

INTERNATIONAL PETROLEUM LIMITED

(previously named International Goldfields Limited)

ABN 76 118 108 615

REPLACEMENT PROSPECTUS

THIS REPLACEMENT PROSPECTUS REPLACES THE PROSPECTUS DATED 8 APRIL 2010

For the issue of up to 100,000,000 Shares at a price of 30 cents per Share to raise up to \$30,000,000 (before costs of the Offer).

This Offer is conditional upon:

- (a) **satisfaction or waiver of all of the conditions precedent to the Share Sale Agreement entered into between the Company, Eastern Petroleum Corporation Limited and the shareholders of Eastern Petroleum Corporation Limited on or about 7 October 2009; and**
- (b) **Shareholders passing the resolutions at a General Meeting to be held in May 2010.**

Please refer to Section 5.2 for further details.

Important Notice

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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IMPORTANT NOTICE

This Replacement Prospectus is dated 23 April 2010 and a copy of this Prospectus was lodged with the ASIC on that date. This Replacement Prospectus replaces the prospectus issued by the Company on 8 April 2010 (**Original Prospectus**). The ASIC, NSX and ASX and their respective officers take no responsibility for the content of this Prospectus.

Application has been made for the listing of the Company's Shares offered by this Prospectus on NSX. The fact that NSX may list the Shares of the Company is not to be taken in any way as an indication of the merits of the Company or the listed securities. NSX takes no responsibility for the contents of this Prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Prospectus.

The expiry date of the Prospectus is 13 months after the date the Original Prospectus was lodged with the ASIC (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus. Application Forms submitted that relate to the Original Prospectus will not be accepted.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.internationalpetroleum.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form for Shares unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the Application Form it was not provided together with the electronic Prospectus and any relevant supplementary or replacement Prospectus.

Exposure Period

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

Withdrawal Rights

Applications received in response to the Original Prospectus will be dealt with in accordance with Section 724 of the Corporations Act, that is those applicants will be entitled to, within 1 month from the date of this Prospectus, withdraw their applications and be repaid their application monies.

Foreign Jurisdictions

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Shares or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia.

The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, the Shares have not been registered under the US Securities Act of 1933, as amended (**US Securities Act**), and may not be offered or sold in the United States except in transactions exempt from the registration requirements of the US Securities Act and applicable US state securities laws. Accordingly, the Shares will be offered and sold only (i) in the United States to “qualified institutional buyers” in compliance with Rule 144A under the US Securities Act and (ii) outside the United States in “offshore transactions” in compliance with Regulation S under the US Securities Act and applicable local law.

1. CORPORATE DIRECTORY

Directors

Tony Sage (Executive Chairman)
Mark Gwynne (Non-Executive Director)
Tim Turner (Non-Executive Director)

Registered Office

18 Oxford Close
LEEDERVILLE WA 6007

Telephone: + 61 8 9388 0744
Facsimile: +61 8 9382 1411

Proposed Directors

Frank Timis (Non Executive Director)
Mark Ashurst (Non Executive Director)

Solicitors to the Company

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Company Secretary

Tim Turner

Investigating Accountant

Deloitte Touche Tohmatsu
Woodside Plaza
Level 14
240 St Georges Terrace
PERTH WA 6000

Competent Person

Miller and Lents, Ltd
Oil and Gas Consultants
Two Houston Center
909 Fannin Street, Suite 1300
Houston, Texas 77010

Telephone: +61 8 9365 7000
Facsimile: +61 8 9365 7000

Kazakhstan Solicitors

Denton Wilde Sapte Kazakhstan Limited
Ken Dala Business Centre, 8th Floor
38 Dustyk Avenue
Almaty 050010
Republic of Kazakhstan

Independent Expert on Cost Estimates

RISC Pty Ltd
Resource Investment Strategy Consultants
Level 3
1138 Hay Street
WEST PERTH WA 6005

Share Registry

Computershare Investor Services Pty Ltd*
Level 2
45 St Georges Terrace
PERTH WA 6000

Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

* This entity has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Their name is included for information purposes only.

2. CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Directors, I invite you to become a Shareholder in International Petroleum Limited (previously named International Goldfields Limited) (**Company**).

By this Prospectus, the Company is offering for subscription up to 100,000,000 Shares at 30 cents each to raise up to \$30,000,000. Among other things, the issue of this Prospectus is to assist the Company to meet the admission requirements of the National Stock Exchange of Australia (**NSX**). The Company will apply for Shares offered under this Prospectus, the Shares to be issued to Eastern Petroleum Shareholders pursuant to the Share Sale Agreement, the Shares to be issued upon conversion of 20,000,000 Converting Performance Shares and all Shares currently on issue to be quoted on NSX. The Company will also need to vary the terms of the Converting Performance Shares on issue (refer to Section 15.2) such that upon satisfaction of the relevant milestone, the Shares issued will be listed on NSX as opposed to ASX.

The Offer is conditional upon satisfaction or waiver of the conditions precedent to the Share Sale Agreement between the Company, Eastern Petroleum and the Eastern Petroleum Shareholders. The Offer is also conditional on Shareholders passing a number of resolutions at a General Meeting to be held in May 2010. Please refer to Section 5.2 for further information.

While the Company has historically focused on the exploration and development of its farm-in rights to the platinum project in the Bushveld region of South Africa, known as the Tubatse Project, in October 2009 the Company entered into an Asset Sale Agreement pursuant to which the Company agreed to sell its interest in the Tubatse Project.

In October 2009, the Company entered into a Share Sale Agreement to acquire all of the fully paid ordinary shares in the capital of Eastern Petroleum. Eastern Petroleum's wholly owned subsidiary, North Caspian Petroleum Limited (**NCPL**), operates and owns a 50% interest in subsoil use rights for the exploration of hydrocarbons in an early stage project in eastern and south-eastern Kazakhstan (**Kazakhstan Project**).

Shareholders approved the acquisition of Eastern Petroleum, the sale of the Company's interest in the Tubatse Project and the change in the Company's focus to oil and gas exploration at its 2009 Annual General Meeting. In February 2010, the Company lodged a prospectus with the ASIC for the raising of \$30 million to satisfy the condition precedent in the Share Sale Agreement and it closed fully subscribed. No Shares were issued under that prospectus for the reasons discussed in detail in Section 4.3. Subsequent to the closing of that offer, ASX advised the Company that it would not be reinstated to quotation on ASX until the Company announced to ASX that it is not proceeding with the Share Sale Agreement (**ASX Decision**). The Company is appealing the ASX Decision which will be heard on 30 April 2010.

The Board considers the proposed acquisition of Eastern Petroleum to be an exciting transaction for the Company. The Directors believe that in completing the Share Sale Agreement and this Offer, the Company will have raised up to \$30 million to fund exploration at the Kazakhstan Project, which, if successful, could result in the discovery of hydrocarbons that will be instrumental in delivering value to Shareholders. Given the ASX Decision, the Board will seek approval at a General Meeting to delist the Company from ASX in the event the Appeal is unsuccessful.


This Prospectus provides detailed information regarding the Offer, the Company's proposed activities, strategic relationships, Board of Directors and risk factors relevant to the Offer. Summaries of the material terms and conditions of the Asset Sale Agreement

and Share Sale Agreement are contained in Sections 8.1 and 8.2 of this Prospectus respectively.

I recommend that you read this Prospectus in its entirety prior to making a decision to invest in this Offer.

On behalf of the Board, I look forward to welcoming you as a Shareholder.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Sage', with a stylized, cursive script.

Tony Sage
EXECUTIVE CHAIRMAN

3. KEY RISK FACTORS

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus. For further information in relation to the risk factors of the Company please refer to Section 7 of this Prospectus. The Directors have identified the following as the key risks associated with the Company and its operations:

Delisting from ASX and Application to NSX

In February 2010, the Company lodged a prospectus for the raising of \$30 million to satisfy the condition precedent in the Share Sale Agreement and that prospectus closed fully subscribed. Subsequent to the closing of that offer, ASX advised the Company that it would not be reinstated to quotation on ASX until IPO announced to ASX that it will not be proceeding with the Share Sale. No Shares were issued on the basis of that prospectus. The basis for the ASX Decision, as advised to the Company, stems from its concerns over the influence that Mr Frank Timis, as a substantial shareholder (refer to Section 15.3 for details of his shareholding post completion of the Share Sale Agreement) and non executive Director (refer to Section 9.2 for a summary of Mr Timis), will have on the Company's ability to comply with its continuous disclosure obligations post the transaction. The Company is appealing the ASX Decision which is will be heard on 30 April 2010.

