilities		
Trade and other payables	10	52
Total liabilities		52
Net current assets		3,711
Net assets		3,711
Equity		
Share capital	11	343
Share premium reserve	12	3,400
Share-based payment reserve	15	53
Accumulated losses	13	(85)
Total equity		3,711

Statement of changes in shareholders' equity

The statement of changes in equity of the Company in the period ended 31 August 2006 is set out below:

	Attributable to equity holders of the Company				
	Share Capital £'000	Share premium £'000	Accumulated losses £'000	Share based payments £'000	Total equity £'000
Balance at 22 August 2005	—	—	—	—	—
Shares issued	343	3,937	—	—	4,280
Costs of shares issued	—	(484)	—	—	(484)
Share based payments to advisers	—	(53)	—	53	—
Net loss for the period	—	—	(85)	—	(85)
Balance at 31 August 2006	<u>343</u>	<u>3,400</u>	<u>(85)</u>	<u>53</u>	<u>3,711</u>

Statement of cash flows

The statement of cash flows of the Company in the period ended 31 August 2006 is as follows:

	Notes	Period ended 31 August 2006 £'000
Operating activities		
Cash used in operations	14	(129)
Net cash used in operating activities		<u>(129)</u>
Investing activities		
Interest received		62
Net cash from investing activities		<u>62</u>
Financing activities		
Proceeds on issue of ordinary shares		4,280
Cost of issue of ordinary shares		<u>(484)</u>
Net cash from financing activities		<u>3,796</u>
Net increase in cash and cash equivalents		<u>3,729</u>
Cash and cash equivalents at beginning of period		—
Cash and cash equivalents at end of period		<u><u>3,729</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. General information

The Company was incorporated in England and Wales on 22 August 2005 as St. Jame's Mining Limited. On 31 August 2005 the Company changed its name to St James's Mining Limited and on 3 November 2005 the Company re-registered as a public limited company with the name St James's Mining Plc. On 29 March 2006 the Company changed its name to St James's Energy Plc.

2. Basis of presentation and summary of significant accounting policies

Basis of accounting

The financial information has been prepared in accordance with and complies with International Financial Reporting Standards adopted by the European Union.

The financial information is presented in Pounds Sterling as this is the currency in which the majority of the Company's transactions are denominated.

Basis of preparation

The measurement basis used in the preparation of the financial information is historical cost, except for financial assets at fair value through profit or loss, which have been measured at fair value.

Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Foreign currencies

Transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Gains and losses arising on translation are included in the income statement for the period.

Taxation

The tax expense represents the sum of the tax currently payable and provision for deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company has become a party to the contractual provisions of the instrument.

Notes to the Financial Information (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and short term deposits with banks and similar financial institutions.

Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade and other payables

Trade and other payables are non-interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Share-based payments

The Company has applied the requirements of IFRS 2 Share-based payments.

The Company issues equity-settled share-based payments to certain advisers to the Company. Equity-settled share-based payments are measured at fair value at the date of grant except if the value of the service can be reliably established. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Fair value is measured by using the Black-Scholes option pricing model. For all grants of share options, the fair value as at the date of grant is calculated taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are likely to vest, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations except where forfeiture is only due to market-based conditions not achieving the threshold for vesting.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

3. Business and geographical segments

Business segments

The Company is currently organised into one operating segment in the UK and carries out only one principal activity being the making of investments in the upstream energy sector.

Geographical segments

The Company's operations are located in the UK.

Notes to the Financial Information (*continued*)

4. Loss from operations

Loss from operations has been arrived at after charging:

	<i>Period ended 31 August 2006 £'000</i>
Directors' fees	26
Consultancy costs	24
Office Rent	33
Irrecoverable VAT	36
Auditors' remuneration for audit services (see below)	8
	<hr/> <hr/>

Amounts payable to MRI Moores Rowland LLP, in respect of both audit and non-audit services, charged to the Income Statement were as follows:

	<i>£'000</i>
Audit services	
- statutory audit	8
Tax services	
- compliance services	2
	<hr/>
	10
	<hr/> <hr/>

Amounts payable to MRI Moores Rowland LLP in respect of reporting accountants' services charged to the share premium reserve during the period were £30,075.

5. Staff costs

The average monthly number of employees (including executive directors) for the period ending 31 August 2006 was three.

	<i>Period ended 31 August 2006 £'000</i>
Directors' remuneration	26
	<hr/> <hr/>

6. Income tax expense

	<i>Period ended 31 August 2006 £'000</i>
Current tax charge	—
	<hr/> <hr/>

Domestic income tax is calculated at 30 percent of the estimated assessable profit for the period.

Notes to the Financial Information (*continued*)

The charge for the period can be reconciled to the loss per the income statement as follows:

	<i>Period ended 31 August 2006 £'000</i>
Loss before tax	(85)
Tax at the domestic income tax rate of 30%	(25)
Tax effect of expenses that are not deductible in determining taxable profit	7
Capital allowances	—
Tax losses carried forward	18
	25
Tax expense for the period	—

At the balance sheet date, the Company had unused tax losses of £61,942 available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams. Losses may be carried forward indefinitely for use against profits of the same trade.

7. Investment income

	<i>Period ended 31 August 2006 £'000</i>
Interest on bank deposits	62

8. Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

	<i>Period ended 31 August 2006 £'000</i>
Loss	
Loss for the purposes of basic loss per share (net loss for the period attributable to equity holders of the parent)	(85)
Number of shares	
Weighted average number of shares for the purposes of basic loss per share	182,171,649
Basic & diluted loss per share (pence)	0.05

Diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares in issue.

9. Other financial assets

	<i>As at 31 August 2006 £'000</i>
Prepayments	34

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Bank balances and cash comprise cash held by the Company treasury function. The carrying amount of these assets approximates their fair value.

Notes to the Financial Information (*continued*)

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, which represent the Company's maximum exposure to credit risk in relation to financial assets. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

10. Other financial liabilities

	<i>As at 31 August 2006 £'000</i>
Trade payables	19
Accruals	22
Other tax and social security	5
Other payables	6
	<hr/> 52 <hr/>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 41 days. The directors consider that the carrying amount of trade payables approximates to their fair value.

11. Share capital

	<i>As at 31 August 2006 £'000</i>
Ordinary shares of £0.001 each	
Authorised:	
1,000,000,000 ordinary shares of £0.001 each	1,000 <hr/>
Issued and Fully Paid:	
342,761,601 ordinary shares of £0.001 each	343 <hr/>

All of the following share capital was issued in order to incorporate the Company and to provide working capital.

- (1) On 22 August 2005 the Company issued 2 ordinary shares at £0.001 per share for cash consideration.
- (2) On 27 October 2005 the Company issued 53,299,998 ordinary shares at £0.001 per share for cash consideration.
- (3) On 15 November 2005 the Company issued 98,700,000 ordinary shares at £0.001 per share for cash consideration.
- (4) On 21 March 2006 the Company issued 55,000,000 ordinary shares at £0.001 per share for cash consideration.
- (5) On 19 May 2006 the Company issued 135,761,601 ordinary shares at £0.03 per share for cash consideration.

Notes to the Financial Information (continued)

12. Share premium reserve

	£'000
Balance as at 22 August 2005	–
Premium arising on issue of equity shares:	
Capital raising (135,761,601 ordinary shares issued at £0.03)	3,937
Expenses on issue of equity shares:	
Legal and professional fees	(484)
Fair value of options issued to professional advisors	(53)
Balance as at 31 August 2006	3,400

13. Accumulated losses

	£'000
Balance at 22 August 2005	–
Net loss for the period	(85)
Balance at 31 August 2006	(85)

14. Reconciliation of loss from operations to net cash used in operating activities

	£'000
Loss from operations	(147)
Adjustments for:	
Increase in receivables	(34)
Increase in payables	52
Cash used in operations	(129)

15. Share-based payments

Details of the share options outstanding during the period are as follows:

Grant Date	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 31 August 2006	Expiry date	Weighted average exercise Price
19/05/2006	5,141,424	–	–	5,141,424	18/05/2011	£0.03

The options outstanding at 31 August 2006 had a weighted average exercise price of £0.03, and a weighted average remaining contractual life of 4.75 years.

The Company has rebutted the assumption that the fair value of goods and services received can be estimated reliably. The assumption was rebutted because the supplier of goods and services cannot place a fair value on their goods and services supplied. Therefore the fair value is measured indirectly using the Black-Scholes model.

The inputs into the Black-Scholes model are as follows:

Weighted average share price	£0.03
Weighted average exercise price	£0.03
Expected volatility	30%
Expected life	5 years
Risk free rate	4.25%
Expected dividends	£nil

Expected volatility was determined by using the volatility rate used by listed companies in similar industries and those companies of a similar size.

The Company recognised total expenses of £53,183 relating to equity-settled share-based payment transactions for advisory services on its Initial Public Offering. These were offset against the share premium reserve.

Notes to the Financial Information *(continued)*

16. Related party transactions

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	<i>Period ended</i> <i>31 August 2006</i> <i>£'000</i>
Directors' remuneration	26

17. Ultimate controlling party

In the opinion of the directors there is no ultimate controlling party.

18. Events after the balance sheet date

On 16 January 2007, the Company entered into a non-binding heads of terms agreement to acquire the entire issued share capital of Immersion Technology International Plc to be satisfied by the allotment of up to 175,903,671 New Ordinary Shares ("Acquisition Shares"). The Acquisition Shares will represent up to 78.2% of the issued share capital following the proposed consolidation of 7 Ordinary Shares for 1 New Ordinary Share.

19. Nature of financial information

The financial information presented above does not constitute statutory accounts for the period ended 31 August 2006.

PART VII

FINANCIAL INFORMATION ON IMMERSION

The following is the full text of a report on Immersion from MRI Moores Rowland LLP, the Reporting Accountants, to the Directors and Proposed Directors of the Company and Nabarro Wells & Co. Limited.



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The Directors and Proposed Directors
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The Directors
Nabarro Wells & Co Limited
Saddlers House
Gutter Lane
London EC2V 6BR

15 March 2007

Dear Sirs

We report on the financial information set out below which has been prepared for inclusion in the AIM Admission Document (the '**Document**') dated 15 March 2007 of St James's Energy Plc (the '**Company**') on the basis of the principal accounting policies set out in Note 2 to the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on Immersion Technology International Plc ('**Immersion**') on the basis set out below and in accordance with applicable International Financial Reporting Standards.

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

Basis of opinion

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

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

Opinion

In our opinion the financial information gives for the purposes of the Document dated 15 March 2007 a true and fair view of the state of affairs of Immersion as at the date stated and of its cash flows for the period then ended in accordance with the basis of preparation set out below and in accordance with applicable International Financial Reporting Standards and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

Declaration

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

Yours faithfully

MRI Moores Rowland LLP

Chartered Accountants

Balance sheet

The balance sheet of Immersion at 11 July 2006 is set out below:

	<i>Notes</i>	<i>11 July 2006 £'000</i>
Assets		
Fixed assets		
Intangible assets	3	623
Current assets		
Cash and cash equivalents		191
Liabilities		
Current liabilities		
Trade and other payables		(405)
Net current liabilities		(214)
Net assets		409
Capital and reserves		
Share capital	4	132
Share premium account	5	277
Profit and loss account		—
Shareholders' funds – equity interests		409

Statement of changes in shareholders' equity

The statement of changes in equity of Immersion in the period ended 11 July 2006 is set out below:

	<i>Share Capital</i> <i>£'000</i>	<i>Share premium</i> <i>£'000</i>	<i>Profit and loss account</i> <i>£'000</i>	<i>Total equity</i> <i>£'000</i>
Balance at 2 March 2006	—	—	—	—
Shares issued	132	277	—	409
Net result for the period	—	—	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 11 July 2006	132	277	—	409
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Statement of cash flows

The statement of cash flows of Immersion in the period ended 11 July 2006 is as follows:

	<i>Period ended 11 July 2006 £'000</i>
Investing activities	
Acquisition of intangible assets	(101)
Net cash from investing activities	<u>(101)</u>
Financing activities	
Proceeds on issue of ordinary shares	292
Net cash from financing activities	<u>292</u>
Net increase in cash and cash equivalents	191
Cash and cash equivalents at beginning of period	<u>—</u>
Cash and cash equivalents at end of period	<u><u>191</u></u>

Notes to the Financial Information

1. General information

Immersion was incorporated as Immersion Technology International Limited on 2 March 2006 and re-registered as a public company on 27 July 2006.

The company did not trade in the period to 11 July 2006 and has therefore not prepared an income statement for the period covered by the Financial Information.

2. Basis of presentation and summary of significant accounting policies

Accounting convention

The financial information is prepared under the historical cost convention and has been prepared on the going concern basis.

Compliance with accounting standards

The financial information is prepared in accordance with applicable International Financial Reporting Standards.

Going concern

The financial information has been prepared assuming Immersion will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. In assessing whether the going concern assumption is appropriate, management takes into account all available information for the foreseeable future, in particular for the twelve months from the date of approval of the financial statements.

Assets and liabilities are recorded on the basis that Immersion will be able to realise its assets and discharge its liabilities in the normal course of business. Accordingly, the financial information does not include any adjustments to the carrying values of assets and liabilities that might be necessary should Immersion be unable to continue as a going concern.

Intangible assets

Patents are measured initially at purchase cost and are amortised on a straight line basis over their estimated useful economic lives.

Comparative figures

No comparative figures have been presented as the period from incorporation on 2 March 2006 to 11 July 2006 was Immersion's first non-statutory accounting period.

Foreign currency translation

The reporting currency of Immersion is the British pound.

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

Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

3. Intangible assets

Cost:

At incorporation
Additions

As at 11 July 2006

Patents
£'000

—

623

623

Notes to the Financial Information (*continued*)

4. Share capital

	£'000
Authorised:	
1,000,000,000 ordinary shares of £0.001 each	1,000
	<hr/>
	£'000
Allotted, issued and fully paid:	
132,342,000 ordinary shares of £0.001 each	132
	<hr/>

On incorporation, Immersion had an authorised share capital of £1,000,000 divided into 1,000,000,000 ordinary shares of £0.001 each of which 2 were issued, fully paid, to the subscribers to the Memorandum of Association.

On 15 June 2006, the number of shares issued and fully paid was increased to 50,000,000 ordinary shares of £0.001 each. Additionally, on that date resolutions were passed, authorising the Directors to allot relevant securities up to a maximum aggregate nominal value of £500,000 as if Section 89(1) of the Act did not apply.

On 16 June 2006, the number of shares issued and fully paid was increased to 54,342,000 ordinary shares of £0.001 each.

On 7 July 2006, the number of shares issued and fully paid was increased to 132,342,000 ordinary shares of £0.001 each by the issue of 78,000,000 ordinary shares in consideration for all of the assets of Winovate PTY Limited, an Australian company.