If the Company is not successful in its Appeal of the ASX Decision and Shareholders pass the resolutions at the General Meeting and NSX conditionally approves IPO to admission, the Board may seek to delist IPO from ASX.

In any event, the Shares offered pursuant to this Prospectus and the Shares issued pursuant to the Share Sale Agreement will not be quoted on ASX.

There is a risk that the Company may not be able to meet the requirements of the NSX for quotation of its Shares on the NSX. Should this occur, the Shares will not be able to be traded on the NSX until such time as those requirements can be met, if at all. If NSX does not grant conditional approval for the Company to be listed on NSX, no Shares will be issued pursuant to this Prospectus.

Further details on NSX are set out in Section 4.3 of this Prospectus.

The NSX is not as large as ASX and the liquidity of the Shares is considered to be less than that offered on ASX. Accordingly, this may affect an investor's ability to sell their Shares.

Further, the possibility exists that NSX will not permit the Shares to be traded on NSX until the Company is delisted from ASX. This will mean investors will not have a market in which to trade their Shares during this time.

The date of the Appeal has been set for 30 April 2010. However, the outcome of the Appeal is not expected to affect the Company's ability to receive conditional approval to list on NSX.

Share Sale Agreement

Pursuant to the terms of the Share Sale Agreement (as varied) the conditions precedent must be satisfied by 30 April 2010 or such other date as the parties agree. As the General Meeting will not be held until May 2010, the Company is in the process of extending out the date to satisfy the conditions precedent to 15 June 2010. If the extension is not granted, the Offer will not proceed and no Shares will be issued under this Prospectus.

Major Controlling Shareholder

Following completion of the acquisition of Eastern Petroleum, the Eastern Petroleum Shareholders will collectively hold between 73.87% (if the minimum subscription is raised) and 71.28% (if the full \$30million is raised) of the Company. If all Consideration Options are exercised and no further Shares are issued or Options exercised, the Eastern Petroleum Shareholders would hold approximately 74.86% (if the maximum subscription is raised).

Additionally, Safeguard Management Limited, an entity controlled by Mr Frank Timis (**Safeguard**) will hold between 48.53% (if the minimum subscription is raised) and 46.82% (if the full \$30million is raised). If Safeguard exercises all of its Consideration Options and no further Shares are issued or Options exercised, Safeguard would hold approximately 53.08% (if the minimum subscription is raised) and approximately 51.37% (if the maximum subscription is raised) of the Company. Therefore, in respect of all resolutions that only require a majority vote (ie 50%) to be carried and which Safeguard is permitted to vote and elects to vote, the resolutions would be passed.

The issue of the Consideration Shares and Consideration Options to the Eastern Petroleum Shareholders under the Share Sale Agreement will have a significant dilutionary effect on the Company's remaining Shareholders, including subscribers to this Prospectus.

Risks Associated with Operating in Kazakhstan

The Kazakhstan Project is located in Kazakhstan and the Company will be subject to the risks associated with operating in that country. Such risks can include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local residents or contractors or require other benefits to be provided to local residents.

Please refer to Section 7.3 for further details on this risk factor.

Kazakhstan Legal Environment

Kazakhstan's legal system is less developed than more established countries and this could result in the following risks:

- political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation or in an ownership dispute;
- a higher degree of discretion held by various government officials or agencies;
- the lack of political or administrative guidance on implementing applicable rules and regulations, particularly in relation to taxation and property rights;
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- relative inexperience of the judiciary and court in matters affecting the Company.

Please refer to Section 7.4 for further details on this risk factor.

Early Stage Asset with Limited Exploration

The Alakol Basin Block is located in eastern Kazakhstan where limited exploration activities have been conducted. While Kazakhstan has a significant petroleum industry, the majority of the projects are located in proven oil producing regions in western Kazakhstan. The Alakol Basin is virtually unexplored and therefore offers no comparative data for probabilities of geological success and typical finding costs. The Kazakhstan Project potentially exposes Shareholders to a very early stage, high risk asset located in an unexplored region of Kazakhstan.

Additionally, NCPL will need to satisfy the minimum work program detailed in the Contract for Exploration with Hydrocarbon Resources (refer to Section 8.3 for a summary of this Contract) (**Minimum Work Program**). The Company considers that this program will be met within the required timeframe, failure to do so could result in the suspension of operations and the potential termination of the subsurface use contract pursuant to applicable Kazakhstan subsurface law.

Minimum Work Program

Due to a force majeure event experienced between November 2008 and March 2009 (being the occurrence of severe climatic conditions in the location of the well), the drilling obligations required under the Minimum Work Program in 2008 were not fulfilled. The Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (**MEMR**) confirmed that the non-performance with regards to the drilling of a well in 2008 was due to a force majeure event occurring between November 2008 and March 2009 and recommended that Remas Corporation LLP (**Remas**) and North Caspian Petroleum Limited (**NCPL**) provide an appropriate amendment to the Contract for MEMR's review by 23 February 2010.

Remas and NCPL complied with MEMR's request and, as a result, Amendment Agreement No. 4 was signed and registered by MEMR on 29 January 2010. Specifically, Amendment Agreement No. 4 provides for:

- an extension of the term of the Contract to 13 November 2010 (due to the force majeure event which lasted 5 months starting from November 2008); and
- the carry over of some of the drilling works required under the Minimum Work Program to 2010. Please refer to Section 14.2 of this Prospectus for further details.

Notwithstanding that the term of the Contract has been extended to 13 November 2010, it is possible that severe climatic conditions may be experienced in the Alakol Block area in the future. This is likely to adversely affect the Kazakhstan Project, resulting in additional costs to NCPL and further delays to its proposed drilling activities. As noted in Section 14.2 of this Prospectus, severe winds have caused Remas and NCPL to suspend drilling and seismic works as of November 2009.

As stated in Section 6.3 of this Prospectus, the Contract requires the minimum expenditure of US\$35,284,000 to be spent during the initial term of the Contract, which now expires on 13 November 2010. The Competent Person's Report in Section 12 of this Prospectus states that this minimum expenditure requirement should be met by the end of 2009. Although severe climatic conditions experienced in the Alakol Block area meant that this was not reached by the end of 2009, NCPL had spent approximately US\$31,754,000 towards this minimum expenditure as at 31 December 2009. The minimum expenditure commitment is expected to be met by the expiry of the term of the Contract.

Term of Contract

The initial 5 year term of the Contract expires on 13 November 2010, after being extended for a further 6 months by Amendment Agreement No. 4. NCPL has applied for an extension of the term of the Contract for a further 2 year period. While the Company is confident that such an extension will be granted, there can be no guarantee that MEMR will agree to extend the term of the Contract for a further 2 years or at all.

In addition, at least 25% of the Contract area must be relinquished in 2010. The remaining part of the Contract area must be returned upon the expiry of the term of the Contract, except for any areas where a commercial discovery is made.

Recent Drilling Activities

As noted in Section 6.3 and the covering letter to the Competent Person's Report set out in Section 12 of this Prospectus, NCPL conducted the drilling of one exploratory well to 2,487 metres in August of 2009 in the southern trough of the South Eastern part of the Alakol Block. Due to the severe climatic weather conditions experienced subsequent to such drilling, NCPL decided to temporarily conserve the well until 2010 when further testing of the well is to be conducted. As a result, partial temporary conservation of the well and reclamation of the well site was carried out during September of 2009.

Testing is yet to be done with respect to such drilling activities and, as a result, no results have been produced from the well. The Competent Person notes in the covering letter to the Competent Person's Report set out in Section 12 of this Prospectus that any new information or results arising from any testing carried out in the future in respect of the exploratory well that has been drilled may significantly affect the Prospective Resource Volumes shown in the report.

Exploration and Development Risks

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- the discovery and/or acquisition of economically recoverable reserves;
- access to adequate capital for project development;
- design and construction of efficient development and production infrastructure within capital expenditure budgets;
- securing and maintaining title to interests;
- obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production; and
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Please refer to Section 7.10 for further details on this risk factor.