5. Share premium account

	£'000
At incorporation	—
Premium on shares issued during the period	277
	<hr/>
As at 11 July 2006	277
	<hr/>

6 Post balance sheet events

Immersion entered into a Share Sale Agreement to acquire Whise, as summarised in Part X of this Document, which was completed on 20 October 2006.

7. Nature of financial information

The financial information presented above does not constitute statutory accounts for the period ended 11 July 2006.

PART VIII

FINANCIAL INFORMATION ON WHISE

The following is the full text of a report on Whise from MRI Moores Rowland LLP, the Reporting Accountants, to the Directors and Proposed Directors of the Company and Nabarro Wells & Co. Limited.



MRI Moores Rowland LLP

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The Directors
Nabarro Wells & Co Limited
Saddlers House
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London EC2V 6BR

15 March 2007

Dear Sirs

We report on the financial information set out below which has been prepared for inclusion in the AIM Admission Document (the '**Document**') dated 15 March 2007 of St James's Energy Plc (the '**Company**') on the basis of the principal accounting policies set out in Note 2 to the financial information. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the consolidated financial information on Whise Acoustics Limited and its subsidiaries ('**Whise**') on the basis set out below and in accordance with International Financial Reporting Standards.

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

Basis of opinion

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance

that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the consolidated financial information gives for the purposes of the Document dated 15 March 2007 a true and fair view of the state of affairs of Whise as at the dates stated and of its results and cash flows for the periods then ended in accordance with the basis of preparation set out below and in accordance with International Financial Reporting Standards and has been prepared in a form that is consistent with the accounting policies adopted by the Company.

Declaration

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

Yours faithfully

MRI Moores Rowland LLP

Chartered Accountants

Consolidated income statements

The consolidated income statements of Whise for each of the three years ended 30 June 2006 are set out below:

	Notes	2004 A\$'000	2005 A\$'000	2006 A\$'000
Revenues from Ordinary activities	3	355	549	295
Expenses from ordinary activities, excluding borrowing costs:				
Cost of sales	4	(150)	(125)	(96)
Other income	4	3	—	109
Employment costs		(18)	(14)	(285)
Share based payments		—	(9)	(2)
Depreciation and amortisation expense	4	(23)	(27)	(13)
Consultancy fees		(147)	(131)	—
Professional fees		(90)	(92)	(84)
Provisions for diminution		—	—	—
Administrative expenses		(179)	(132)	(85)
Occupancy expenses		(40)	(47)	(11)
Marketing expenses		(56)	(9)	(4)
Loss on sale of investments		—	—	(204)
Share of losses of associated companies		(292)	—	—
		<u>(637)</u>	<u>(37)</u>	<u>(380)</u>
Borrowing costs	4	<u>(3)</u>	<u>(2)</u>	<u>(2)</u>
Loss before income tax expense (income tax revenue)		(640)	(39)	(382)
Income tax revenue	5	<u>—</u>	<u>—</u>	<u>3</u>
Net loss after income tax		(640)	(39)	(379)
Net loss attributable to outside equity interests		<u>—</u>	<u>—</u>	<u>—</u>
Net loss after income tax expense attributable to the members of the parent company		<u>(640)</u>	<u>(39)</u>	<u>(379)</u>

Consolidated balance sheets

The consolidated balance sheets of Whise at 30 June 2004, 2005 and 2006 are set out below:

	Notes	2004 A\$'000	2005 A\$'000	2006 A\$'000
Current Assets				
Cash and cash equivalents	7	38	4	112
Trade and other receivables	8	28	28	107
Inventories	9	125	118	18
Deferred tax assets	10	–	–	3
Other current assets	11	10	7	17
Total current assets		<u>201</u>	<u>157</u>	<u>257</u>
Non-current Assets				
Property, plant & equipment	12	27	21	20
Intangible assets	13	397	379	405
Total non-current assets		<u>424</u>	<u>400</u>	<u>425</u>
Total assets		<u>625</u>	<u>557</u>	<u>682</u>
Current Liabilities				
Trade and other payables	14	261	196	77
Provisions	15	–	–	9
Total current liabilities		<u>261</u>	<u>196</u>	<u>86</u>
Total liabilities		<u>261</u>	<u>196</u>	<u>86</u>
Net assets		<u>364</u>	<u>361</u>	<u>596</u>
Equity				
Issued capital	16	1,377	1,404	2,016
Reserves		–	9	11
Accumulated losses		(1,013)	(1,052)	(1,431)
Parent equity interest		364	361	596
Outside equity interest	17	–	–	–
Total equity		<u>364</u>	<u>361</u>	<u>596</u>

Consolidated statement of changes in shareholders' equity

The consolidated statements of changes in shareholders' equity of Whise for each of the three years ended 30 June 2006 are set out below:

	<i>Issued Capital A\$'000</i>	<i>Accumulated losses A\$'000</i>	<i>Asset Revaluation Reserve A\$'000</i>	<i>Option Reserve A\$'000</i>	<i>Total A\$'000</i>
At 1 July 2003	1,142	(373)	—	—	769
Cost of share based payments	—	—	—	—	—
Loss for the year	—	(640)	—	—	(640)
Issue of shares	235	—	—	—	235
At 30 June 2004	1,377	(1,013)	—	—	364

	<i>Issued Capital A\$'000</i>	<i>Accumulated losses A\$'000</i>	<i>Asset Revaluation Reserve A\$'000</i>	<i>Option Reserve A\$'000</i>	<i>Total A\$'000</i>
At 1 July 2004	1,377	(1,013)	—	—	364
Cost of share based payments	—	—	—	9	9
Loss for the year	—	(39)	—	—	(39)
Issue of shares	27	—	—	—	27
At 30 June 2005	1,404	(1,052)	—	9	361

	<i>Issued Capital A\$'000</i>	<i>Accumulated losses A\$'000</i>	<i>Asset Revaluation Reserve A\$'000</i>	<i>Option Reserve A\$'000</i>	<i>Total A\$'000</i>
At 1 July 2005	1,404	(1,052)	—	9	361
Cost of share based payments	—	—	—	2	2
Loss for the year	—	(379)	—	—	(379)
Issue of shares	612	—	—	—	612
At 30 June 2006	2,016	(1,431)	—	11	596

Consolidated statements of cash flows

The consolidated statements of cash flows of Whise for each of the three years ended 30 June 2006 is set out below:

	<i>Notes</i>	<i>2004</i> <i>A\$'000</i>	<i>2005</i> <i>A\$'000</i>	<i>2006</i> <i>A\$'000</i>
Cash flow from operating activities				
Receipts from customers		424	555	292
Payments to suppliers and employees		(734)	(634)	(555)
Interest received		3	—	—
Borrowing costs paid		(3)	(2)	(2)
Net cash used in operating activities	20	(310)	(81)	(265)
Cash flow from investing activities				
Payment for investments		—	—	(372)
Proceeds from sale of investments		—	—	186
Payment for other non-current assets		—	(3)	(22)
Net cash used in investing activities		—	(3)	(208)
Cash flow from financing activities				
Proceeds from share issues		235	27	612
Payments to related entities		—	—	(31)
Payments from related entities		12	23	—
Net cash provided by financing activities		247	50	581
Net decrease in cash held		(63)	(34)	108
Cash at beginning of year		101	38	4
Cash at end of year		38	4	112

NOTES TO THE FINANCIAL INFORMATION

1. General information

The company was established in Australia as a pooled development fund on 16 June 1999 as Capricorn Development Fund Limited, primarily to assist in the development of early stage businesses and related technologies. On 10 November 2003 the name was changed to Whise Acoustics Limited, reflecting the changed focus of the company towards the technologies maintained by the Whise entities.

2. Basis of presentation and summary of significant accounting policies

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

The financial information covers the economic entity of Whise Acoustics Limited and its controlled entities. Whise Acoustics Limited is a public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial information. The accounting policies have been consistently applied, unless otherwise stated.

Reporting basis and conventions

The financial information has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting policies

a. Going concern

The financial information has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Should the consolidated entity not be in a position to generate sufficient cash flow from the restructured business, the going concern basis of accounting may not be appropriate. In the event that the parent and economic entity could not operate as a going concern they may be required to raise further capital or realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different than those stated in the financial information.

b. Principles of consolidation

A controlled entity is any entity over which Whise Acoustics Limited has the power to control the financial and operational policies or so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 19 to the financial information. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, and unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the period, their results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial information.

c. Income tax

The change for current income tax is based on the profit or loss for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Notes to the Financial Information (*continued*)

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. No deferred income tax will be recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary difference can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

d. **Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation</i>
Plant and equipment	40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Notes to the Financial Information (*continued*)

e. **Impairment of assets**

At each reporting date, Whise group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, Whise group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

f. **Employee benefits**

Provision is made for Whise's liability for employee benefits arising from services rendered by employees to the balance sheet date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

g. **Equity-settled compensation**

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2003, are measured at fair value at the date of grant. Fair value is measured by the use of the binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

h. **Provisions**

Provisions are recognised when Whise has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

i. **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as short-term borrowings in current liabilities on the balance sheet.

j. **Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue for the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

Notes to the Financial Information (continued)**k. Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

l. Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the latest financial year.

3. Revenue

	<i>2004</i> <i>A\$'000</i>	<i>2005</i> <i>A\$'000</i>	<i>2006</i> <i>A\$'000</i>
Operating activities			
– Sale of goods	149	145	61
– Rendering of services	20	19	69
– Grant income	57	37	–
– Licence fees	31	134	156
– Other revenue	66	66	9
	<u>323</u>	<u>401</u>	<u>295</u>
Non-operating activities			
– Gain on forgiveness of liabilities	32	148	–
	<u>32</u>	<u>148</u>	<u>–</u>
Total revenue	<u>355</u>	<u>549</u>	<u>295</u>

Notes to the Financial Information (continued)

4. Loss from ordinary activities

Loss from ordinary activities before income tax expense has been determined after:

	2004 A\$'000	2005 A\$'000	2005 A\$'000
Expense:			
Cost of sales	150	125	96
Borrowing costs			
– Other persons	3	2	2
Depreciation of property, plant and equipment	23	6	7
Amortisation of patents and trade marks	–	21	6
Total depreciation and amortisation	23	27	13
Remuneration of the auditors of the parent entity for Auditing services	14	15	15
Research and development costs	41	7	–
Revenue and Net Gains			
Interest received	3	–	–
Gain on debt forgiveness	32	148	–
Significant Revenues and Expenses			
The following revenue and expense items are relevant in explaining the financial performance:			
Research and development tax offset	–	–	(109)
Outside equity interest share of current year losses not brought to account	(128)	(29)	(44)
Loss on sale of investments	–	–	204

5. Income tax revenue

A Pooled Development Fund Licence was granted to Capricorn Development Fund Limited, now Whise Acoustics Limited, on 10 December 1999. Under the Pooled Development Fund Act 1992 investment activities are taxed concessionally at 15% while all other activities are taxed at 25%.

The components of tax revenue comprise:

	2004 A\$'000	2005 A\$'000	2006 A\$'000
Deferred tax	–	–	3
	–	–	3

Notes to the Financial Information (continued)

The prima facie income tax on loss from ordinary activities is reconciled to the income tax expense as follows:

	2004 A\$'000	2005 A\$'000	2006 A\$'000
Prime facie tax payable on loss from ordinary activities before income tax at 30% (2005: 30%; 2004: 30%)	(192)	(21)	(117)
Tax effect of:			
– Non-deductible loss on disposal of investments	–	–	61
– R&D tax offset expenditure	2	–	59
– Non-deductible amortisation	11	12	–
– Provision for employee entitlements	–	–	3
	<u>(179)</u>	<u>(9)</u>	<u>6</u>
Less			
Tax effect of:			
– Non-assessable income included in profit	–	–	(9)
– Tax losses not brought to account	179	9	–
	<u>179</u>	<u>9</u>	<u>–</u>
Income tax attributable to consolidated entity	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>(3)</u></u>

Following the change in the nature of the trade of Whise from that of a Pooled Investment Fund to an electronic design and licensing company, it is likely that some or all of the company's losses may not be available to Whise going forward.

6. Key Management Personnel Compensation**a. Names and positions held of economic and parent entity**

Key Management personnel in office at any time during the financial period were:

Andrew Shelton	Chairman – Non Executive
Greg Turnidge	Managing Director – Executive, Executive Director of all Subsidiaries
Geoff Widmer	Director – Non-Executive, Company Secretary Whise Acoustics Ltd
Walter Dower	Director – Executive, Company Secretary all Subsidiaries
Wayne Carey	General Manager – Subsidiary
Zelica Velican	Chief Technologist – Subsidiary
Julia Mason	Non-executive Director – Subsidiary

Notes to the Financial Information (continued)

b. Key Management Personnel Compensation

Year ended 30 June 2006 (A\$'000)

<i>Director</i>	<i>Salary/Fees</i>	<i>Super-annuation</i>	<i>Bonuses</i>	<i>Share Based Payment</i>	<i>Total</i>
Andrew Shelton	—	—	—	1	1
Greg Turnidge	24	—	—	—	24
Walter Dower	46	—	—	—	46
Geoff Widmer	18	—	—	—	18
Wayne Carey	88	8	—	1	97
Zelica Velican	75	6	—	—	81
Julia Mason	2	—	—	—	2
	<u>253</u>	<u>14</u>	<u>—</u>	<u>2</u>	<u>269</u>

Year ended 30 June 2005 (A\$'000)

<i>Director</i>	<i>Salary/Fees</i>	<i>Super-annuation</i>	<i>Bonuses</i>	<i>Share Based Payment</i>	<i>Total</i>
Andrew Shelton	—	—	—	3	3
Greg Turnidge	36	—	—	—	36
Walter Dower	24	—	—	—	24
Geoff Widmer	1	—	—	2	3
Wayne Carey	—	—	—	—	—
Zelica Velican	12	—	3	2	17
Julia Mason	—	—	—	—	—
	<u>73</u>	<u>—</u>	<u>3</u>	<u>7</u>	<u>83</u>

Year ended 30 June 2004 (A\$'000)

<i>Director</i>	<i>Salary/Fees</i>	<i>Super-annuation</i>	<i>Bonuses</i>	<i>Share Based Payment</i>	<i>Total</i>
Andrew Shelton	—	—	—	—	—
Greg Turnidge	—	—	—	—	—
Walter Dower	24	—	—	—	24
Geoff Widmer	—	—	—	—	—
Wayne Carey	—	—	—	—	—
Zelica Velican	—	—	—	—	—
Julia Mason	—	—	—	—	—
	<u>24</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>24</u>

Notes to the Financial Information (continued)

c. Options Granted as Compensation

Year ended 30 June 2006

Director	Options Granted	Grant date	Exercise Price A\$	Last Exercise Date	Value per Option at Grant date A\$	Total Valuation A\$
Andrew Shelton	15,000	27/10/2005	0.30	27/10/2010	0.0324	487
Wayne Carey	50,000	15/08/2005	0.45	15/08/2010	0.0270	1,350
	<u>65,000</u>					<u>1,837</u>

Year ended 30 June 2005

Director	Options Granted	Grant date	Exercise Price A\$	Last Exercise Date	Value per Option at Grant date A\$	Total Valuation A\$
Andrew Shelton	55,000	22/11/2004	0.25	22/11/2009	0.0346	1,906
Andrew Shelton	45,000	26/06/2005	0.30	29/06/2010	0.0324	1,460
Geoff Widmer	18,000	22/11/2004	0.25	22/11/2009	0.0346	624
Geoff Widmer	45,000	26/06/2005	0.30	29/06/2010	0.0324	1,460
Zelica Velican	76,400	22/11/2004	0.45	22/11/2009	0.0270	2,063
	<u>239,400</u>					<u>7,513</u>

Year ended 30 June 2004

Director	Options Granted	Grant date	Exercise Price A\$	Last Exercise Date	Value per Option at Grant date A\$	Total Valuation A\$
Geoff Widmer	38,950	30/10/2003	0.40	30/10/2008	0.0287	1,118

Share Options have been valued by the Black Scholes valuation formula adjusted for a probability of exercise.