Probability of Geologic Success

As noted in the Competent Person's Report in Section 12 of this Prospectus, the 5 prospects identified within the Kazakhstan Project are interpreted to carry a high degree of risk, primarily due to the lack of any direct subsurface knowledge from the basin. Miller and Lents, Ltd. estimates in its report that if all 5 prospects are drilled, there is a 63.6%

chance that all 5 wells will be dry holes and this could adversely impact on the Company's financial position and prospects. Please refer to the Competent Person's Report set out in Section 12 of this Prospectus for further details.

Environmental Risk

The Company's activities will be subject to the environmental risks inherent in the oil and gas industry. In the event the Company undertakes oil field developments within the Kazakhstan Project a rigorous environmental assessment would have to be conducted, a lengthy approval process would need to be implemented and stringent conditions imposed on the Company's design and operating practices to protect the environmentally sensitive lake area. This may adversely affect the Company's exploration and development schedule.

Completion Risk

Pursuant to the terms and conditions of the Asset Sale Agreement, NKWE will pay the Company a final payment of \$50,000,000 from NKWE (**Final Payment**) within 30 days of the earlier of:

- the grant of mining rights in respect of the Tubatse Project; and
- XStrata South Africa exercising its option with NKWE such that Xstrata South Africa will acquire a 50% interest in the land the subject of the Tubatse Project.

However, receipt of the Final Payment is subject to the grant of mining rights in respect of the Tubatse Project or XStrata South Africa exercising its option with NKWE. There can be no guarantee that either of these events will occur or if they do occur that NKWE will make the Final Payment, in which case, the Company will retain a 10% interest in the Tubatse Project. Please refer to Section 8.1 of this Prospectus for a summary of the terms and conditions of the Asset Sale Agreement.

The risk factors set out in Section 7 of this Prospectus, and other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative.

4. INVESTMENT OVERVIEW

4.1 Important Notice

This Section is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

4.2 Indicative Timetable

Lodgement of this Replacement Prospectus with the ASIC	23 April 2010
Opening Date	23 April 2010
Closing Date	30 April 2010
Appeal hearing	30 April 2010
General Meeting	28 May 2010
Conditional Approval to list on NSX	28 May 2010
Completion of acquisition of Eastern Petroleum	2 June 2010
Issue Shares pursuant to this Prospectus and despatch of holding statements	2 June 2010
Anticipated date for listing of Company on NSX	4 June 2010

The above dates are indicative only and may change without notice. Specifically, the date of the General Meeting has not been set as at the date of this Prospectus. The Company reserves the right to extend the Closing Date or close the Offer early without notice.

4.3 Objectives

Introduction

While the Company has historically focused on the exploration and development of its farm-in rights to the platinum project in the Bushveld region of South Africa, known as the Tubatse Project, in October 2009 the Company entered into an Asset Sale Agreement pursuant to which the Company agreed to sell its 15% interest in the Tubatse Project. Pursuant to the terms of the Asset Sale Agreement, the Company has transferred a 5% interest in the Tubatse Project to NKWE and received \$10,000,000.

Subsequent to the Company agreeing to sell its interest in the Tubatse Project, the Company entered into a Share Sale Agreement to acquire all of the fully paid ordinary shares in the capital of Eastern Petroleum. Eastern Petroleum's wholly owned subsidiary, North Caspian Petroleum Limited (**NCPL**), operates and owns a 50% interest in subsoil use rights for the exploration of hydrocarbons in an early stage project in eastern and south-eastern Kazakhstan. It is a condition of the Share Sale Agreement that the Company completes a placement of Shares to raise \$20,000,000. The Offer the subject to this Prospectus (assuming the minimum subscription is raised) will satisfy this obligation.

Please refer to Section 8.2 of this Prospectus for a summary of the terms and conditions of the Share Sale Agreement including the breakdown of the

recipients of the Shares and Options to be issued to the Eastern Petroleum Shareholders pursuant to the terms of the Share Sale Agreement. The Consideration Shares and Consideration Options issued to Eastern Petroleum Shareholders in consideration for the acquisition of Eastern Petroleum will be escrowed in accordance with the requirements of the Listing Rules.

Upon completion of the Offer and the Share Sale Agreement, Eastern Petroleum Shareholders will hold a 71.28% interest in the capital of the Company (assuming the maximum subscription of \$30,000,000 is raised). If the Eastern Petroleum Shareholders exercise their Consideration Options (and no other Options are exercised and no additional Shares are issued), they would hold approximately 74.86% in the capital of the Company (assuming the maximum subscription of \$30,000,000 is raised). Please refer to Sections 4.6 and 15.3 of this Prospectus for further details of the effect of the Offer and controllers' interests in the Company.

The Board believes that the acquisition of Eastern Petroleum, together with the funds raised under the Offer and the funds already received from the sale of the Company's interest in the Tubatse Project, has the potential to deliver significant value to Shareholders through exploration at the Kazakhstan Project, which, if successful, could result in the discovery of hydrocarbons.

Summaries of the material terms and conditions of the Asset Sale Agreement and Share Sale Agreement are contained in Sections 8.1 and 8.2 of this Prospectus respectively.

Delisting from ASX and Application to NSX

The acquisition of Eastern Petroleum by the Company in accordance with the terms and conditions of the Share Sale Agreement will result in the Company owning all of the issued capital in, and controlling the business of, Eastern Petroleum.

Shareholders approved the change in nature and the scale of the Company's operations as a result of the Share Sale in November 2009.

In February 2010, the Company lodged a prospectus for the raising of \$30 million to satisfy the condition precedent in the Share Sale Agreement and that prospectus closed fully subscribed. Subsequent to the closing of that offer, ASX advised the Company that it would not be reinstated to quotation on ASX until the Company announced to ASX that it will not be proceeding with the Share Sale. The basis for the ASX Decision, as advised to the Company, stems from its concerns over the influence that Mr Frank Timis, as a substantial shareholder (refer to Section 15.3 for details of his shareholding post completion of the Share Sale Agreement) and non executive Director (refer to Section 9.2 for a summary of Mr Timis), will have on the Company's ability to comply with its continuous disclosure obligations post the transaction. The Company is appealing the ASX Decision which will be heard on 30 April 2010. As a result of the ASX Decision, no Shares were issued under the prospectus lodged in February 2010.

For the reasons set out in this Section 4.3, the Board considers the Share Sale to be beneficial to the Shareholders and proposes to again seek approval from Shareholders at the General Meeting to approve the Share Sale despite the impact of the ASX Decision. The Company will also seek approval to delist from ASX if the Appeal is unsuccessful. Additionally, the Company will apply to list on NSX.

NSX

National Stock Exchange of Australia Limited (**NSX**) is Australia's second official stock exchange approved under the Corporations Law in Australia and is wholly regulated by the ASIC. It provides both a mechanism to mobilise growth capital for innovative and growing businesses and an efficient platform for the trade of securities.

All securities listed on NSX are registered with CHESS, with settlement occurring on a T+3 basis. Trading on NSX is conducted on the National Electronic Trading System (**NETS**). NSX operates NETS under licence from the OMX Group. NETS was developed by OMX for NSX and is based on the trading platform available in over 30 countries. Trading hours on NSX are between 9.00am and 4.45pm (AEST) on Monday to Friday.

The NSX originated in 1937 when it was established as the Newcastle Stock Exchange. NSX's holding company, NSX Limited, is a public listed company currently trading on the Australian Securities Exchange (ASX Code: NSX).

As an Australian market licensee, NSX is supervised by the ASIC and subject to an annual review pursuant to section 794C of the Corporations Act. NSX's primary obligation is to conduct a fair, orderly and transparent market.

An issuer listed on NSX is required to immediately notify NSX of any developments which could have an impact on share price. To ensure that an informed market is maintained, all companies admitted to the Official List of NSX must adhere to certain ongoing obligations as set out in the NSX Listing Rules, including compliance with periodic disclosure requirements and the continuous disclosure of all price sensitive information.

Market announcements and share price information relating to companies listed on NSX can be found on NSX's website at www.nsx.com.au/.

Purpose of this Prospectus

The purpose of this Prospectus is to:

- (a) enable the Company to meet the listing requirements of NSX; and
- (b) raise up to \$30,000,000 pursuant to the Offer and satisfy the condition precedent in the Share Sale Agreement that requires the Company to raise \$20,000,000. A summary of the material terms and conditions of the Share Sale Agreement is set out in Section 8.2 of this Prospectus.

The Company is aiming to apply the funds raised from the Offer and the first two tranches of consideration under the Asset Sale Agreement (being \$10,000,000, which has been received) towards:

- (a) the conduct of exploration activities at the Kazakhstan Project (which Eastern Petroleum has an interest in and further details of which are included in Section 3.5 and commented on in the Competent Person's Report and the Independent Expert Report on Cost Estimates included in Sections 12 and 13 of this Prospectus respectively);
- (b) working capital and administration expenses; and
- (c) expenses of the Offer.

The Board believes that funds raised from the Offer, together with the funds raised from the Asset Sale (being \$10,000,000, which has been received), will provide the Company with sufficient working capital to achieve the Company's

objectives set out above, and the Company will have sufficient working capital for the next two years.

4.4 Risk Factors

Prospective investors in the Company should be aware that subscribing for Shares the subject of this Prospectus involves a number of risks. These risks are set out in Section 7 of this Prospectus and investors are urged to consider those risks carefully (and, if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 7 of this Prospectus, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares. Accordingly, an investment in the Company should be considered highly speculative.

4.5 Purpose of the Offer and Use of Proceeds

The purpose of the Offer is to position the Company to achieve the objectives set out in Section 4.3 above.

The Company intends to apply funds raised from the Asset Sale (being \$10,000,000, which has been received), the Company's pro forma consolidated cash reserves as at 31 December 2009 (being approximately \$2,288,000) and proceeds from the Offer as follows:

Funds raised:	Minimum Subscription	Maximum Subscription
Proceeds from the Offer	\$20,000,000	\$30,000,000
Funds raised from the Asset Sale	\$10,000,000	\$10,000,000
Pro Forma Consolidated Cash Reserves ¹	\$2,288,000	\$2,288,000
Total funds available²	32,288,000	42,288,000
	Funds Applied (\$)	
Use of funds:	Minimum Subscription	Maximum Subscription
Expenditure on Kazakhstan Project (including fulfilment of Minimum Work Program) ^{2,3} :		
- 700km of seismic data	7,000,000	7,000,000
- Drilling of wells (including operator and supervisor fees)	21,900,000 ⁴	29,200,000 ⁵
Working capital and administration expenses	2,089,932	4,284,932
Expenses of the Offer ⁶	1,298,069	1,803,069
Total	32,288,000	42,288,000

Notes:

- 1 The pro-forma consolidated cash reserves represent the cash reserves of the Company and Eastern Petroleum as at 31 December 2009 excluding the funds received from the Asset Sale.
- 2 The total funds available as at 31 March 2010 are estimated to be \$9,881,000 including the funds received from the Asset Sale. The decrease from the position at 31 December

2009 of approximately \$2,407,000 relates to expenditure incurred on the Kazakhstan Project. This expenditure falls within the anticipated expenditure on the Kazakhstan Project as set out above.

- 3 Further details of the Minimum Work Program to be undertaken on the Kazakhstan Project are set out in the summary of the Joint Operating Agreement in Section 8.4 of this Prospectus and commented on in the Independent Expert Report on Cost Estimates in Section 13.
- 4 This contemplates the drilling of 3 wells at \$7.3 million per well (including operator and supervisor fees).
- 5 This contemplates the drilling of 4 wells at \$7.3 million per well (including operator and supervisor fees).
- 6 Refer to Section 15.6 of this Prospectus for further details relating to the estimated expenses of the Offer. Please note that some of the Expenses of the Offer have already been paid by the Company.

In the event that the Company does not receive the full subscription of \$30,000,000 but receives more than the minimum subscription of \$20,000,000, the funds raised pursuant to the Offer will be first applied towards the expenses of the Offer and expenditure on the Kazakhstan Project and then the amount applied to working capital and administration expenses will be reduced accordingly.

The above table is a statement of current intentions as at the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. Accordingly, the actual expenditures may vary from the above estimates and the Board reserves the right to vary the expenditures dependent on circumstances and other opportunities.

4.6 Effect of the Offer

The effect of the Offer and the completion of the Asset Sale and the Share Sale on the Company's capital structure is set out below.¹ The table below assumes that the full subscription is raised pursuant to the Offer:

Shares²	Number	%
Shares on issue as at the date of this Prospectus	152,400,005	16.07
Conversion of 20,000 Converting Performance Shares ³	20,000,000	2.11
Shares to be issued to Eastern Petroleum Shareholders pursuant to the Share Sale Agreement ⁴	675,965,359	71.28
Shares offered pursuant to the Offer ⁵	100,000,000	10.54
Total Shares	948,365,364	100%
Options		
Options on issue	Nil	
Options to be issued to Eastern Petroleum Shareholders pursuant to the Share Sale Agreement ^{4,6}	135,193,072	
Total Options	135,193,072	

Performance Shares⁷		
Converting Performance Shares on issue as at the date of this Prospectus	40,000	
Conversion of Performance Shares ³	(20,000)	
Total Performance Shares	20,000	

Notes:

- ¹ For further details of the effect of the Offer (and the Share Sale Agreement), please refer to Section 8.2 of this Prospectus for a summary of the terms and conditions of the Share Sale Agreement including the breakdown of the recipients of the Shares and Options to be issued to the Eastern Petroleum Shareholders, the Investigating Accountant's Report in Section 10 and details of the controllers' interests in Section 15.3 of this Prospectus.
- ² The rights attaching to the Shares are summarised in Section 15.1 of this Prospectus.
- ³ The milestone for these Converting Performance Shares has been achieved and will convert into Shares prior to the completion of the Offer under this Prospectus and the issue of Shares pursuant to the Share Sale Agreement. The Company will apply for quotation of these Shares on NSX in the event that the Company's Appeal of the ASX Decision is unsuccessful. In the event that the Appeal is successful, these Shares will be reinstated to quotation on ASX.
- ⁴ Please refer to Section 8.2 of this Prospectus for a summary of the terms and conditions of the Share Sale Agreement including the breakdown of the recipients of the Shares and Options to be issued to the Eastern Petroleum Shareholders pursuant to the terms of the Share Sale Agreement. Note the Shares and Options issued in consideration for the acquisition of Eastern Petroleum will be escrowed in accordance with the requirements of the Listing Rules. Please also refer to Section 15.3 of this Prospectus for further details of controller's interests in the Company.
- ⁵ This assumes that the Offer is fully subscribed.
- ⁶ The terms and conditions of the Options are set out in Section 15.2(a) of this Prospectus.
- ⁷ The terms and conditions of the Converting Performance Shares are set out in Section 15.2(b) of this Prospectus.

Upon completion of the Offer and the Share Sale Agreement (and assuming the maximum subscription of \$30,000,000 is raised):

- (c) Eastern Petroleum Shareholders will hold a 71.28% interest in the capital of the Company. If the Eastern Petroleum Shareholders exercise their Consideration Options (and no other Options are exercised and no additional Shares are issued), they would hold approximately 74.86% in the capital of the Company; and
- (d) Safeguard Management Limited (an entity controlled by Mr Frank Timis, further details of whom are set out in detail in Section 9.2 of this Prospectus) (**Safeguard**) will hold an interest in 46.82% of the Company. If Safeguard exercises its Consideration Options (and no other Options or Consideration Options are exercised and no additional Shares are issued), it would hold approximately 51.37% if the maximum subscription is raised. Such interest will essentially constitute a blocking position in the Company and potentially limit the control of the Company's remaining Shareholders.

The issue of the Consideration Shares and Consideration Options to the Eastern Petroleum Shareholders under the Share Sale Agreement will have a significant dilutionary effect on the Company's remaining Shareholders, including

subscribers under this Prospectus. Please refer to Section 8.2 of this Prospectus for a breakdown of the recipients of the Consideration Shares and Consideration Options to be issued to the Eastern Petroleum Shareholders and Section 15.3 of this Prospectus for further details of the controllers' interests in the Company.

4.7 Restricted securities

The Consideration Shares and Consideration Options to be issued to the Eastern Petroleum Shareholders as consideration for the acquisition of Eastern Petroleum will be held in escrow in accordance with the requirements of NSX (and ASX if the Appeal is successful).