The value of the options have been assessed based on the following assumptions at 30 June 2006:

Expiration Date	Exercise Price A\$	Share Price A\$	Risk Free Interest rate	Probability of exercise	Volatility	Value per option A\$
22 Nov 2009	0.25	0.50	6.00%	10%	50%	0.0346
29 June 2010	0.30	0.50	6.00%	10%	50%	0.0324
15 August 2010	0.45	0.50	6.00%	10%	50%	0.0270
27 October 2010	0.30	0.50	6.00%	10%	50%	0.0324

7. Cash assets

	2004 A\$'000	2005 A\$'000	2006 A\$'000
Cash on hand	—	—	—
Cash at bank	38	4	112
	<u>38</u>	<u>4</u>	<u>112</u>

Notes to the Financial Information (continued)

8. Trade and other receivables

	2004 A\$'000	2005 A\$'000	2006 A\$'000
Current			
Trade debtors	16	22	29
Other debtors	–	6	5
Tax assets	–	–	73
Amounts receivable			
– other related bodies corporate	12	–	–
	12	6	78
	28	28	107

9. Inventories

	2004 A\$'000	2005 A\$'000	2006 A\$'000
Current			
Raw materials at cost	47	45	3
Work in progress at cost	14	23	–
Finished goods at cost	28	27	8
Stock in transit	36	23	7
	125	118	18

10. Deferred tax assets

	2004 A\$'000	2005 A\$'000	2006 A\$'000
Deferred tax assets comprise			
– Share based payments	–	–	3
Reconciliations			
i. Gross movements			
The overall movement in deferred account is as follows:			
Opening balance	–	–	–
Credit to income statement	–	–	3
Closing balance	–	–	3
ii. Deferred tax assets			
The movement in deferred tax assets for each temporary difference during the year is as follows:			
Share based payments			
Opening balance	–	–	–
Credit to income statement	–	–	3
Closing balance	–	–	3

Notes to the Financial Information (continued)

11. Other current assets

	2004 A\$'000	2005 A\$'000	2006 A\$'000
Current			
Prepayments	10	7	17

12. Property Plant and Equipment

	2004 A\$'000	2005 A\$'000	2006 A\$'000
Plant and equipment			
At cost	99	99	36
Less accumulated depreciation	(72)	(78)	(16)
Net book value	27	21	20

Movements in carrying amounts

Movement in the carrying amounts of property, plant and equipment between the beginning and the end of the current financial year:

	2004 A\$'000	2005 A\$'000	2006 A\$'000
Balance at the beginning of the year	50	27	21
Additions for the year	—	—	6
Depreciation expense	(23)	(6)	(7)
Carrying amount at end of year	27	21	20

13. Intangible Assets

	2004 A\$'000	2005 A\$'000	2006 A\$'000
Goodwill on consolidation at cost	284	284	300
Less accumulated amortisation	—	—	—
	284	284	300
Patents, trade marks and licences at cost	210	214	213
Less accumulated amortisation	(97)	(119)	(108)
	113	95	105
Totals	397	379	405

14. Trade and other payables

	2004 A\$'000	2005 A\$'000	2006 A\$'000
Current			
Unsecured liabilities:			
Trade creditors	109	114	30
Amounts payable to Director related entities	25	63	31
Sundry creditors and accruals	127	19	16
	261	196	77

Notes to the Financial Information (*continued*)

15. Provisions

	<i>2004</i> <i>A\$'000</i>	<i>2005</i> <i>A\$'000</i>	<i>2006</i> <i>A\$'000</i>
Provisions for employee entitlements	—	—	9

16. Contributed Equity

	<i>2004</i> <i>A\$'000</i>	<i>2005</i> <i>A\$'000</i>	<i>2006</i> <i>A\$'000</i>
Paid up capital 8,213,456 (2005: 6,988,456; 2004: 6,934,456) ordinary shares fully paid	1,377	1,404	2,016

Ordinary Shares

At beginning of reporting period	1,142	1,377	1,404
Shares issued during the year:			
– 470,000 ordinary shares issued at 50 cents	235	—	—
– 1,225,000 ordinary shares issued at 50 cents	—	—	612
– 54,000 ordinary shares issued at 50 cents	—	27	—
At reporting date	1,377	1,404	2,016

Shareholder rights

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of Whise, ordinary shareholders rank after all other shareholders and creditors are fully entitled to any proceeds of liquidation

Notes to the Financial Information (continued)

17. Outside Equity Interests in Controlled Entities

	2004 A\$'000	2005 A\$'000	2006 A\$'000
Outside equity interest comprises:			
Contributed equity	274	274	186
Accumulated losses	(792)	(821)	(664)
Outside equity interest not brought to account	518	547	478
	<hr/>	<hr/>	<hr/>
	–	–	–
	<hr/>	<hr/>	<hr/>
Outside equity interests in issued and paid up capital of controlled entities' Ordinary shares			
Whise Technology Pty Ltd	9	9	–
Precision Audio Pty Ltd	241	241	186
More Torque Pty Ltd	24	24	–
Whise Automotive Pty Ltd	–	–	–
	<hr/>	<hr/>	<hr/>
	274	274	186
	<hr/>	<hr/>	<hr/>
Retained profits/(accumulated losses)			
Opening balance	(664)	(792)	(821)
Share of related profits in controlled entity disposed during the year	–	–	201
Outside equity interest share of current year losses not brought to account	(128)	(29)	(44)
	<hr/>	<hr/>	<hr/>
Closing balance	(792)	(821)	(664)
	<hr/>	<hr/>	<hr/>
Outside equity interest in losses not brought to account			
Share of accumulated losses in prior year	389	518	434
Share of current year losses	129	29	44
	<hr/>	<hr/>	<hr/>
Closing balance	518	547	478
	<hr/>	<hr/>	<hr/>

Where the outside equity interest is a negative amount it would be disclosed as an equity item of the outside equity interest, except to the extent that the parent entity agrees to bear the responsibility for outgoings resulting from the accumulated losses, in which case the item is allocated to the parent entity shareholders and is not attributed to the outside equity interest.

18. Related Party Transactions

a. Directors' remuneration

Details of directors' remuneration are disclosed in Note 6.

b. Loans to directors and director-related entities

There were no related party receivable loans at 30 June 2006 (2005: A\$nil; 2004: A\$12,500)

Notes to the Financial Information (*continued*)

c. Directors' shareholdings

The aggregate number of ordinary shares of Whise held by current directors of Whise Acoustics Limited and their director-related entities at each balance sheet date are as follows:

	2004 No.	2005 No.	2006 No.
G E Turnidge	1,152,250	1,260,260	1,260,260
A G Shelton	125,000	125,000	146,000
W M Dower	396,120	396,120	396,120
G R Widmer	—	—	—
	<u>1,673,370</u>	<u>1,781,380</u>	<u>1,802,380</u>

d. Directors' options

The aggregate number of options over ordinary shares of Whise held by the current directors of Whise Acoustics Limited and their director-related entities at balance sheet date, being the number of options held:

	2004 No.	2005 No.	2006 No.
G E Turnidge	125,000	125,000	125,000
A G Shelton	45,000	145,000	160,000
W M Dower	167,000	167,000	167,000
G R Widmer	38,950	101,950	101,950
	<u>375,950</u>	<u>538,950</u>	<u>553,950</u>

e. Transactions with directors and director-related entities

Greg Turnidge, a director, is a director of Melbourne Venture Partners Pty Ltd. Whise Acoustics Limited entered into transactions with Melbourne Venture Partners Pty Ltd for administration services. The services were based on normal commercial terms and conditions. The total amount paid to Melbourne Venture Partners Pty Ltd for the year ended 30 June 2006 was A\$nil (2005: A\$54,000, 2004: A\$54,000).

Greg Turnidge is also a director of Galen Investments Pty Ltd. Whise Acoustics Limited reimbursed Galen Investments Pty Ltd for expenses paid during the year ended 30 June 2006 totalling A\$1,109 (2005: A\$3,200, 2004: A\$nil). Galen Investments Pty Ltd also received expense reimbursement from Precision Audio Pty Ltd and Whise Automotive Pty Ltd of A\$3,815 during the year ended 30 June 2006.

In addition, fees of A\$24,000 were payable to Galen Investments Pty Ltd for the year ended 30 June 2006 (2005: A\$36,000, 2004: A\$36,000). In September 2006 Whise entered into an agreement to pay Galen Investments Pty Ltd A\$170,000 (to reflect non-payment of service fees since 2001), contingent upon the company having sufficient cash to make part or total payment after all working capital needs had been satisfied. The total amount payable to Galen Investments Pty Ltd under this arrangement as at 30 June 2006 was A\$170,000.

Walter Dower, a director, was paid fees for providing services to Precision Audio Pty Ltd and received remuneration of A\$46,000 in the year ended 30 June 2006 (2005: A\$24,000, 2004: A\$24,000) in his capacity as an employee providing consultancy and support services.

Geoff Widmer, a director, is also a director of Palliser Strategic Management Pty Ltd. Whise entered into transactions with Palliser Strategic Management Pty Ltd during the year ended 30 June 2006 for that company to provide secretarial services to Whise. The total amount paid to Palliser Strategic Management Pty Ltd was A\$16,916 (2005: A\$nil, 2004: A\$nil)

Geoff Widmer also received director's fees from Whise Automotive Pty Ltd during the year ended 30 June 2006 of A\$1,000 (2005: A\$1,250, 2004: A\$nil)

Notes to the Financial Information (continued)

19. Controlled Entities

a. Controlled entities

	Country of Incorporation	Percentage owned (%)		
		2004	2005	2006
Parent Entity:				
Whise Acoustics Limited	Australia	—	—	—
Subsidiaries of Whise Acoustics Limited:				
Precision Audio Pty Ltd	Australia	34	34	50.14
Whise Technologies Pty Ltd	Australia	40	40	95
MoreTorque Pty Ltd	Australia	25	25	—
Whise Automotive Pty Ltd	Australia	45	46	65.64

b. Controlled entities with ownership interest of 50% or less

Whise has consolidated the above investee companies on the basis that it controls the decision making of the companies.

20. Cash Flow Information

Reconciliation of Cash

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:

	2004 A\$'000	2005 A\$'000	2006 A\$'000
Cash on hand	—	—	—
Cash at bank	38	4	112
	<u>38</u>	<u>4</u>	<u>112</u>

Reconciliation of cash flow from operating activities with loss from ordinary activities

	2004 A\$'000	2005 A\$'000	2006 A\$'000
Loss from ordinary activities after income tax	(640)	(39)	(379)
Non-cash flows in profit from ordinary activities			
Amortisation	—	21	6
Depreciation	23	6	7
Share of losses of associated companies	292	—	—
Share based payments	—	9	2
Provision for annual leave	—	—	9
Loss on sale of investments	—	—	204
	<u>(325)</u>	<u>(3)</u>	<u>(151)</u>
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries			
Movement in receivables	(14)	(8)	(113)
Movement in other assets	(6)	—	(10)
Movement in deferred tax assets	—	—	(3)
Movement in inventories	(125)	7	100
Movements in payables	160	(77)	(88)
Net cash used in operations	<u>(310)</u>	<u>(81)</u>	<u>(265)</u>

21. Post Balance Sheet Events

On 20 October 2006 the entire issued share capital of Whise was acquired by Immersion pursuant to the terms of a Share Sale Agreement, a summary of which is contained in paragraph 6.5 of Part X of this Document.

Notes to the Financial Information (*continued*)

22. Nature of Financial Information

The financial information presented above does not constitute statutory accounts for each of the three years ended 30 June 2006.

PART IX

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

Set out below is an unaudited pro forma statement of net assets of the Enlarged Group, which has been prepared on the basis of the financial information on the Company as at 31 August 2006, as adjusted for the acquisition of Immersion by the Company and the estimated costs of Admission as set out in the notes below. The pro forma statement has been prepared for illustrative purposes only and, because of its nature, will not represent the Company's actual financial position.

	<i>The Company £'000</i>	<i>Immersion £'000</i>	<i>Whise £'000</i>	<i>Adjustments (ii) £'000</i>	<i>Pro forma net assets £'000</i>
Assets					
Current assets :					
Cash and cash equivalents	3,729	191	45	(565)	3,400
Trade and other receivables	34	—	43	—	77
Inventories	—	—	7	—	7
Deferred tax assets	—	—	1	—	1
Other current assets	—	—	7	—	7
Total current assets	3,763	191	103	(565)	3,492
Fixed assets					
Tangible fixed assets	—	—	8	—	8
Intangible assets	—	623	163	16,616	17,402
Total assets	3,763	814	274	16,051	20,902
Current liabilities:					
Trade and other payables	(52)	(405)	(31)	—	(488)
Provisions	—	—	(4)	—	(4)
Total current liabilities	(52)	(405)	(35)	—	(492)
Net assets	3,711	409	239	16,051	20,410

Notes:

- i The net assets of the Company as at 31 August 2006 and the net assets of Immersion as at 11 July 2006 have been extracted without adjustment from the financial information set out in Parts VI and VII of this Document, respectively. The net assets of Whise as at 30 June 2006 have been extracted from Part VIII of this Document and translated from A\$ to Sterling at a rate of A\$2.49 to £1. With the exception of the transactions referred to below, no account has been taken of the activities of the Company, Immersion or Whise subsequent to their respective balance sheet dates of 31 August, 11 July and 30 June 2006, respectively.
- ii. The adjustments relate to: i) the acquisition of Whise by Immersion for a consideration satisfied as to a cash payment of A\$65,000 (approximately £26,000) and the issue of 17,400,000 Immersion shares; (ii) the proposed acquisition by the Company of Immersion for a consideration of £17,238,000 (valued by reference to the bid price of the Company's shares of 1.4 pence per Ordinary Share as of 7 March 2007, being the date of suspension of the Company's Ordinary Shares (9.8 pence per Ordinary Share as adjusted for the proposed consolidation of seven Ordinary Shares into one New Ordinary Share) to be satisfied by the allotment of 175,903,761 Acquisition Shares at Completion, with goodwill arising of £16,616,000; and iii) the estimated costs of the Admission to AIM of £539,000.