Additionally, Shares and Options currently held by Directors and their associates may be escrowed in accordance with the rules of NSX.

5. DETAILS OF THE OFFER

5.1 Shares made available for Subscription

Pursuant to the Offer, the Company invites investors to apply for up to 100,000,000 Shares at an issue price of \$0.30 per Share payable in full on application to raise up to \$30,000,000.

The minimum subscription to be raised pursuant to this Prospectus is \$20,000,000.

If the minimum subscription has not been raised within four (4) months after the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act.

All of the Shares offered under this Prospectus will rank equally with Shares on issue at the date of this Prospectus.

5.2 Conditional Offer

The Offer is conditional upon;

- (a) satisfaction or waiver of the conditions precedent to the Share Sale Agreement between the Company, Eastern Petroleum and the Eastern Petroleum Shareholders. A summary of the material terms and conditions of the Share Sale Agreement is contained in Section 8.2 of this Prospectus; and
- (b) Shareholders passing the resolutions at its General Meeting to be held in May 2010 in respect to;
 - (i) delisting the Company from ASX if the Appeal is unsuccessful;
 - (ii) completing the Share Sale Agreement;
 - (iii) issuing the Shares pursuant to this Prospectus; and
 - (iv) amending the Constitution to ensure compliance with the listing rules of both ASX and NSX.

If the condition set out in (a) is not satisfied by 30 April 2010 or such later date as the parties to the Share Sale Agreement agree (refer to the risk factor contained in Section 7.2), or the conditions set out in (b) are not satisfied by 30 June 2010, none of the Shares offered by this Prospectus will be allotted or issued. In these circumstances, all application funds will be refunded to investors as soon as practicable.

5.3 Delisting from ASX and Application to NSX

At the 2009 Annual General Meeting, the Company sought and obtained Shareholder approval for a change in nature and scale of its activities to become an oil and gas exploration company as a result of completion of the Share Sale.

The Company was suspended from quotation on ASX from the date of the Annual General Meeting and will not be reinstated until ASX approves the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules, which will include settlement of the Share Sale Agreement.

As advised elsewhere in this Prospectus, subsequent to the 2009 Annual General Meeting and issue of a prospectus by the Company in February 2010, ASX advised the Company that it will not reinstate the Company's Shares to quotation until it announces to ASX that it is not proceeding with the Share Sale. No Shares were issued pursuant to the February 2010 prospectus. The basis for the ASX Decision, as advised to the Company, stems from its concerns over the influence that Mr Frank Timis, as a substantial shareholder (refer to Section 15.3 for details of his shareholding post completion of the Share Sale Agreement) and non executive Director (refer to Section 9.2 for a summary of Mr Timis), will have on the Company's ability to comply with its continuous disclosure obligations post the transaction. The Company is appealing the ASX Decision which will be heard on 30 April 2010. As a result of the ASX Decision, no Shares were issued under the prospectus lodged in February 2010.

The Company will apply to list on NSX within 7 days of the date of this Prospectus. As part of that application to NSX, the Company will seek permission to quote on NSX all Shares offered pursuant to this Prospectus, the Shares to be issued to Eastern Petroleum Shareholders pursuant to the Share Sale Agreement, the Shares to be issued upon conversion of 20,000,000 Converting Performance Shares and all Shares currently on issue. The Company will also need to vary the terms of the Converting Performance Shares on issue (refer to Section 15.2) such that upon satisfaction of the relevant milestone, the Shares issued will be listed on NSX as opposed to ASX.

Investors should subscribe on the basis that the Shares offered under this Prospectus will only be quoted on NSX.

In the event that the Company does not receive conditional approval for quotation of its Shares on NSX, it will not proceed with the Offer and will repay all application monies received.

5.4 Application for Shares

Applications for Shares must be made by investors at the direction of the Company and must be made using the Application Form accompanying this Prospectus.

Payment for the Shares must be made in full at the issue price of 30 cents per Share.

Completed application forms and accompanying cheques must be mailed or delivered to:

International Petroleum Limited
18 Oxford Close
LEEDERVILLE WA 6007

Cheques should be made payable to "**International Petroleum Limited – Share Offer Account**" and crossed "**Not Negotiable**". Completed Application Forms must reach the address set out above by no later than the Closing Date.

The Company reserves the right to close the Offer early.

5.5 Minimum Subscription

The minimum subscription raised pursuant to this Prospectus is \$20,000,000.

In the event the minimum subscription has not been raised within four (4) months of the date of this Prospectus, no Shares will be issued to any of the Applicants,

all application monies will be returned and all applications will otherwise be dealt with in accordance with the Corporations Act.

5.6 Oversubscriptions

No oversubscriptions will be accepted by the Company.

5.7 Not Underwritten

The Offer is not underwritten.

5.8 Commissions Payable

The Company reserves the right to pay a commission of 5% (exclusive of goods and services tax) of amounts subscribed to any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

5.9 Allotment of Shares

The Directors will determine the allottees of all the Shares in their sole discretion. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for.

Shares issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

5.10 NSX Listing

Application will be made to NSX within 7 days after the date of this Prospectus for admission of the Company to NSX and for Official Quotation of the Shares the subject of this Prospectus and to be issued pursuant to the Share Sale Agreement. If approval is not obtained from NSX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that NSX may grant Official Quotation to the Shares (and for admission of the Company to NSX) is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

5.11 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions

outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the applicant that all relevant approvals have been obtained.

5.12 Dividends

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

5.13 Clearing House Electronic Sub-Register System ("CHESS") and Issuer Sponsorship

The Company will not be issuing share certificates. The Company will apply to NSX to participate in CHESS in accordance with the NSX Listing Rules and ASTC Settlement Rules, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number (**HIN**) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders in circumstances in which there have been any changes in their security holding in the Company during the preceding month or as otherwise required by the Corporations Act or NSX Listing Rules.

5.14 Taxation

The Company does not propose to give any taxation advice and neither the Company, its Directors nor its officers accept any responsibility or liability for any taxation consequence to applicants. Applicants should consult their own professional tax advisers in regard to taxation implications of the Offer.

5.15 Privacy Act

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that the Company or the Company's share registry holds about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

5.16 Queries

Any questions concerning the Offer should be directed to the Company Secretary on (+61 8) 9388 0744.

6. COMPANY OVERVIEW

6.1 Background

The Company was admitted to the official list of ASX on 27 April 2006 with official quotation of its Shares commencing on 2 May 2006.

While the Company has historically focused on the exploration and development of its farm-in rights to the platinum project in the Bushveld region of South Africa, known as the Tubatse Project, in October 2009 the Company entered into an Asset Sale Agreement pursuant to which the Company agreed to sell 100% of its rights, title and interest in the Tubatse Project. In accordance with the terms of the Asset Sale Agreement, the Company has transferred a 5% interest in the Tubatse Project to NKWE and received \$10,000,000.

The Company's remaining 10% interest in the Tubatse Project will be transferred to NKWE in consideration for \$50,000,000 within 30 days of the earlier of the grant of mining rights in respect of the Project and Xstrata South Africa exercising its option with NKWE such that Xstrata South Africa will acquire a 50% interest in the land the subject of the Tubatse Project. There is no guarantee that either of these events will occur.

In accordance with the terms of the Asset Sale Agreement, NKWE will be responsible for paying all of the Company's outgoings and expenditures on the Tubatse Project as and from the date of the Asset Sale Agreement and therefore, the Company has no further financial commitment to the Tubatse Project.

In October 2009, the Company entered into a Share Sale Agreement to acquire all of the fully paid ordinary shares in the capital of Eastern Petroleum. Eastern Petroleum's wholly owned subsidiary operates and owns a 50% interest in subsoil use rights for the exploration of hydrocarbons in eastern and south-eastern Kazakhstan.

The Shareholders approved the Asset Sale, the Share Sale and the change in the Company's focus to oil and gas exploration at the 2009 Annual General Meeting.

In February 2010, the Company lodged a prospectus for the raising of \$30 million to satisfy the condition precedent in the Share Sale Agreement and that prospectus closed fully subscribed. Subsequent to the closing of that offer, ASX advised the Company that it would not reinstate the Company's Shares to quotation on ASX until the Company announced to ASX that it will not be proceeding with the Share Sale. The basis for the ASX Decision, as advised to the Company, stems from its concerns over the influence that Mr Frank Timis, as a substantial shareholder (refer to Section 15.3 for details of his shareholding post completion of the Share Sale Agreement) and non executive Director (refer to Section 9.2 for a summary of Mr Timis), will have on the Company's ability to comply with its continuous disclosure obligations post the transaction. The Company is appealing the ASX Decision which will be heard on 30 April 2010. As a result of the ASX Decision, no Shares were issued under the Prospectus lodged in February 2010.

The Board believes that the acquisition of Eastern Petroleum, together with the funds raised under the Offer and the funds already received from the sale of the Company's interest in the Tubatse Project, has the potential to deliver significant value to Shareholders through exploration at the Kazakhstan Project, which, if successful, could result in the discovery of hydrocarbons which will be instrumental in re-positioning the Company. Given the ASX Decision, the Board

will seek approval at the General Meeting to delist the Company from ASX in the event the Appeal is unsuccessful. Investors subscribing under this Prospectus should do so on the basis that the Shares they will receive will only be quoted on NSX.

The Company does not have any material interest in any other asset or agreement.

Further details of the Tubatse Project and the Kazakhstan Project are set out below. Summaries of the material terms and conditions of the Asset Sale Agreement and the Share Sale Agreement are also contained in Sections 8.1 and 8.2 of this Prospectus respectively.

6.2 Sale of the Company's Interest in the Tubatse Project

In 2006, the Company entered into a farm-in agreement with Genorah in respect of an advanced platinum project in South Africa referred to as the Tubatse Project (**Farm-In Agreement**). Genorah is a Black Economic Empowerment company which is owned and controlled by historically disadvantaged South Africans. It is a private company incorporated in South Africa.

Pursuant to the Farm-In Agreement, the Company has earned a 15% interest in three "farms" (Hoepakrantz 291KT, Nooitverwacht 324KT and Eerste Geluk 327KT) in the Tubatse Project in the Bushveld region by spending US\$10 million on exploration over a 3 year period that commenced in April 2007.

The JORC compliant resource on portions of Nooitverwacht 324KT and Eerste Geluk 327KT farms was upgraded in July of 2009. The Tubatse Project currently has a JORC resource of approximately 45.25Moz (3PGE plus Au) commencing at surface.

The current Mineral Resource statement for the Tubatse Project (which has been previously announced by the Company) is set out below:

	Discounted (20%) Resource Tonnage (Mt)	Bulked Width (m)	Grade (3PGE+Au g/t)	3PGE+Au Ounces (Moz)
EERSTE GELUK/NOOITVERWACHT				
Merensky Inferred	54.49	1.22	5.03	7.75
UG2 Inferred	48.09	0.68	8.17	12.62
HOEPAKRANTZ MERENSKY				
Merensky Inferred	98.73	1.98	4.13	13.11
UG2 Inferred	57.67	1.00	6.35	11.77
Total/average	258.98			45.25

The information in this Prospectus that relates to initial 20.4Moz Mineral Resources for the Tubatse Project is based on a resource estimate completed by Mr Nico Denner who is employed by Geological and Mine Evaluation Computer Services. Mr Denner is a geologist with over 14 years of experience in the South African mining industry and sufficient experience which is relevant to the style of

mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person as defined by the 2004 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and the Ore Reserves". Mr Denner is a member of South African Council for Natural Scientific Professions (Membership No. 400060198). Mr Denner consents to the inclusion of this information in the form and context in which it appears in this Prospectus.

The information in this Prospectus that relates to upgraded 24.88Moz Mineral Resources for the Tubatse Project is based on a resource estimate completed by Mr Andy Clay who is employed by Venmyn Rand (Pty) Limited. Mr Clay is a geologist with over 14 years of experience in the South African mining industry and sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person as defined by the 2004 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and the Ore Reserves". Mr Clay is a member of South African Council for Natural Scientific Professions (Membership No. 400060198). Mr Clay consents to the inclusion of this information in the form and context in which it appears in this Prospectus.

On 6 August 2008, NKWE Platinum Limited (**NKWE**) and the Company entered into an option agreement (**Option Agreement**), pursuant to which the Company agreed to grant to NKWE an option to purchase 100% of the Company or 100% of the Company's rights, title and interest in the Tubatse Project (being a 15% participating interest) on the terms and conditions set out in the Option Agreement (**Option**). In consideration for the Option, NKWE paid the Company \$100,000 and issued 2.5 million shares in the capital of NKWE to the Company (and a subsequent 2.5 million shares in the capital of NKWE to extend the Option).

NKWE exercised the Option and elected to acquire the Company's interest in the Tubatse Project.

A summary of the terms and conditions of the Asset Sale Agreement is contained in Section 8.1 of this Prospectus.

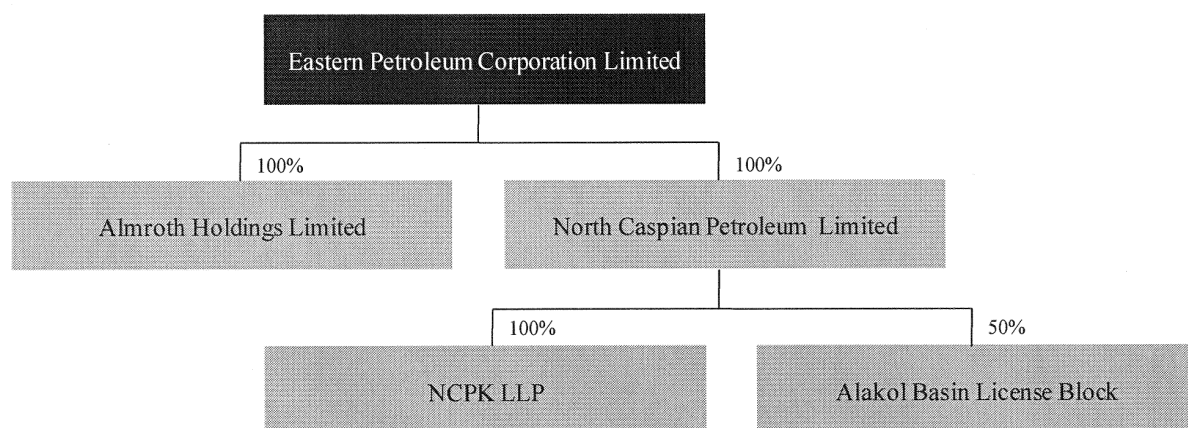
As announced to ASX on 22 December 2009, NKWE paid \$10,000,000 to the Company and in accordance with the terms of the Asset Sale Agreement, the Company transferred a 5% interest in the Tubatse Project to NKWE. Accordingly, the Company currently only has a 10% interest in the Tubatse Project.

Given that the Company has entered into an agreement for the disposal of the Company's 10% interest in the Tubatse Project and the fact that pursuant to the terms of the Asset Sale Agreement, NKWE must pay all of the Company's outgoings and expenditures in respect of the Tubatse Project, the Company has not included any further information on the Tubatse Project other than what is included in this Section as the Directors do not consider it relevant to investors under this Prospectus.

6.3 Overview of Eastern Petroleum and the Kazakhstan Project

As set out above, the Company has entered into a Share Sale Agreement to acquire all of the fully paid ordinary shares in the capital of Eastern Petroleum Corporation Limited (**Eastern Petroleum**), a company registered in the United Kingdom. A summary of the material terms and conditions of the Share Sale Agreement is contained in Section 8.2 of this Prospectus.

Eastern Petroleum is a privately owned company incorporated in the United Kingdom. The group structure of Eastern Petroleum is set out below.



Source: Eastern Petroleum

As at the date of this Prospectus, Almroth Holdings Limited is dormant and NCPK LLP is the entity being used to employ local staff in Kazakhstan.

The directors of Eastern Petroleum are Mark Ashurst, Frank Timis and Lord Truscott of St James's. Post completion of settlement of the Share Sale Agreement, the board of Eastern Petroleum will be comprised of Mark Ashurst, Lord Truscott of St James's, Tony Sage and Mark Gwynne.