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The Directors
Nabarro Wells & Co Limited
Saddlers House
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15 March 2007

Dear Sirs

We report on the pro forma financial information set out in Part IX of the AIM Admission Document (the '**Document**') dated 15 March 2007 of St James's Energy Plc (the '**Company**') which has been prepared on the basis of the notes thereto, for illustrative purposes only, to provide information about how the acquisition of Immersion and the Admission to AIM might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 August 2006. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Responsibilities

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

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

Basis of opinion

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

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial

information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

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

Declaration

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

Yours faithfully

MRI Moores Rowland LLP

Chartered Accountants

PART X

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Existing Directors and Proposed Directors, whose names appear on page 6, accept responsibility, individually and collectively, for the information contained in this Document. To the best of the knowledge and belief of the Existing Directors and Proposed 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.
- 1.2 The Immersion Directors, whose names appear on page 6, accept responsibility, individually and collectively, for the information contained in this Document relating to the Concert Party. To the best of the knowledge and belief of the Immersion Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document relating to the Concert Party is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company is registered in England and Wales, having been incorporated on 22 August 2005 under the Companies Act 1985 ("Act") with registered number 5542880 as a private company limited by shares with the name St Jame's Mining Limited. On 31 August 2005 the Company changed its name to St James's Mining Limited. On 30 November 2005 the Company was re-registered as a public limited company with the name St James's Mining Plc. On 29 March 2006 the Company changed its name to St James's Energy Plc. The liability of members is limited.
- 2.2 The address of the registered office of the Company is 5th Floor, 22 Arlington Street, London SW1A 1RD. The telephone number of the registered office of the Company is 020 7016 5100.
- 2.3 The principal legislation under which the Company operates is the Act.
- 2.4 The ISIN number of the Ordinary Shares is GB00B0R7F192.
- 2.5 The ISIN number of the New Ordinary Shares will be GB00B1TYBN97.

3. Share Capital

- 3.1 On incorporation, the Company had an authorised share capital of £1,000,000 divided into 1,000,000,000 ordinary shares of £0.001 each of which 2 were issued, fully paid, to the subscribers to the memorandum of association of the Company.
- 3.2 On 27 October 2005, resolutions were passed authorising the Directors to allot relevant securities, dis-applying pre-emption rights and authorising the Directors to grant options and the number of shares issued and fully paid was increased from 2 Ordinary Shares of £0.001 each to 53,300,000 Ordinary Shares of £0.001 each by the issue of 53,299,998 Ordinary Shares at a price of £0.001 per share.
- 3.3 On 15 November 2005, the number of shares issued and fully paid was increased from 53,300,000 Ordinary Shares of £0.001 each to 152,000,000 Ordinary Shares of £0.001 each by the issue of 98,700,000 Ordinary Shares at a price of £0.001 per share.
- 3.4 On 21 March 2006, the number of shares issued and fully paid was increased from 152,000,000 Ordinary Shares of £0.001 each to 207,000,000 Ordinary Shares of £0.001 each by the issue of 55,000,000 Ordinary Shares at a price of £0.001 per share.
- 3.5 On 19 May 2006, the number of shares issued and fully paid was increased from 207,000,000 Ordinary Shares of £0.001 each to 342,761,601 Ordinary Shares of £0.001 each by the issue of 135,761,601 Ordinary Shares at a price of £0.001 per share. On this date the issued and fully paid share capital of the Company was admitted to trading on AIM.

- 3.6 The authorised and issued share capital of the Company as it will be immediately following Admission (on the basis that the consolidation is approved by Shareholders and the Offer is accepted in full) are as follows:

Authorised		New Ordinary Shares of	Issued and fully paid	
Amount	Number		Amount	Number
£7,000,000	1,000,000,000	£0.007 each	£1,574,087	224,869,614

- 3.7 The New Ordinary Shares will rank *pari passu* in all respects including the right to receive all dividends and other distributions declared, made or paid on the New Ordinary Shares from the date of this Document.
- 3.8 In an agreement dated 11 April 2006 between Nabarro Wells and the Company, Nabarro Wells was granted options over 5,141,424 Ordinary Shares at an exercise price of 3p. These will be consolidated into options over 734,489 New Ordinary Shares on Admission with an exercise price of 21p.
- 3.9 Immersion has issued to certain key employees and directors options to subscribe for in aggregate 12,750,000 shares in the capital of Immersion and intends to issue to other key employees, subject to Admission, options to subscribe for in aggregate 2,500,000 ordinary shares in the capital of Immersion. Pursuant to the Offer, those employees will be required to agree, that subject to Admission, these options will be exchanged for an equal number of options to subscribe for New Ordinary Shares.
- 3.10 Save as disclosed above or in paragraph 3.12 below, no share or loan capital of the Company is proposed to be issued or is under option or is agreed conditionally or unconditionally to be under option.
- 3.11 Following Admission, the New Ordinary Shares may be held in either certificated or uncertificated form.
- 3.12 Save as disclosed in this Document:
- no share or loan capital of the Company has been issued or is proposed to be issued;
 - no person has any preferential subscription rights for any share capital of the Company;
 - no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option; and
 - no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company.
- 3.13 By written resolutions passed on 27 October 2005, the Directors are unconditionally authorised to allot, create, deal with or otherwise dispose of relevant securities (within the meaning of section 80(2) of the Act) up to a maximum aggregate nominal amount of £500,000 to such persons (including any director) on such terms and at such times as they think fit as if section 89(1) of the Act did not apply to such allotment. This authority remains in force for two years from the date of the resolutions. The Directors were also authorised to grant options over 100,000,000 Ordinary Shares. Pursuant to those authorities, the Existing Directors have, prior to the date of this Document, issued shares with an aggregate nominal amount of £342,762 and granted options over 5,141,424 Ordinary Shares.

4. Memorandum and articles of association

- 4.1 In this paragraph 4, references to the “Statutes” are references to the Act and every other act for the time being in force concerning companies and affecting the Company.
- 4.2 The principal objects of the Company are set out in full in clause 4 of the memorandum of association and include carrying on the business of a general commercial company.
- 4.3 The articles of association of the Company (the “Articles”) contain, *inter alia*, provisions to the following effect:

General meetings

(a) Annual general meetings

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

(b) Extraordinary general meetings

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

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

Transfer

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

Voting rights

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

reckoned in a quorum, or to exercise any other right or privilege conferred by membership in relation to general meetings of the Company or meetings of the holders of any class of shares of the Company.

Dividends

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

Unclaimed dividends

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

Return of capital

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

Variation of rights

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

Changes in share capital

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

Purchase by the Company of its own shares

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

Borrowing powers

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

Directors

- (a) Unless otherwise determined by ordinary resolution, the number of directors shall be not less than two and there shall be no maximum number of directors. Save as mentioned below, a director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has an interest which is a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company.
- (b) A director shall (in the absence of some other material interest than is indicated below) be entitled to be counted in the quorum and to vote in respect of any resolution concerning any of the following matters, namely:
 - (i) the giving of any guarantee, security or indemnity to him in respect of money lent by or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings insofar as the Act permits; or

- (ii) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; or
 - (iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting thereof, or
 - (iv) any contract, arrangement, transaction or other proposal concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of or beneficially interested in one per cent, or more of any class of the equity share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances); or
 - (v) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of the Inland Revenue for taxation purposes or which does not accord to any director as such any privilege or advantage not accorded to the employees to which such scheme or fund relates; or
 - (vi) any contract, arrangement, transaction or proposal concerning the adoption, modification or operation of any scheme for enabling employees including full time executive directors of the Company and/or any subsidiary to acquire shares of the Company or any arrangement for the benefit of employees of the Company or any of its subsidiaries under which the director benefits in a similar manner to employees and which does not accord to any director as such, any privilege or advantage not generally accorded to the employees to whom such scheme relates; or
 - (vii) any proposal concerning any insurance which the Company proposes to purchase and/or maintain for or for the benefit of any director or for the benefit of persons who include directors.
- (c) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each director separately and in such cases each of the directors concerned (if not debarred from voting) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (d) If any question shall arise at any meeting as to the materiality of a director's interest or as to the entitlement of any director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting whose ruling in relation to any other director shall be final and conclusive except in a case where the nature or extent of the interests of the director concerned have not been fairly disclosed.
- (e) The directors shall be paid out of the funds of the Company by way of fees for their services as directors such sums (if any) as the directors may from time to time determine. The directors shall also be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as directors including any expenses incurred in attending meetings of the board or of committees of the board or general meetings and if in the opinion of the directors it is desirable that any of their number should make any special journeys or perform any special services on behalf of the Company or its business, such director or directors may be paid such reasonable additional remuneration and expenses therefore as the directors may from time to time determine.

- (f) The directors may exercise all the powers of the Company to give or award pensions, annuities, gratuities and superannuation or other allowances or benefits to any persons who are or have at any time been directors of or employed by or in the service of the Company or of any company which is a subsidiary company of or allied or associated with the Company or any such subsidiary and to the wives, widows, children and other relatives and dependants of any such persons and may establish, maintain, support, subscribe to and contribute to all kinds of schemes, trusts and funds for the benefit of such persons or any of them or any class of them, and so that any director shall be entitled to receive and retain for his own benefit any such pension, annuity, gratuity, allowance or other benefit (whether under any such fund or scheme or otherwise) and may vote as a director in respect of the exercise of any of the powers conferred upon the directors, notwithstanding that he is or may be or become interested therein.

Non-United Kingdom shareholders

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

CREST

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

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

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

Ownership threshold requiring public disclosure

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

5. Directors' and other interests

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

<i>Name of Director</i>	<i>Current Shareholding</i>	<i>Percentage of total prior to Admission</i>	<i>Shareholding on Admission, post Consolidation</i>	<i>Percentage of total following Admission, post Consolidation</i>
Existing Directors				
Christopher Lambert	3,000,000	0.88%	428,571	0.19%
Kiran Caldes Morzaria ¹	4,000,000	1.17%	711,428	0.32%
Timothy Lawlor Wall ²	4,000,000	1.17%	1,121,429	0.50%
Proposed Directors				
Craig Douglas Evans ³	—	—	52,950,000	23.55%
Vincent David Fodera ⁴	—	—	1,560,000	0.69%
Blair Francis Snowball ⁵	—	—	750,000	0.33%
Alexander John Barblett ⁶	—	—	600,000	0.27%
Gregory Elliott Turnidge ⁴	—	—	3,700,585	1.85%

Notes

- 1 of which 4,000,000 of the current shareholding are held on account with TD Waterhouse Nominees (Europe) Limited (571,428 post consolidation), and 40,000 shares on Admission post Consolidation will be held by Cornell De Beer Morzaria who is a related party to Kiran Caldes Mozaria. The shareholding on admission, post consolidation includes 140,000 shares in Immersion, as disclosed in 5.4.
- 2 All shares are registered in a third party company, (Horseford Limited), over which Mr Wall has an option to acquire the whole or part of the issued share capital therein. The shareholding on admission, post consolidation includes 550,000 shares in Immersion, as disclosed in 5.4.
- 3 of which 38,050,000 are held by the E.D. Evans Trading Trust of which Craig Evans is a potential beneficiary, 12,000,000 shares are held through Miami Properties Pty Ltd for which Mr Evans is a director, and 2,900,000 shares are held through Miami Superannuation Fund of which Mr Evans is trustee.
- 4 All shares are beneficially held through Security Transfer Registrars Pty Ltd.
- 5 of which 750,000 shares are registered in a third party company, (Bluemax Consulting Limited), over which Mr Snowball has an option to acquire the whole or part of the issued share capital therein.
- 6 of which 400,000 shares are registered in a third party company, (Entopia Consulting Limited), over which Mr Barblett has an option to acquire the whole or part of the issued share capital therein, and 200,000 are held by Lisa Mitchell who is a related party to the Director.

- 5.2 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 New Ordinary Shares:

<i>Name of Director</i>	<i>Date of Grant</i>	<i>Vesting Date</i>	<i>Number of Ordinary Shares</i>	<i>Exercise Price (£)</i>	<i>Expiry</i>
Proposed Directors					
Craig Douglas Evans	1 Aug 06	1 Aug 08	3,000,000	£0.125	1 Aug 16
Vincent David Fodera	1 Aug 06	1 Aug 08	2,750,000	£0.125	1 Aug 16
Blair Francis Snowball	1 Aug 06	1 Aug 08	2,750,000	£0.125	1 Aug 16
Alexander John Barblett	1 Aug 06	1 Aug 08	1,500,000	£0.125	1 Aug 16
Gregory Elliot Turnidge	20 Oct 06	20 Oct 08	1,500,000	£0.125	20 Oct 16
			11,500,000*		

* A further 1,250,000 Options over New Ordinary Shares have been issued to certain key employees.

- 5.3 Save as disclosed in this paragraph 5, none of the Directors nor any member of their respective immediate families nor any person connected with the Directors (within the meaning of Section 346 of the Act), has any interest, whether beneficial or non-beneficial, in any share capital of the Company.

- 5.4 The interests (all of which are beneficial unless stated otherwise) of the Existing Directors and their immediate families and the persons connected with them in the issued share capital of Immersion as at the date of this Document are as follows:

<i>Name of Director</i>	<i>Current Shareholding Immersion</i>	<i>Percentage of Issued share capital of Immersion</i>
Kiran Morzaria	140,000*	0.06%
Timothy Wall	550,000**	0.24%

* Of which 40,000 shares are held by his spouse, Cornell De Beer Morzaria who is a related party to the Director.

** Of which 550,000 shares are registered in a third party company, (Horseford Limited), over which Timothy Wall has an option to acquire the whole or part of the issued share capital therein.

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

<i>Name¹</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
E D Evans Pty Ltd	38,050,000	16.92%
Security Transfer Registrars Pty Ltd	34,563,671	15.4%
Richard Brooks ²	16,055,705	7.14%
Miami Properties plc	12,000,000	5.34%
Lindsay Alfred Champion	8,150,000	3.62%
Vidacos Nominees Limited	8,000,000	3.56%
Charles Van Dongen	7,950,000	3.54%
Janet Patricia Green	7,800,000	3.47%

¹ Further details in respect of each of these persons is set out in paragraph 13, below.