Eastern Petroleum's wholly owned subsidiary, North Caspian Petroleum Limited (a private company registered in the United Kingdom) (**NCPL**) operates and owns a 50% interest in subsoil use rights for the exploration of hydrocarbons (**HC**) within the blocks in East-Kazakhstan and Almaty Oblasts covering approximately 32,000km² in the Alakol and Balkhash sedimentary basins in eastern and south-eastern Kazakhstan (**Kazakhstan Project**). The remaining 50% interest is owned by Remas Corporation LLP (**Remas**), a privately owned Kazakhstan company. Remas is not a related party of Eastern Petroleum or the Company. The directors of NCPL are Mark Ashurst and Frank Timis. On completion of the Share Sale Agreement, the board of NCPL will change to be comprised of Mark Ashurst, Tony Sage and Mark Gwynne.

Each of Remas and NCPL hold a 50% participating interest pursuant to a Contract for Exploration of Hydrocarbon Resources in the Alakol Block in East Kazakhstan and Almaty Oblasts of the Republic of Kazakhstan between the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (**MEMR**), Remas and NCPL dated 13 June 2005 as amended (**Contract**). A summary of the Contract is set out in Section 8.3 of this Prospectus.

The Contract requires the minimum expenditure on the exploration licence of US\$35,284,000 during the initial five year period expiring on 13 June 2010 (**Initial Period**). This Initial Period has since been extended to 13 November 2010 by Amendment Agreement No. 4 dated 29 January 2010.

Pursuant to the terms of a Joint Operating Agreement between Remas and NCPL dated 12 April 2006, NCPL has agreed to solely fund the minimum expenditure on the exploration licence. As at 31 December 2009, NCPL had spent approximately US\$31,754,000 towards this minimum expenditure. Additional work to be completed under the Minimum Work Program includes the acquisition and processing of an additional 700kms of seismic data and the drilling of at least 3 further wells. On fulfilment of the Minimum Work Program,

each of NCPL and Remas are required to fund their share of exploration and development costs in accordance with their respective participating interests.

Current subsurface law requires consent from the Ministry of Energy and Resources in Kazakhstan for the transfer of shares in a user of subsurface rights. In addition, the state of Kazakhstan has a priority right to purchase interests in subsurface use contracts, including any direct or indirect interest in companies holding subsurface use rights. The Company has obtained a waiver from these obligations in respect of the Share Sale.

Kazakhstan Project

The Alakol Basin is located in eastern Kazakhstan and borders the western boundary of the People's Republic of China.

The Alakol Block almost entirely covers the Alakol Basin (and partially the Balkhash Basin), a major unexplored oil and gas basin covering some 32,000km² and situated on the Chinese border across from the contiguous multibillion barrel oilfield complex of Junggar – Karamay Fields in China.



Figure 1: Location of the Alakol Block
Source: Eastern Petroleum Corporation Limited

The Alakol Block is a complex basin bounded by a major strike slip fault to the south and many minor faults to the north. The proximity of the Alakol Block to the sediment sources suggests a depositional system consistent with a fluvial/alluvial, deltaic and lacustrine environment.

The subsurface geology within the Alakol Block is not directly known as there are no deep subsurface penetrations within the area. However, it can be compared to the Zaysan Basin to the north and the Junggar Basin to the east. The potential source rocks within the block are of Jurassic age and are exposed in an outcrop adjacent to the block. Geochemical analysis performed on the Jurassic outcrops proved they contained sufficient organic material to source HC.

There are no logistical barriers to the development of this project, with road, rail and air facilities nearby, including the Kazakhstan/China railway line and oil pipeline which run through the Alakol Block.

Historically, live oil seeps at surface have occurred within the block and have been exploited, which indicates that large source rocks are evident within the block and liquid HC have been expelled. Live oil seeps are still visible on the surface at different points within the block, with HC traces visible in a number of historical water wells. The block also hosts a large number of "mud volcanoes", which is indicative of high pressures at shallow depth reservoirs being present.

Field activities completed at (or on) the Alakol Block since 2006 include:

- (a) the study of satellite imagery;
- (b) the acquisition of 580 line km of magnetic data in the basin;
- (c) the reprocessing of gravity/magnetic data;
- (d) the acquisition and processing of 1360km of 2D seismic data;
- (e) field geological mapping, geological sampling and analyses for source rock and oil typing; and
- (f) the drilling of one exploratory well to 2,487 metres in August of 2009 in the southern trough of the South Eastern part of the Alakol Block. Eastern Petroleum has informed the Company that due to severe climatic weather conditions subsequently experienced in the Alakol Block, NCPL decided to temporarily conserve the well until 2010 when further testing is to be conducted. As a result, partial temporary conservation of the well and reclamation of the well site was carried out during September of 2009. According to Eastern Petroleum, results are yet to be produced with respect to such drilling activities and it is intended that testing on the exploratory well will occur in the second quarter of 2010.

As a result of these activities, and the completion of an integrated subsurface study on behalf of NCPL, 5 drillable prospects and 18 leads have been identified within the Alakol Block. All 5 prospects were defined by independent seismic interpretation.

Please refer to the Competent Person's Report included in Section 12 for an evaluation of the prospects and estimated Prospective Reserve volumes.

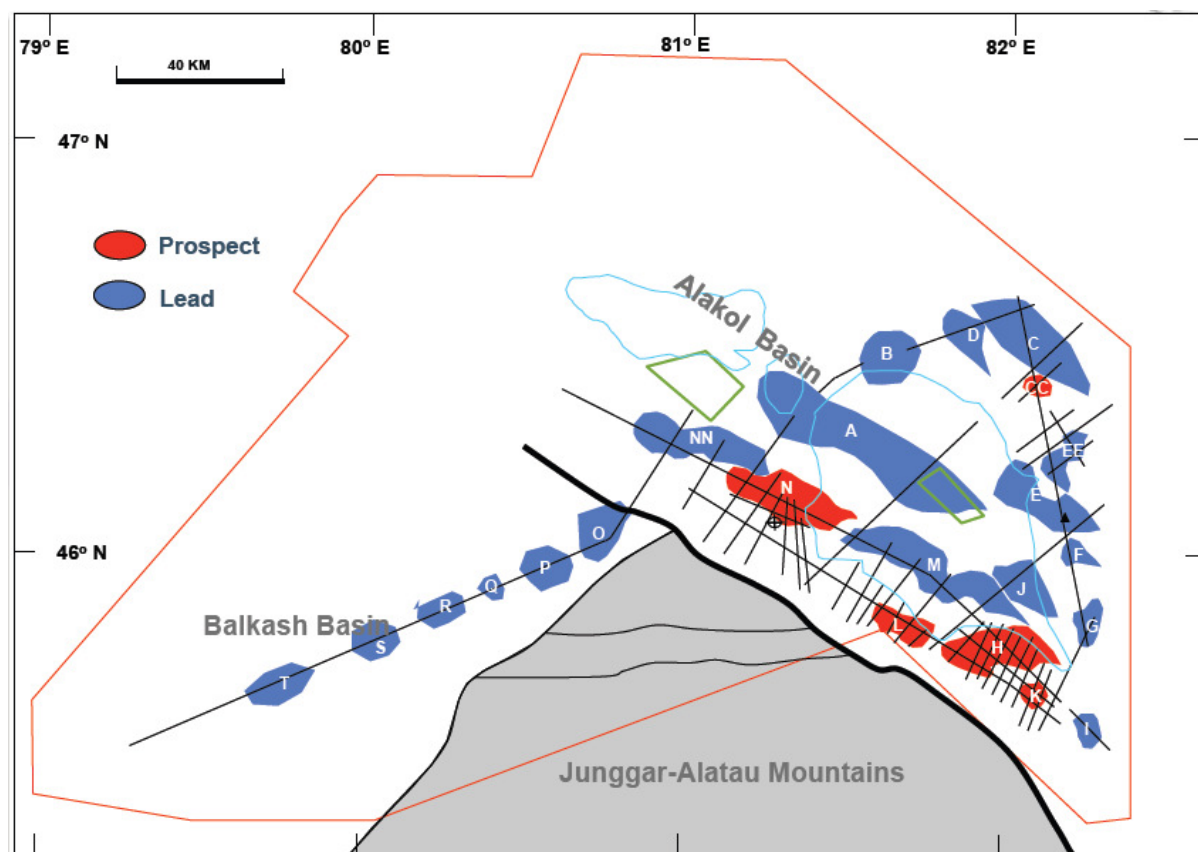


Figure 2: Leads and Prospects identified within the Alakol Block

Source: Eastern Petroleum Corporation Limited

A summary of the Joint Operating Agreement between NCPL and Remas is set out in Section 8.4 of this Prospectus.