² Richard Brooks is the sole director and beneficial owner of the companies with shareholdings set out in 12.2.7.

All Existing and New Ordinary Shares in the Company have, and will have, the same voting rights.

Save as disclosed above, the Company is not aware of any person who, immediately following Admission will, directly or indirectly, be interested in 3 per cent. or more of the capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

- 5.8 The following contracts have been entered into between Immersion and the Proposed Directors governing their appointment as directors and setting out the basis on which they will provide services to Immersion. The Proposed Directors have agreed that upon Admission, such contracts and service obligations will be transferred to the Company:

5.8.1 Craig Evans has executed an executive director's service agreement dated 1 August 2006 which is effective from 1 August 2006, with Immersion. The agreement provides for an annual fee of £13,200 plus a one-off bonus of £1,000 payable upon Admission and a further bonus of £4,900 payable on the achievement of the following: (a) obtaining a contract for products in excess of US\$4m; and (b) obtaining orders for such products in excess of US\$1m cumulatively. The contract is terminable on twelve months written notice by either party.

In addition to his service agreement, Craig Evans has, through a company called Miami Properties Pty Ltd ("MP"), executed a consultancy agreement dated 1 August 2006 which is effective from 1 April 2006 for an annual fee of £118,800 plus a one-off bonus of £14,000 payable upon Admission and a further bonus of £44,100 payable on the achievement of the following: (a) obtaining a contract for products in excess of

US\$4m; and (b) obtaining purchase orders for such products in excess of US\$1m cumulatively. Under the terms of the consultancy agreement, MP has undertaken to provide the services of Mr Evans to Immersion to implement the strategies of Immersion, manage the business, formulate strategies to promote and improve the financial performance, advise the Board and ensure proper implementation of Immersion's policies. The contract is for an initial fixed period of 36 months and thereafter is terminable on twelve months written notice by either party from the effective date.

- 5.8.2 Vincent Fodera has executed an executive director's service agreement dated 1 August 2006 which is effective from 1 August 2006, with Immersion. The agreement provides for an annual fee of £10,800 plus a one-off bonus of £1,000 payable upon Admission and a further bonus of £4,100 payable on the achievement of the following: (a) obtaining a contract for products in excess of US\$4m; and (b) obtaining orders for such products in excess of US\$1m cumulatively. The contract is terminable on twelve months written notice by either party.

In addition to his service agreement, Vincent Fodera has, through a company called Fodera Holdings Pty Ltd ("FH"), executed a consultancy agreement dated 1 August 2006 which is effective from 1 April 2006 for an annual fee of £97,200 plus a one-off bonus of £14,000 payable upon Admission and a further bonus of £36,900 payable on the achievement of the following: (a) obtaining a contract for products in excess of US\$4m; and (b) obtaining orders for such products in excess of US\$1m cumulatively. Under the terms of the consultancy agreement, FH has undertaken to provide the services of Mr Fodera to Immersion to implement the strategies of Immersion, manage the business, formulate strategies to promote and improve the financial performance, advise the Board and ensure proper implementation of the Immersion's policies. The contract is for an initial fixed term of 36 months and is terminable on twelve months written notice by either party from the effective date.

- 5.8.3 Blair Snowball has executed an executive director's service agreement dated 1 August 2006 with Immersion. The agreement provides for an annual fee of £96,000 plus a one-off bonus of £15,000 payable upon Admission and a further bonus of £20,000 payable on the achievement of the following: (a) obtaining a contract for products in excess of US\$4m; and (b) obtaining orders for such products in excess of US\$1m cumulatively. The contract is terminable on twelve months written notice by either party.

- 5.8.4 Alexander Barblett has executed a non-executive Directors appointment letter dated 1 August 2006, which provides for a monthly fee of £3,000 plus a one-off bonus of £15,000 payable on Admission. Under the terms of the appointment letter, Mr Barblett shall be available for such time as is necessary to attend board meetings of Immersion which is expected to be five days per month. The appointment letter is terminable on three months' notice at any time on or after 1 August 2007.

- 5.8.5 Gregory Turnidge has executed a non-executive Directors appointment letter dated 13 November 2006, which provides for a monthly fee of £3,000 plus a one-off bonus of £10,000 payable upon Admission. Under the terms of the appointment letter, Mr Turnidge shall be available for such time as is necessary to attend board meetings of Immersion which is expected to be five days per month. The consultancy agreement is terminable on three months' notice at any time on or after 13 November 2007.

- 5.9 The following contracts have been entered into between the Company and the Existing Directors governing their appointment as directors and setting out the basis on which they will provide services to the Company:

- 5.9.1 Christopher Lambert has executed an appointment letter dated 2 May 2006, which initially provided for a monthly fee of £1,000. The remuneration committee approved salary increases on 31 May 2006 (effective 2 May 2006) of £1,000 per month. To date Mr Lambert has received Director fees of £22,000.

On 8 January 2007 Mr Lambert signed a new appointment letter which is effective from the date of Admission of the Enlarged Group and provides for a monthly fee of £3,000. Under the terms of the appointment letter Mr Lambert shall be available for

such time as is necessary to carry out the business of the Company. The appointment will continue until terminated by either party with three months' notice, not to expire prior to the first anniversary of Admission.

- 5.9.2 Kiran Morzaria executed an appointment letter dated 2 May 2006, which initially provided for a monthly fee of £1,000. The remuneration committee approved salary increases on 31 May 2006 (effective 2 May 2006) of £1,000 per month. To date, Mr Morzaria has received director fees of £22,000 and has also been paid additional consultancy fees of £7,000 up to the date of Admission in relation to work carried out on project and investment review and transactional management.

On 14 January 2007, Mr Morzaria signed a new appointment letter which is effective from the date of Admission of the Enlarged Group and provides for a monthly fee of £500. Under the terms of the appointment letter Mr Morzaria shall be available for 2 days a quarter to carry out the business of the Company. The appointment will continue until terminated by either party with one months' notice at any time on or after 31 August 2007.

- 5.9.3 Timothy Wall executed a service agreement dated 5 May 2006, which initially provided for a monthly fee of £1,000. The remuneration committee approved salary increases on 31 May 2006 (effective 2 May 2006) of £1,000 per month and a further increase of £1,000 per month on the 31 July 2006 (effective 1 July 2006). To date Mr Wall has received director fees of £30,000. Mr Wall will step down on Completion and Admission to AIM.

In addition to his Director agreement, Tim Wall has, through a company called Horseford Limited, carried out additional consultancy work on project and investment review and transactional management. Horseford Limited was paid £22,000 up to the date of Admission.

- 5.10 Save as disclosed in paragraph 5.8 and 5.9 above, there are no contracts, existing or proposed, between any Proposed Director or Existing Director and the Company.
- 5.11 There is no arrangement under which any Existing Director or Proposed Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Document.
- 5.12 In addition to the directorships in the Company, the Existing and Proposed Directors hold or have held the following directorships within the five years immediately prior to the date of this Document:

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Christopher Lambert	Altona Resources plc Braemore Resources plc Simply Overseas Property Ltd Tau Resource Finance Ltd Walkerton Ltd PepinNini Minerals Ltd Cue Energy plc Summit Resources plc Simply Overseas Property Consortium LLP Western Consolidated Nickel Pty	Grosvenor Holdings plc Robert Leech & Partners (Lingfield) Ltd Empyrean Energy plc
Kiran Morzaria	Brinkley Mining plc Hot Tuna (International) plc Our Forgotten Children Limited Green Park Finance plc River Diamonds Plc River Diamonds UK Limited The World's Children Limited Tubutama Borax Limited Tubutama Limited	MicroFuze International plc Arlington Resources plc Green Hair Services Ltd

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Tim Wall	Microfuze International plc	Condor Resources plc Nippy Training Ltd Brinkley Mining Ltd Immersion Technology International Limited API Technology (UK) Limited Green Park Finance plc Arlington Resources plc
Craig Evans	Miami Properties Pty Ltd Maison a la Mode Pty Ltd Immersion Technology International plc Whise Acoustics Limited Whise Technologies Pty Ltd Whise Automotive Pty Ltd	Chezann Pty Ltd Wangebba Pty Ltd Powerbond Creations Pty Ltd Sandmore Holdings Pty Ltd
Vincent Fodera	Thomasia Holdings Pty Ltd Fodera Holdings Pty Ltd Immersion Technology International plc Whise Acoustics Limited Whise Technologies Pty Ltd Whise Automotive Pty Ltd	n/a
Blair Snowball	Immersion Technology International plc	Echo Delta Romeo Ltd APIT (UK) Limited
Alexander Barblett	Apogee Power Inc Immersion Technology International plc	Pace Asia Pacific Ltd Microfuze International plc
Gregory Turnidge	Melbourne Venture Partners Pty Ltd Melbourne Venture Securities Pty Ltd Close the Loop Ltd and subsidiaries Galen Investments Pty Ltd Immersion Technology International plc Whise Acoustics Limited Whise Technologies Pty Ltd Whise Automotive Pty Ltd	Moretorque Pty Ltd Precision Audio Pty Ltd Creative Learning Consultants Pty Ltd Kids on Collins Pty Ltd Direct Chill Casting Pty Ltd Narkoojee Pty Ltd

5.13 Christopher Lambert was a director of Grosvenor Holdings plc, which went into creditors' voluntary liquidation on 21 October 1998. No criticism of the directors of that company was made by the liquidator.

5.14 Craig Evans was a director of Chezann Pty Ltd ("Chezann") until August 2005, which subsequently went into creditors' voluntary liquidation on 24 February 2006 because of monies owed to a company whose beneficial owners are similar to Chezann's.

5.15 Save as disclosed above, none of the Directors has:

- any unspent convictions in relation to indictable offences;
- had any bankruptcy order made against him or entered into any voluntary arrangements;
- been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

- been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership;
- been publicly criticised by any statutory or regulatory body (including recognised professional bodies); or
- been disqualified by a court from acting as a director of any company or from acting in the management or conduct of affairs of a company.

6. Material contracts

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

6.1 *Nominated Adviser Agreement*

An agreement dated 8 December 2006 between (1) Nabarro Wells and (2) the Company under which Nabarro Wells has agreed to act as the Company's nominated adviser for one year from Admission and thereafter, unless terminated by three months' written notice by Nabarro Wells or the Company (the "Nominated Adviser Agreement"). Under the Nominated Adviser Agreement, the Company has agreed to pay Nabarro Wells a fee of £125,000 (plus VAT) on Admission and an ongoing nominated adviser fee of £30,000 per annum (plus VAT).

6.2 *Introduction Agreement*

An introduction agreement dated 7 March 2007 between (1) Nabarro Wells, (2) the Company and (3) the Existing Directors and the Proposed Directors under which Nabarro Wells sets out the further terms and conditions, including various warranties, indemnities and undertakings, in reliance on which Nabarro Wells has agreed to act as nominated adviser and broker in relation to Admission (the "Introduction Agreement"). The obligations of Nabarro Wells under the Introduction Agreement are conditional upon, amongst other things, the valid issue and allotment of the Acquisition Shares, the accuracy of the warranties and the Offer being declared unconditional in all respects. Pursuant to the Introduction Agreement, the Company, the Existing Directors and the Proposed Directors are severally giving certain warranties and undertakings to Nabarro Wells.

6.3 *Lock-in Agreements*

Pursuant to lock-in agreements (the "Twelve Month Lock-in Agreements") dated between 13 March 2007 and 14 March 2007 between Nabarro Wells, the Company, the Existing and Proposed Directors, applicable employees (as defined in the AIM Rules), Shareholders who, will on Admission each hold more than 10 per cent. of the Enlarged Share Capital and shareholders who received Immersion Shares as a result of and in connection with the sale of assets by Winovate to Immersion and shareholders who received Immersion Shares as a result of the sale of Whise to Immersion (the "Twelve Month Lock-in Parties"), each of the Twelve Month Lock-in Parties has undertaken to Nabarro Wells that he will not sell or dispose of his respective interests in his Ordinary or New Ordinary Shares at any time before the first anniversary of Admission (the "Twelve Month Lock-in Period"), and that for the year following the end of the Twelve Month Lock-in Period, they will not sell or dispose of any of their interests in such Ordinary or New Ordinary Shares except with the prior written consent of Nabarro Wells or its successors (such consent not to be unreasonably withheld) and then only through Nabarro Wells or its successors, provided that the lock-in restrictions shall not apply to certain limited exceptions including disposals by way of acceptance of a takeover offer for the entire share capital of the Company, pursuant to a court order or upon the death of the Twelve Month Lock-in Party.

Pursuant to lock-in agreements (the "Six Month Lock-in Agreements") dated between 13 March 2007 and 14 March 2007 between Nabarro Wells, the Company, those shareholders who invested in Immersion in the first round of investment following its incorporation (the "Six Month Lock-in Parties"), each of the Six Month Lock-in Parties has undertaken to Nabarro Wells that he will not sell or dispose of his respective interests in his New Ordinary Shares for a minimum period of six months following Admission and that for a further six months after that they will not sell or dispose of any of their interests in such New Ordinary Shares except with the prior written consent of Nabarro Wells or its successors (such consent not to be unreasonably withheld) and then only through Nabarro

Wells, provided that the lock-in restrictions shall not apply to certain limited exceptions including disposals by way of acceptance of a takeover offer for the entire share capital of the Company, pursuant to a court order or upon the death of the Six Month Lock-in Party.

In addition, Novus Capital Markets Limited signed an orderly marketing agreement dated 14 March 2007 to the effect that any disposal of Ordinary Shares during the 12 months from the date of Admission shall be effected in such orderly manner as Nabarro Wells shall reasonably require to maintain an orderly market in the Ordinary Shares of the Company.

6.4 *Irrevocable Undertakings*

The Company has received irrevocable undertakings from certain Immersion Shareholders, as described in Part IV.

The following contracts, not being contracts entered into in the ordinary course of business of Immersion, have been entered into by Immersion and its subsidiaries and are or may be material:

6.5 *Winovate Asset Purchase Agreement*

By an agreement dated 28 June 2006 between (1) Winovate and (2) Immersion, Immersion acquired the assets belonging to Winovate relating to the ESL technology. The consideration payable by Immersion consisted of a cash payment of AU\$1,250,000 and the issue of 78,000,000 Immersion Shares (which were issued and allotted direct to parties associated with Winovate).

The agreement was completed on 19 October 2006.

6.6 *Whise*

6.6.1 *Whise Acoustics Share Purchase Agreement*

By an agreement dated 25 July 2006 between (1) Whise Acoustics and (2) Immersion, Immersion agreed to make an offer to the Whise Acoustics shareholders to acquire the entire issued share capital and unexercised options of Whise Acoustics. The consideration payable by Immersion consisted of the payment of liabilities to the value of AU\$65,000 and the issue of 17,400,000 Immersion Shares. All of such shares were allotted to, and are held as at the date of this Document by, a nominee company, Security Transfer Registrars Pty Ltd.

The agreement was completed on 20 October 2006.

Under this agreement, Immersion obtained warranties and indemnities from Whise Acoustics but not from the holders of the Whise Acoustics shares. Accordingly, on acceptance of the Offer, Immersion has no practical recourse in the event of a breach of any of such warranties or in the event of any circumstances giving rise to a payment under the indemnities.

Under the terms of the agreement, Immersion has issued an additional 11,250,000 Immersion Shares due to Immersion not gaining admission of the Immersion Shares to AIM by 1 January 2007. Such shares were issued by Immersion on 12 February 2007. The agreement also provided that a further 11,250,000 Immersion Shares would be issued in the event that a specific date for the admission of the Immersion Shares to AIM (not being later than 14 August 2007) was not set by 1 July 2007. The right to receive such shares has been waived by all but two of the persons entitled to receive such shares. The terms of the waiver were that the relevant Immersion Shareholders waived their rights in return for the immediate issue of one-fifth of the shares to which they would become entitled. Accordingly, Immersion has resolved to issue a further 1,903,671 Immersion Shares in lieu of the further shares due on 1 July 2007 with the agreement of 47 of the 49 former Whise Acoustics shareholders. The two remaining former Whise Acoustics shareholders will be issued a further 1,731,645 Immersion Shares in the event that a specific date for the admission of the Immersion Shares to AIM (not being later than 14 August 2007) is not set by 1 July 2007. Should the Acquisition proceed, the 1,731,645 Immersion Shares will be issued in Immersion, as the subsidiary of an Enlarged Group. Based upon the current issued share capital of Immersion, such shares will represent a shareholding of approximately 0.97 per cent. of Immersion.

6.6.2 Precision Audio Pty Limited (“Precision”)

On 3 October 2006, Precision executed an asset sale agreement, selling various rights and assets in relation to both NTM™ and PAM™ technology to Techstream Pty Ltd. In a further agreement on the same date, Techstream Pty Ltd then sold these same rights and assets to Whise Acoustics. This was a precondition set by Immersion in its agreement to acquire Whise Acoustics.

6.7 Relationship Agreement

A relationship agreement dated 14 March 2007 between (1) the Company, (2) Immersion and (3) Winovate which regulates the day-to-day interaction between the parties owing to the close business relationships Winovate has with the Company and the sharing of premises between Immersion and Winovate. Pursuant to this agreement, Winovate and each of its subsidiaries, directors and officers and directors and officers of such subsidiaries (“Associates”) have agreed to conduct its affairs so that each of the Enlarged Group are capable of carrying on its business independently of Winovate and its Associates and that all transactions, agreements or arrangements entered into between the Enlarged Group and Winovate and/or its Associates will be made at arm’s length and on a normal commercial basis and that any dealings or disputes between Winovate or its Associates and the Company shall be passed to and dealt with on behalf of the Company by a committee comprising only of certain independent directors of the Company. In addition, Winovate will not undertake any activity in conflict with those of any of the Enlarged Group which may render any of them incapable of carrying on their business independently or lead to transactions between any of the Enlarged Group and Winovate or any Associate of Winovate which are not at arm’s length or on a normal commercial basis.

Save as disclosed above, there are no contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Enlarged Group in the last two years which are or may be material.

7. Subsidiaries

On Completion, the Company will be the holding company of the Enlarged Group. The following companies, on Completion will be the subsidiaries of the Company:

<i>Name</i>	<i>Issued and fully paid share capital</i>	<i>Country of Incorporation</i>	<i>Parent</i>	<i>% of ownership by Parent</i>
Immersion	175,903,671 ordinary shares	England	St James’s Energy	100%*
Whise Acoustics	9,187,256 ordinary shares	Australia	Immersion	100%
Whise Automotive	150,000 ordinary shares 107,129 preference shares	Australia	Whise Acoustics	100%
Whise Technologies	83,255 ordinary shares 51,850 preference shares	Australia	Whise Acoustics	100%

*Assuming that the Offer is accepted in full before 1 July 2007, Immersion will be a wholly owned subsidiary of the Company upon completion of the Acquisition. However, as described in paragraph 6.6.1 of this Part X, two Immersion Shareholders are entitled to receive an additional 1,731,646 Immersion Shares in the event that a specific date for the admission of the Immersion Shares to AIM (not being later than 14 August 2007) is not set by 1 July 2007. Therefore, it is expected that, as from 1 July 2007, the Company will own 99.03 per cent. of Immersion.

8. Litigation

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

9. Working capital

The Existing Directors and Proposed Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Enlarged Group will, from the date of Admission, be sufficient for its present requirements, that is, for at least the next 12 months from the date of Admission.

10. United Kingdom Taxation

10.1 Introduction

The information in this section is based on the Directors' understanding of current tax law and HM Revenue & Customs ('HMRC') practice in respect of individual shareholders who are resident in the UK for tax purposes. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice

On issue, the Existing Ordinary Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM), the Existing Ordinary Shares should continue to be treated as unquoted securities.

The following information is based upon the laws and practices currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

10.2 Capital Gains Tax ("CGT")

10.2.1 Disposals

Changes were made to the rules relating to the holding of shares from 6 April 1998 so that the "pooling" of shares (i.e. treating them as one asset) no longer applies. Therefore, any disposal of shares is usually treated on a last in, first out basis for the purposes of calculating gains that are chargeable to tax.

10.2.2 Taper Relief

On 5 April 1998 "taper relief" was introduced which applies to individual investors and trustees (but not to corporate investors). Taper relief reduces the chargeable gain assessable to CGT in relation to the period the investment is held and the scales of relief depend upon whether the investment is a "business" or "non-business" asset. The scale of relief is enhanced for those assets that qualify as "business" assets. Business assets include shares in qualifying unquoted trading companies. For these purposes, companies admitted to trading on AIM are regarded as unquoted.

10.2.3 CGT Gift Relief

If shares in an AIM company, which is a trading company, or the parent company of a trading group, are transferred to a third party, other than at arm's length, any deemed capital gain can be "held over", i.e. the CGT liability is postponed until a subsequent arm's length disposal by the transferee, who effectively inherits the transferor's base cost. The relief must be claimed by both the transferor and the transferee within five years and ten months of the end of the relevant tax year in which the gift was made and the transferee must be resident or ordinarily resident in the UK and remain so for six years. If CGT gift relief is claimed, the effect of the claim is that the ownership of taper relief purposes starts again, with no taper relief in respect of the previous period of ownership being applicable.

Gift relief is not available on gifts to a trust where the donor can still receive any benefit from the trust.

10.2.4 Inheritance Tax ("IHT")

Shares in qualifying AIM trading companies can attract 100 per cent. business property relief from IHT provided that the shares are held for at least two years before a chargeable transfer for IHT purposes takes place.

10.3 *Income Tax*

10.3.1 Taxation of Dividends

The Company will not be obligated to make any withholding on account of UK tax on payment of any dividends. UK resident individual shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit, the tax credit for dividends paid being 10 per cent. of the combined amount of the dividend and the tax credit (i.e. the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder's lower and basic rate (but not higher rate) income tax liability in respect of the dividend. UK resident individual shareholders who are subject to tax at the higher rate (currently 40 per cent.) will have to account for additional tax. The special rate of tax set for higher rate taxpayers who receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such a taxpayer would have to account for additional tax of 22.5 per cent. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as his top slice of income.

A UK resident (for tax purposes) corporate shareholder will generally not be liable to UK corporation tax on any dividend received and will be entitled for tax purposes to treat any such dividend and the related tax credit as franked investment income.

A UK pension fund, as defined in Section 231A Income Corporation Taxes Act 1988, is restricted from claiming a repayment of the tax credit.

Shareholders not resident in the UK are generally not taxed in the UK on dividends received by them (unless, exceptionally, the investment is managed by a UK investment manager acting, broadly, on arm's length terms). By virtue of double taxation agreements between the UK and other countries, some overseas shareholders are able to claim relief for all or part of the tax credits carried by the dividends they received from UK companies. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

10.3.2 Loss Relief

If a loss arises on the disposal of shares in an unquoted trading company, such shares being originally acquired on a subscription of new shares, the loss may be relieved against income of that year or the previous year or both years, the Shareholder may choose which year takes priority. Any loss remaining after claiming relief against income, may be available for relief against capital gains in either the current or subsequent years.

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

Transfers or sales of Ordinary Shares will be subject to ad valorem stamp duty (payable by the purchaser and generally at the rate of 0.5p per £1.00 or part thereof rounded up to the nearest £5 and an unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form within two months of the day on which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at that rate). However, if within 6 years of the date of the agreement an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be cancelled or repaid.

The above is a summary of certain aspects of current law and practice in the UK. A shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

11. Market Quotations

- 11.1 The following table shows the closing middle market quotations for the Existing Ordinary Shares as derived from the London Stock Exchange on the first dealing day of each month from the six months immediately preceding the date of this Document:

<i>Date</i>	<i>Share Price</i>
2 October 2006	1.85p
1 November 2006	1.80p
1 December 2006	1.80p
1 January 2007	1.63p
1 February 2007	1.55p
1 March 2007	1.60p
7 March 2007 (being the last Business Day on which St James's Energy Shares were able to be traded on AIM prior to the publication of this Document)	1.60p

12. The City Code

- 12.1 In the 12 months preceding the date of this Document, none of the members of the Concert Party nor any one acting in concert with them has held or dealt in shares of the Company nor do they intend to acquire any such shares prior to the EGM.
- 12.2 Other than as set out in paragraph 12, there are no agreements, arrangements or understandings between any member of the Concert Party or anyone in concert with it and any of the Directors, recent Directors, shareholders or recent shareholders of the Company, or any person interested or recently interested in shares of the Company or any of them, or any other person, having any connection with or dependence upon any offer that may be required to be made by the Concert Party pursuant to Rule 9 of the City Code.
- 12.3 On 22 February 2007, Mr Alwyn Davey sold 200,000 Ordinary Shares at 1.5p per Ordinary Share. Save as disclosed in this paragraph 12, no member of the Concert Party nor any person acting in concert with any member of the Concert Party owned, controlled or was interested, directly or indirectly, in any relevant securities (whether by interests, rights to subscribe or short positions) on 14 March 2007 (the latest practicable date prior to the posting of this Document), nor has any such person dealt for value in any relevant securities during the disclosure period, nor has any such person borrowed or lent any relevant securities.
- 12.4 Save as disclosed in this paragraph 12, or paragraph 5, neither the Company nor any of the Directors nor any member of their immediate families owned, controlled or (in the case of the Directors and their immediate families) was interested, directly or indirectly, in any relevant securities on 14 March 2007 (the latest practicable date prior to the posting of this Document), nor has any such person dealt for value in any relevant securities during the disclosure period.
- 12.5 Save as disclosed in this paragraph 12, or paragraph 13, no member of the Concert Party has a potential direct or indirect interest of 5% or more in any part of the capital of the Company.
- 12.6 Save as set out in this paragraph 12, no associate (as defined in sub-paragraph 12.9 below) of the Company owned, controlled or was interested, directly or indirectly, in any relevant securities (whether by interests, rights to subscribe or short positions) on 14 March 2007 (the latest practicable date prior to the posting of this Document), nor has any such person dealt for value therein during the disclosure period nor has any such person borrowed or lent any such securities.
- 12.7 No member of the Concert Party or the Company or any associate or any member of the Concert Party or the Company has any arrangement with any person in relation to the transfer of any relevant securities acquired under the proposed Acquisition. For the purposes of this paragraph, "arrangement" includes any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature which may be an inducement to deal or refrain from dealing.
- 12.8 The Company has been an investing company since originally being admitted to AIM and has no fixed assets.
- 12.9 In this paragraph 12:

- 12.9.1 references to an “associate” of the Company are to:
- 12.9.1.1 its subsidiaries and associated companies and companies of which any such subsidiaries or associated companies are associated companies;
 - 12.9.1.2 any connected adviser (as defined in the City Code) to the Company or to a company covered in paragraph 12.9.1.1 above, or to a person acting in concert with the Company, or any person controlling, controlled by or under the same control as any such connected adviser;
 - 12.9.1.3 its directors and the directors of any company listed in paragraph 12.9.1.1 above (together in each case with their immediate families and related trusts;
 - 12.9.1.4 an employee benefit trust of the Company or of a company covered in paragraph 12.9.1.1);
 - 12.9.1.5 its pension funds or of a company covered in paragraph 12.9.1.1 above; and
 - 12.9.1.6 (in relation to the Company) an investment company, unit trust or other person whose investments an associate (as otherwise defined in this sub-paragraph 12.9.1.1) manages on a discretionary basis, in respect of the relevant investment accounts.
- 12.9.2 ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and “control” means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of the company which are currently exercisable at a general meeting, irrespective of whether the holding gives *de facto* control;
- 12.9.3 “relevant securities” means the Ordinary Shares and other securities convertible into, or exchangeable for, rights to subscribe for the options (including traded options) in respect of, or derivatives referenced to, any of the foregoing;
- 12.9.4 “disclosure period” is the period commencing on 15 March 2006 and ending on 14 March 2007 (being the last practicable date prior to the posting of this Document).
- 12.10 None of the Directors or Proposed Directors or any member of the Concert Party or anyone acting in concert with them has borrowed or lent any relevant securities during the disclosure period, being the 12 months preceding the date of this Document. No person holds any right to acquire any securities acquired pursuant to any offer that may be required to be made by the Concert Party pursuant to Rule 9 of the City Code.
- 12.11 The shareholdings of the persons for which a Rule 9 waiver is being sought both before the Proposals and following completion of the Proposals are set out in the table in paragraph 13 of this Part X of this Document.
- 12.12 Due to the Acquisition and as set out more fully in Part I, upon completion of the Proposals, changes will be introduced to the Company’s business as a result of completion of the Proposals. The Concert Party, on acceptance of the Offer, the Existing Directors and the Proposed Directors support the new business strategy for the Enlarged Group.
- 12.13 The Company has no employees and, as such, there will be no changes to their status as a result of the transaction.
- 12.14 There are no arrangements in place or envisaged where any member of the Concert Party will transfer to another person any New Ordinary Shares that may be acquired by them pursuant to any offer that may be required to be made by the Concert Party pursuant to Rule 9 of the City Code.
- 12.15 No member of the Concert Party intends that the payment of interest on, repayment of or security for any liability of theirs will depend to any significant extent on the business of the Company.
- 12.16 There are no Shareholders who have given irrevocable undertakings to the Company to vote in favour of any offer that may be required to be made by the Concert Party pursuant to Rule 9 of the City Code.

- 12.17 Except as disclosed in paragraph 5 of Part X of this Document, none of the Directors have any interest or rights to subscribe or short positions in any relevant securities of the Company.
- 12.18 As far as the Existing Directors are aware, there have been no known material changes in the financial or trading position of the Company subsequent to 31 August 2006, the date to which the last published audited accounts were prepared.
- 12.19 Save as disclosed on page 28 of Part II of this Document (Nakamichi contract), as far as the Proposed Directors are aware, there have been no known material changes in the financial or trading position of Immersion subsequent to 11 July 2006, the date to which the last published audited accounts were prepared.

13. Information on the Concert Party

- 13.1 Following discussions with the Panel, all of the shareholders of Immersion, apart from three institutional shareholders holding in aggregate 6 per cent. of the total issued share capital of Immersion, are considered to be sufficiently closely connected to be deemed to be acting in concert for the purposes of the City Code. In addition, certain St James's Energy Shareholders are deemed to be acting in concert for the purposes of the City Code because they are also co-investors in Immersion or in a number of other private and public companies incubated by Green Hair. Immersion and St James's Energy have both been incubated by Green Hair, which provides temporary office space and related office services to early stage private companies looking to develop their business and ultimately gain admission to the London equity markets.

The table below sets out the Concert Party's current holdings and expected holdings on Completion, assuming that the Offer is accepted in full:

Concert Party	Existing Holding in St James's Energy	% of St James's Energy Ordinary Shares	Holding in St James's Energy after the Consolidation	% of St James's Energy New Ordinary Shares	Existing Holding in Immersion	% of Existing Immersion issued share capital	Concert Party holding post Admission	% of Concert Party holding post Admission
Immersion shareholders who will own more than 3% of the Enlarged Share Capital								
E.D. Evans Pty Ltd as trustee for the Evans Trading Trust	—	—	—	—	38,050,000	21.6%	38,050,000	16.9%
Security Transfer Registrars Pty Ltd ¹	—	—	—	—	34,563,671	19.6%	34,563,671	15.4%
Miami Properties Pty Ltd as Trustee of the Craig Evans Family Trust	—	—	—	—	12,000,000	6.8%	12,000,000	5.3%
Lindsay Alfred Champion	—	—	—	—	8,150,000	4.6%	8,150,000	3.6%
Charles Van Dongen	—	—	—	—	7,950,000	4.5%	7,950,000	3.5%
Janet Patricia Green as trustee for the R & J Family Trust	—	—	—	—	7,800,000	4.4%	7,800,000	3.5%
	—	—	—	—	108,513,671	61.7%	108,513,671	48.3%
Other Immersion shareholders who will own less than 3% each of the Enlarged Share Capital								
Johns, Debra Maree	—	—	—	—	6,375,000	3.6%	6,375,000	2.8%
Oxley, Patricia Anne	—	—	—	—	6,375,000	3.6%	6,375,000	2.8%
Saintco Limited	—	—	—	—	5,000,000	2.8%	5,000,000	2.2%
Cary Douglas Charman Sandell	—	—	—	—	5,000,000	2.8%	5,000,000	2.2%
Grover Howard	—	—	—	—	3,900,000	2.2%	3,900,000	1.7%
Brian Downes	—	—	—	—	3,600,000	2.1%	3,600,000	1.6%
Log Creek Pty Limited ²	—	—	—	—	3,000,000	1.7%	3,000,000	1.3%
Craig and Anne Evans as Trustees of the Miami Superannuation Fund	—	—	—	—	2,900,000	1.7%	2,900,000	1.3%
White Dee Pty Limited	—	—	—	—	2,000,000	1.1%	2,000,000	0.9%
Edelman, Jeremy	—	—	—	—	1,000,000	0.6%	1,000,000	0.4%
De Simone Nominees Pty Limited	—	—	—	—	750,000	0.4%	750,000	0.3%
Arne Investments Pty Limited	—	—	—	—	600,000	0.3%	600,000	0.3%
Mr Evan Douglas and Dianne Cathryn Evans as Trustees of the Evans Trading Trust	—	—	—	—	400,000	0.2%	400,000	0.2%
Lay, Stephen	—	—	—	—	300,000	0.2%	300,000	0.1%
Godfrey, Brian James	—	—	—	—	200,000	0.1%	200,000	0.1%
Milana Investments Limited	—	—	—	—	200,000	0.1%	200,000	0.1%
Mitchell, Lisa	—	—	—	—	200,000	0.1%	200,000	0.1%
Peet, Michael S	—	—	—	—	200,000	0.1%	200,000	0.1%
Simon Mark Mathias	—	—	—	—	200,000	0.1%	200,000	0.1%
Bilton, Howard T D	—	—	—	—	100,000	0.1%	100,000	0.0%
Edelman, Mark Web	—	—	—	—	100,000	0.1%	100,000	0.0%
Eggins, Stephen	—	—	—	—	100,000	0.1%	100,000	0.0%
Fox-Andrews, Jonathon Mark Piers	—	—	—	—	100,000	0.1%	100,000	0.0%
Gaydon, Neil	—	—	—	—	100,000	0.1%	100,000	0.0%
King, Jeremy Philip	—	—	—	—	100,000	0.1%	100,000	0.0%
Riverview Corporation Pty Limited	—	—	—	—	100,000	0.1%	100,000	0.0%
Rosham, Mrs Nadine Ann	—	—	—	—	100,000	0.1%	100,000	0.0%
Young, Peter	—	—	—	—	100,000	0.1%	100,000	0.0%
Bartuputee Limited	—	—	—	—	50,000	0.0%	50,000	0.0%
Caletti, Luciana	—	—	—	—	50,000	0.0%	50,000	0.0%
Covey International Limited	—	—	—	—	50,000	0.0%	50,000	0.0%
Horgan, Lindsey	—	—	—	—	50,000	0.0%	50,000	0.0%
Priestley, Emma Kinder	—	—	—	—	50,000	0.0%	50,000	0.0%
Eyeworks WA Pty Ltd	—	—	—	—	40,000	0.0%	40,000	0.0%
Owen, Caroline	—	—	—	—	10,000	0.0%	10,000	0.0%
Jones, Allanna Victoria	—	—	—	—	5,000	0.0%	5,000	0.0%
Whitehouse, Philippa	—	—	—	—	5,000	0.0%	5,000	0.0%
	—	—	—	—	43,410,000	24.7%	43,410,000	19.3%
St James's Shareholders also holding shares in Immersion								
Richard John Brooks ³	41,549,935	12.1%	5,935,706	12.1%	10,120,000	5.8%	16,055,706	7.1%
Sassey Pty Limited	12,000,000	3.5%	1,714,286	3.5%	3,000,000	1.7%	4,714,286	2.1%
Morzaria, Kiran ⁴	4,000,000	1.2%	571,428	1.2%	140,000	0.1%	711,428	0.3%
Thurairasa, Dushanthan Karthir	2,000,000	0.6%	285,714	0.6%	110,000	0.1%	395,714	0.2%
Pass, Danielle Marie	200,000	0.1%	28,571	0.1%	10,000	0.0%	38,571	0.0%
	59,749,935	17.4%	8,535,705	17.4%	13,380,000	7.6%	21,915,705	9.7%

Concert Party	Existing Holding in St James's Energy	% of St James's Energy Ordinary Shares	Holding in St James's Energy after the Consolidation	% of St James's Energy New Ordinary Shares	Existing Holding in Immersion	% of Existing Immersion issued share capital	Concert Party holding post Admission	% of Concert Party holding post Admission
St James's Shareholders included in Concert Party through Green Hair								
T. Hoare Nominees Limited	16,160,000	4.7%	2,308,571	4.7%	—	—	2,308,571	1.0%
Brewin Nominees (Channel Islands) Limited	13,800,000	4.0%	1,971,429	4.0%	—	—	1,971,429	0.9%
SP Angel (Nominees) Limited	9,499,936	2.8%	1,357,134	2.8%	—	—	1,357,134	0.6%
HSBC Global Custody Nominee (UK) Limited	9,100,000	2.7%	1,300,000	2.7%	—	—	1,300,000	0.6%
Marsden Resources Limited	5,000,000	1.5%	714,286	1.5%	—	—	714,286	0.3%
Diel, Karen	5,000,000	1.5%	714,286	1.5%	—	—	714,286	0.3%
Pershing Keen Nominees Limited ²	4,875,066	1.4%	696,438	1.4%	—	—	696,438	0.3%
Fitel Nominees Limited ²	4,166,659	1.2%	595,237	1.2%	—	—	595,237	0.3%
Morstan Nominees Limited	3,900,000	1.1%	557,143	1.1%	—	—	557,143	0.3%
Sugar, Edward	3,000,000	0.9%	428,571	0.9%	—	—	428,571	0.2%
BBHISL Nominees Limited	2,000,000	0.6%	285,714	0.6%	—	—	285,714	0.1%
Davey, Alwyn	1,800,000	0.5%	257,143	0.5%	—	—	257,143	0.1%
Fiske Nominees Limited	2,000,000	0.6%	285,714	0.6%	—	—	285,714	0.1%
Splendour Investments Pty Ltd	2,000,000	0.6%	285,714	0.6%	—	—	285,714	0.1%
Erem SA	1,500,000	0.4%	214,286	0.4%	—	—	214,286	0.1%
Fairbourn, Adrian	1,500,000	0.4%	214,286	0.4%	—	—	214,286	0.1%
TD Waterhouse Nominees (Europe) Limited ³	1,084,600	0.3%	154,945	0.3%	—	—	154,945	0.1%
Jim Nominees Limited	1,000,000	0.3%	142,857	0.3%	—	—	142,857	0.1%
Logical Investments Limited	1,000,000	0.3%	142,857	0.3%	—	—	142,857	0.1%
Muteroo Pastoral Co Pty Ltd ATF The Corella Trust	1,000,000	0.3%	142,857	0.3%	—	—	142,857	0.1%
Pungerl, Andrej David	1,000,000	0.3%	142,857	0.3%	—	—	142,857	0.1%
Woollard, Jason James	1,000,000	0.3%	142,857	0.3%	—	—	142,857	0.1%
Gachoud, Yves	335,000	0.1%	47,857	0.1%	—	—	47,857	0.0%
Dent, Alexandra Louise	250,000	0.1%	35,714	0.1%	—	—	35,714	0.0%
Reynolds, Emma Louise	250,000	0.1%	35,714	0.1%	—	—	35,714	0.0%
Warthog Trading Limited	200,000	0.1%	28,571	0.1%	—	—	28,571	0.0%
Watkins, Darren Louis	50,000	0.0%	7,143	0.0%	—	—	7,143	0.0%
	92,471,261	27.0%	13,210,180	27.0%	—	—	13,210,180	5.9%
Total Concert Party	152,221,196	44.4%	21,745,885	44.4%	165,303,671	94.0%	187,049,556	83.2%
Total Company/ Immersion	342,761,601		48,965,943		175,903,671		224,869,614	

Notes

- Includes 1,560,000 shares held on behalf of Vincent Fodera and 3,700,585 shares held on behalf of Gregory Turnnidge, both directors of Immersion.
- Log Creek Pty Limited is controlled by Mr Michael Fitzpatrick who also owns 3,539,373 shares through Security Transfer Registrars Pty Ltd.
- Richard John Brooks holds his interest through various entities as detailed in paragraph 13.2.7, below. Certain of these interests are held through Pershing Keen Nominees Limited (778,562 shares), Giltspur Nominees Limited (3,871,428 shares) and Fitel Nominees Limited (1,285,715 shares). These nominee shareholdings have been deducted from the nominee shareholdings detailed above.
- Of which 4,000,000 Ordinary Shares are held on account with TD Waterhouse Nominees (Europe) Limited (571,426 post consolidation) and 40,000 Immersion shares are held by Cornell De Beer Morzaria who is a related party to Kiran Caldes Morzaria.

13.2 Information on those members of the Concert Party that will, after the Acquisition and post Admission hold more than 3 per cent. of the New Ordinary Shares is as follows:

13.2.1 E.D. Evans Pty Ltd as trustee for the Evans Trading Trust

The directors of E.D. Evans Pty Ltd are Dianne Cathryn Evans and Evan Douglas Evans and its registered address is STE 6, 1 James Street, Bayswater, Victoria 3153, Australia.

The Evans Trading Trust is a family trust for the benefit of the Evans family and as such, Craig Evans, Immersion's CEO, is a potential beneficiary.

13.2.2 Security Transfer Registrars Pty Ltd

Security Transfer Registrars, with a registered address at 770 Canning Highway, Applecross, Western Australia 6153, Australia, is a nominee representing all Whise shareholders that received share consideration under the Whise Acoustics Share Purchase Agreement detailed in paragraph 6.6.1, above. It also holds nine Immersion shareholders who received Immersion Shares as a result of and in connection with the sale of assets by Winovate to Immersion.

A summary of the shareholders represented by Security Transfer Registrars Pty Ltd is set out below:

<i>Beneficiaries</i>	<i>Enlarged Share Capital No. of shares</i>	<i>%</i>
Log Creek Pty Limited (Michael Fitzpatrick) ¹	3,539,373	1.6%
Gregory Elliott Turnidge ²	3,700,585	1.6%
Lion Nominees Pty Limited (Bruce Parncutt)	2,385,833	1.1%
	<hr/>	<hr/>
	9,625,791	4.3%
Other holdings (all of whom will hold less than 1%)	24,937,880	11.1%
	<hr/>	<hr/>
Total shareholding in Enlarged Share Capital	34,563,671	15.4%
	<hr/> <hr/>	<hr/> <hr/>

¹ Michael Fitzpatrick also owns 3,000,000 shares through Log Creek Pty Limited, giving a total shareholding in the Enlarged Share Capital of 6,539,373, representing 2.9%.

² Of which 715,751 shares are held through the Turnidge Family Trust and 464,566 through a company known as MVP in which Mr Turnidge has a 50.1% interest.

13.2.3 Miami Properties Pty Ltd as Trustee of the Craig Evans Family Trust

The director of Miami Properties Pty Ltd is Craig Evans and its registered address is 6/1 James Street, Bayswater, Victoria, Australia, 3136.

The Craig Evans Family Trust is a family trust for the benefit of the Craig Evans family and as such, Craig Evans, Immersion's CEO, is a potential beneficiary. This holding is disclosed in paragraph 5, above.

13.2.4 Lindsay Alfred Champion

Lindsay Alfred Champion, 1 Grigg Avenue, Vermont, Victoria 3133, Australia

Mr Champion is an employee of Ozteck Design Pty Ltd and provides services to Winovate, such arrangement being detailed on page 12 of Part 1 of this Document. Mr Champion received his shares from Winovate gratuitously, for previous contributions towards the creation of the Winovate ESL technology.

13.2.5 Charles Van Dongen

Charles Van Dongen, 4 Chamouni Court, Frankston, Victoria 3199, Australia

Further information about Charles Van Dongen is set out in Part I of this Document in the section entitled "Proposed Directors, Existing Directors and Employees".

13.2.6 Janet Patricia Green as trustee for the R & J Family Trust

Janet Patricia Green, 546 Brookton Highway, Roleystone, Western Australia 6111, Australia

The R & J Family Trust is a family trust for Janet Green and Robert Mackinlay. Mr Mackinlay is one of the inventors of the ESL technology purchased from Winovate and received these shares gratuitously from Winovate for his contribution towards the Winovate ESL technology.

13.2.7 Richard John Brooks

Richard John Brooks, 118B Ballanorris Crescent, Ballabeg, Arbury Isle of Man, IB9 4EU.

Mr Brooks is a director of a company that provides overhead services to St James's Energy and Immersion and therefore has access to investments in public and private companies.

Mr Brooks will have a shareholding in the Enlarged Group of 7.1 per cent. through the following individual, beneficial shareholdings:

Holding	Share held in Enlarged Group	% of Enlarged Group
Amberdays Limited ¹	214,277	0.10%
Bayside Associates Inc. ²	378,571	0.17%
Bluemax Consulting Limited *	750,000	0.33%
Richard John Brooks	60,000	0.03%
Dalken Limited	10,000	0.00%
Delstar International Limited ³	4,878,571	2.17%
Entopia Consultants Limited *	400,000	0.18%
Gerstmann Holdings Limited ⁴	1,314,286	0.58%
Horseford Ltd ⁵ *	1,121,429	0.50%
Midwest Solutions Ltd ⁶	285,714	0.13%
Narrowsburg Holdings Ltd ⁷	5,428,571	2.41%
Reabold Limited	100,000	0.04%
Redmine Solutions Limited	200,000	0.09%
Rehtona Limited	100,000	0.04%
Torre Services Limited ⁸	814,286	0.36%
TOTAL	16,055,705	7.14%

¹ Of which 214,277 shares are held on account with Pershing Keen Nominees Limited

² Of which 278,571 shares are held on account with Pershing Keen Nominees Limited

³ Of which 1,428,571 shares are held on account with Giltspur Nominees Limited

⁴ Of which 1,014,286 shares are held on account with Giltspur Nominees Limited

⁵ Of which 571,429 shares are held on account with Fitel Nominees Limited

⁶ Of which 285,714 shares are held on account with Pershing Keen Nominees Limited

⁷ Of which 1,428,571 shares are held on account with Giltspur Nominees Limited

⁸ Of which 714,286 shares are held on account with Fitel Nominees Limited

* As disclosed in paragraph 5.1 of Part X of this Document certain directors have options to acquire the relevant holdings from Mr Brooks.

13.3 Information on the Existing Directors and Proposed Directors that form part of the Concert Party

13.3.1 *The Existing Directors*

The names and addresses of the St James's Energy Directors who are members of the Concert Party are:

Kiran Mozaria, 39 Nethercote Avenue, Goldsworth Park, Woking GU21 3JN

Timothy Wall, 283 Marmion Street, Cottesloe, Perth, 6011, Australia

Mr Mozaria and Mr Wall are interested in shares in both St James's Energy and Immersion as set out in paragraph 5, above. Further information about the St James's Energy Directors is set out in Part I of this Document in the section entitled "Proposed Directors, Existing Directors and Employees".

13.3.2 *The Proposed Directors*

The names and addresses of the Immersion Directors are:

Craig Evans, 7 Paringa Road, Portsea, Victoria, Australia;

Vincent Fodera, 14 Winter Street, Malvern, Victoria 3144, Australia;

Alexander Barblett, 61A Chiddingstone Street, London SW6 3TQ;

Blair Snowball, 7 Nottingham Mansions, Nottingham Street, London W1U 5EN; and

Gregory Turnidge, 8A Condor Street, Hawthorn East, Victoria 3123, Australia.

The interests of the Proposed Directors are set out in paragraph 5, above. Further information about the Proposed Directors is set out in Part I of this Document in the section entitled "Proposed Directors, Existing Directors and Employees".

Mr Evans is the son of Evan Douglas Evans and Dianne Cathryn Evans who are also have a direct beneficial interest in the Immersion shares as detailed in the paragraph 13.1, above.

13.4 *Information on Other Concert Party members*

13.4.1 Each of the members of the Concert Party who are currently shareholders in St James's Energy will hold less than 1% of the New Ordinary Shares, with the exception of:

Saintco Limited, c/o Suites 1-3, 16th Floor Kinwick Centre, 32 Hollywood Road, Central, Hong Kong;

Giltspur Nominees Limited, PO Box 1045, Commercial Union House, 39 Pilgrim Street, Newcastle upon Tyne NE99 1NU. Giltspur Nominees Limited holds shares on account on behalf of Delstar International Limited, Narrowsburg Holdings Limited and Gerstmann Holdings Ltd, all of which are British Virgin Island incorporated companies. Richard Brooks (refer para 12.2.7) is the sole director and beneficial owner of these companies as disclosed in para 5.7 of this part of the Document;

Sassey Pty Limited, PO Box 768, West Perth, Western Australia, Australia, 6872; and

T. Hoare Nominees Limited, 7th Floor 80 Victoria Street, London, UK, SW1E 5JL. T. Hoare Nominees Limited holds shares on account on behalf of various parties.

14. **General**

- 14.1 The accounting reference date of the Company was 31 August prior to Admission and the financial audited information relating to the Company contained in Part VI of this Document has been prepared to 31 August 2006. On Admission, the Company will apply to Companies House to change the accounting reference date to 30 June. The Company will publish interim accounts for the half year ending 28 February 2007 on or before 30 April 2007. These interim accounts will include the interim results for Whise for the six months ended 31 December 2006. The first annual accounts for the Enlarged Group for the year ending 30 June 2007 will be published on or before 31 December 2007. The interim accounts for the 31 December 2007 will be published on or before 31 March 2008. The Company has no significant investments in progress.
- 14.2 The expenses of and incidental to the Admission including registration and London Stock Exchange fees, professional fees and the costs of printing and distribution, are estimated to amount to approximately £539,000 (excluding VAT) all of which will be payable by the Company.
- 14.3 Aborted transaction fees were incurred in reviewing a potential project in relation to renewable energy in line with the original Company strategy. Total fees of £127,036 of which material professional fees comprised Wedlake Bell £46,009, MRI Moores Rowland £31,056, Nabarro Wells £29,375, Greene Radovsky Maloney Share & Hennigh LLP £21,841 and MCAA Consulting Pty Ltd £18,533.
- 14.4 The Company paid commissions of 5 per cent. of funds raised to brokers engaged in connection with the initial placing and listing of the Company on the 19 May 2006 totalling £103,750 comprising Nabarro Wells £3,750, Cornhill Asset Management £75,000 and WH Ireland £25,000.
- 14.5 The Company paid introduction fees in connection with the IPO of the Company on 19 May 2006 totalling £140,900 comprising David Lenigas £83,900, Neil McLoughlin £42,000 and Horseford Limited £15,000.
- 14.6 Pursuant to an agreement made in May 2006, Amberdays Limited agreed to provide consultancy services to the Company in consideration for a fee of £100,000 to be satisfied by the issue of 1,499,936 Ordinary Shares at 3p on Admission in the company on 19 May 2006, and a balance of £55,000 to be paid in cash.
- 14.7 Save as disclosed in this Document, no person (excluding professional advisers otherwise disclosed in this Document and trade suppliers) has received, directly or indirectly, from the Company within 12 months preceding the date of this Document or entered into contractual arrangements (not otherwise disclosed in this Document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

- 14.3.1 fees totalling £10,000 or more; or
- 14.3.2 securities in the Company with a value of £10,000 or more; or
- 14.3.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 14.8 The financial information contained in Parts VI, VII, and VIII of this Document does not constitute full statutory accounts as referred to in section 240 of the Act.
- 14.9 MRI Moores Rowland LLP have given and not withdrawn their written consent to the issue of this Document with the inclusion of their Reports and references to their name in the form and context in which they appear.
- 14.10 Nabarro Wells have given and not withdrawn their written consent to the issue of this Document with the inclusion of their name and references to their name in the form and context in which they appear.
- 14.11 Save as set out in this Document, the Existing Directors and Proposed Directors are not aware of any exceptional factors that have influenced the Enlarged Group's activities.
- 14.12 Save as set out in this Document, no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this Document relates or of his procuring or agreeing to procure subscriptions for such securities.
- 14.13 Save as disclosed in this Document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.
- 14.14 Save as disclosed in this Document, there are no patents or other intellectual property rights, licences or particular contracts which are, or may be, of fundamental importance to the business of the Company.
- 14.15 Save as disclosed in this Document, there are no investments in progress which are significant.
- 14.16 The information attributed to Global Industry Analysts, Inc in Parts I and II of this Document has been accurately reproduced and no facts have been omitted which would render the reproduced information inaccurate or misleading in the context in which it is used.

15. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Nabarro Wells at Saddlers House, Gutter Lane, Cheapside, London EC2V 6BR and from the registered office of the Company at 5th Floor, 22 Arlington Street, London SW1A 1RD, during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this Document until at least 30 days after the date of Admission:

- 15.1 the memorandum and articles of association of the Company;
- 15.2 the Accountants' Reports set out in Parts VI, VII and VIII of this Document;
- 15.3 the Directors' letters of appointment and service contracts referred to in paragraph 5 of this Part X;
- 15.4 the material contracts referred to in paragraph 6 of this Part X;
- 15.5 the letters of consent referred to in paragraphs 14.9 and 14.10 of this Part X; and
- 15.6 the Offer Document referred to in Part IV of this Document.

15 March 2007

PART XI

NOTICE OF EXTRAORDINARY GENERAL MEETING

ST JAMES'S ENERGY PLC

(Registered in England and Wales under registered number 5542880)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the above named Company will be held at No.1 Cornhill, London EC3V 3ND on 11 April 2007 at 10.00 am for the purpose of considering and thought fit, passing the following resolutions (the "Resolutions") which in the case of Resolutions 1 to 6 will be proposed as ordinary resolutions and in the case of Resolutions 7 and 8 will be proposed as special resolutions. Resolution 3, in accordance with the City Code on Takeovers and Mergers ("the City Code"), will be taken on a poll of independent shareholders present and by proxy voting at the EGM.

Ordinary Resolutions

1. To receive the annual accounts of the Company for the period ended 31 August 2006.
2. That conditional upon the passing of Resolutions 3 to 5, the acquisition by the Company of the entire issued share capital of Immersion pursuant to the Offer, particulars of which are set out in the part IV of the Admission Document be and is hereby approved and that the directors of the Company be and are hereby authorised to take all steps necessary to effect such acquisition (including, for the purposes of Section 80 of the Companies Act 1985, to allot the Acquisition Shares) with such minor modifications, variations, amendments or revisions and to do or procure to be done such other things in connection with such acquisition as they consider to be in the best interests of the Company.
3. That the waiver by the Panel on Takeovers and Mergers of any obligation which might otherwise fall on the Concert Party to make a general offer pursuant to Rule 9 of the City Code to the shareholders of the Company by reason of the issue of the Acquisition Shares and exercise in full by members of the Concert Party of their options as a result of which the Concert Party will own in aggregate 84.3 per cent. of the issued ordinary share capital of the Company be and is hereby approved.
4. That, conditional upon completion of the Acquisition, every seven ordinary shares of £0.001 each in the capital of the Company (whether issued or unissued) existing immediately before the passing of this Resolution be consolidated into one ordinary share of £0.007 each and that any fractional entitlements be dealt with in accordance with the Company's Articles of Association so that:
 - 4.1 any fractions of shares arising on such consolidation be aggregated and sold on behalf of the members entitled thereto at the best price reasonably obtainable and the net proceeds of sale be distributed amongst such members in due proportions save that any amounts of £3.00 or less shall not be paid but shall instead be retained by the Company; and
 - 4.2 for the purposes of implementing such consolidation the Directors be authorised to appoint some person to execute transfers on behalf of persons otherwise entitled to any fractions arising therefrom and generally to make all arrangements which appear to them necessary or expedient for the settlement of such fractional entitlements.
5. Conditional upon the completion of the Acquisition the passing of Resolution 4, that the authorised share capital of the Company be increased from £1,000,000 to £7,000,000 by the creation of 857,142,858 ordinary shares of £0.007 each ranking *pari passu* with the existing ordinary shares of £0.007 subject to the rights and restrictions set out in the Articles of Association of the Company.
6. That the directors be generally and unconditionally authorised for the purpose of Section 80 of the Companies Act 1985 to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Companies Act 1985) up to an aggregate nominal amount of £500,000 provided that this authority shall expire on the date of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of

such offer or agreement as if this authority had not expired and so that this authority is in substitution for and shall replace all existing authorities pursuant to Section 80 which, to the extent not exercised prior to the passing of this Resolution, are hereby revoked.

Special Resolutions

7. That, subject to the passing of Resolution 6 and in place of all existing powers, the directors be empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94(2) to Section 94(3A) of the Companies Act 1985) for cash pursuant to the authority conferred by Resolution 6 as if Section 89(1) of the Companies Act 1985 did not apply to such allotment provided that this power shall be limited to allotments of equity securities:
 - 7.1 in connection with an issue or offer of such securities by way of rights or other pre-emptive offers in favour of holders of ordinary shares where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, record dates, or legal or practical problems under the laws of, or the requirements of any regulatory authority or stock exchange in, any territory or otherwise howsoever:
 - 7.2 otherwise than pursuant to 7.1 above, up to an aggregate nominal amount of £315,000, and shall expire on the date of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired. This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 94(3A) of the Companies Act 1985 as if in the first paragraph of this Resolution the words "pursuant to the authority" conferred by Resolution 6 were omitted.
8. That conditional upon completion of the Acquisition, the name of the Company be changed to Immersion Technologies International plc.

Registered Office:

By order of the Board

5th Floor
22 Arlington Street
London SW1A 1RD

15 March 2007

Notes:

1. Holders of ordinary shares in the capital of the Company ("Ordinary Shares") present in person or (being a corporation) by a representative shall, upon a show of hands, each have one vote and If present in person or by proxy or (being a corporation) by a representative shall, upon a poll, have one vote for every Ordinary Share held.
2. A holder of Ordinary Shares is entitled to appoint one or more proxies to attend and on a poll, vote on his behalf. The proxy need not be a holder of Ordinary Shares.
3. Completion and return of a form of proxy does not preclude a holder of Ordinary Shares from attending and voting at a meeting.
4. You will find enclosed a form of proxy for use by holders of Ordinary Shares which, to be valid, must be completed and signed, together with any power of attorney or other authority under which it is signed or a notarially certified or office copy thereof and received by the Company's registrar, Share Registrars Limited, Craven House, West Street, Farnham, Surrey GU9 7BR no later than 10.00 am on 9 April 2007 or if the Meeting is adjourned, by not later than 48 hours before the time fixed for the adjourned Meeting.