Kazakhstan Oil and Gas Industry

Kazakhstan has a growing oil and gas industry and is regarded as having the largest known recoverable reserves in the Caspian region. Kazakhstan's oil exports currently account for approximately half of the country's total export revenues.

In 2008, Kazakhstan produced on average 1.55 million barrels of crude oil and 2.91 billion cubic feet of natural gas per day. Consumption for the same year averaged 229,000 barrels of crude oil and 1.98 billion cubic feet of natural gas per day.

As noted in Section 7.5 of this Prospectus, the vast majority of the producing petroleum projects are located in the proven oil producing regions of western Kazakhstan and the Alakol Basin Block is located in eastern Kazakhstan where limited exploration activities have been conducted.

Regulatory and Fiscal Regime

Subsoil resources are deemed the exclusive property of the state of Kazakhstan and petroleum exploration and production activities in Kazakhstan are governed by the Petroleum Law and the Subsoil Law. In October 2007, an amendment to the Subsoil Law was passed allowing the Kazakh government to retrospectively change or break contracts in the event of a threat to Kazakhstan's national security or economic interests. The Kazakh Government intends to publish a list of fields of strategic significant.

The state of Kazakhstan is authorised to grant subsoil use rights by entering into a contract with a competent authority. To date, subsoil use contracts have taken the form of joint venture contracts, which are subject to the fiscal regime or production sharing contracts, which have generally been limited to larger projects.

State Participation

Under an amendment to the Petroleum Law passed in 2004, the national oil company Kazmunaigas is required to take a minimum 50% equity interest in all new contracts. In the past, Kazmunaigas has taken a negotiable interest in a number of contracts.

In 2005, the Kazakh Government amended the Subsoil Law allowing it to buy back energy assets and limiting the transfer of rights to strategic assets in Kazakhstan. Legislation was also enacted in 2007 prohibiting companies from selling interests in Kazakh assets within two years of the date of purchase.

In March 2009, the Government announced it was reviewing almost 300 subsoil use contracts which could result in certain contracts being cancelled for failing to meet investment criteria.

Tax Regime

The current tax regime in Kazakhstan provides for the payment of taxes and payments which include:

- (a) signature and commercial discovery bonuses;
- (b) rent tax on exports of crude oil and condensates of between 0% and 32%;
- (c) mineral extraction tax of between 7% and 20%. If crude oil is sold on the domestic market the mineral extraction tax rate may be reduced by 50%;
- (d) corporate income tax at the prevailing rate, which is currently 20% and reduces to 17.5% with effect from 1 January 2010 and 15% from 1 January 2011;
- (e) excess profits tax of between 0% and 60%;
- (f) maximum dividend withholding tax on dividends paid to a UK holding company of 15%, which reduces to 5% if the UK holding company is treated as the beneficial owner of the Shares and holds at least 10% of the Shares, where dividends includes profits transmitted abroad to a foreign participant of a joint venture created under the law of Kazakhstan.

Draft Subsoil Law

The Kazakh Government submitted to parliament a draft Subsoil Law in 2008, which proposes to introduce significant changes in the regulation of the activities of subsoil users. If enacted the draft Subsoil Law would:

- (a) abolish the existing stabilisation regime which relates to the protection of a party's rights under Legislation;

- (b) require disputes between subsoil users to be settled by local courts and not international arbitration;
- (c) ban any new production sharing contracts;
- (d) no longer require the Government's pre-emptive right and consent requirement if:
 - (i) shares are sold in a listed company;
 - (ii) subsoil use rights are transferred to a wholly owned subsidiary;
 - (iii) subsoil use rights are transferred between 100% affiliates.

6.4 Management of the Kazakhstan Project

As set out in this Prospectus, on successful completion of the Offer, the Company will hold a 50% interest and will be responsible for managing the Kazakhstan Project.

The Board intends to implement a two tier strategy to manage the Company and the Kazakhstan Project. The two tiers proposed are:

- (a) Kazakhstan Project management; and
- (b) additional members of the Board of the Company.

Kazakhstan Management

Kazakhstan management is engaged through Eastern Petroleum's 100% owned subsidiary NCPL. NCPL maintains office infrastructure in Kazakhstan, and is responsible for the day to day management of the Kazakhstan Project including executing the proposed exploration programs.

Details of the management of NCPL (which will not change post completion of the Share Sale Agreement) are set out as follows:

Dr Valera Belousov (President and CEO of NCPL)

Mr Belousov is a petroleum engineer who graduated from Moscow Petroleum University in 1984. In 1995 he received a PhD in Petroleum Economics from the Russian Academy of Sciences, Moscow. He has over 20 years management, asset and project and business development experience in the petroleum industry and has held positions with RAO Rosneft (former Ministry of Oil industry). Between 1996 and 1998 he was a director of Rosneft International and between 2000 and 2002 he was Vice President of RAO RINGS (former Ministry of Oil and Gas construction industry), Moscow.

Anya Belogortseva (Director General and CFO of NCPL)

Ms Belogortseva has over nine years of administrative, commercial and legal experience working in the oil and gas industry with both international public and private companies. Prior to joining NCPL, she worked for Petrokazakhstan in the UK and Kazakhstan, Lukoil in South America and other independent oil and gas companies in the Caribbean. She is a graduate in Modern Languages from the State University of Kaliningrad and holds a Law Degree from the University of Westminster. She undertook her legal internship in Denton Wilde Sapte, Kazakhstan and worked for a number of solicitor's firms. She is fluent in Russian,

English and Spanish and has completed the Programme for Oil, Gas and Energy Industry Management development at the Energy Institute in London.

Mihail Ianas (Geophysicist)

Mr Ianas is an accomplished geophysicist and published author with a strong background in 2D and 3D seismic acquisition, processing and interpretation. Mr Ianas has over 49 years of experience as a prominent geophysicist, working for Rompetrol in Algeria, Greece, Malta, and for Western Atlas, in Romania and Kazakhstan.

Colin Cottrell (Drilling Manager)

Mr Cottrell is an experienced oilfield management professional with over 35 years experience in both the Canadian and international oil and gas industries. His expertise lies in all aspects of drilling various deep oil and gas wells. Most recently he has served in a number of management positions in Kazakhstan, including InterKaz Industries, Aral Petroleum and Kazakhoil Aktobe, where he was responsible for overseeing all aspects of drilling deep exploration wells to depths of over 5,000m.

In addition to the management group set out above, NCPL also retains staff geologists, geophysicists, lawyers, environmentalists and various support personnel.

RISC & Miller and Lents

IPO has held preliminary discussions and will engage (upon completion of the Share Sale) Resource Investment Strategy Consultants (**RISC**) as an independent consultant to the Board to advise on exploration expenditure programs, interpretation of exploration results and risk management associated with the Kazakhstan Project. Persons employed by RISC possess significant experience associated with the petroleum industry and are qualified to provide expert advice to the Board on the Kazakhstan Project. It is also proposed to retain international oil and gas consultants Miller and Lents Ltd to advise the Board.

Non Executive Board Roles

A condition precedent of the Share Sale Agreement is an executive services agreement between the Company and Mr Frank Timis on terms satisfactory to the Company. Whilst this condition precedent has been waived, it is envisaged that Mr Timis will be appointed as a non executive director of the Company post completion of the Share Sale. Additionally, Mr Ashurst will be appointed as non executive Director post completion of the Share Sale. The current Board considers that Mr Timis is integral to the Kazakhstan Project due to his intimate knowledge of the oil and gas industry in Kazakhstan and the project, and his relationship with those persons that have been involved with the project to date. As non executive director of the Company, it is proposed that Mr Timis will be involved, in conjunction with the Kazakhstan Project management team, in forming and securing high level governmental and national oil relationships in respect of the Kazakhstan Project. Any securing or consummating of contracts or relationships would require the consultation and approval of the Board but it is envisaged that Mr Timis, through his established relationships in respect of the Kazakhstan Project, will be involved in initial dealings and negotiations. However, Mr Timis will not have a significant role in the day-to-day operations of the Kazakhstan Project. This will be carried out by the management team (referred to above). Details of Mr Timis and Mr Ashurst are set out in Section 9.2.

6.5 Reporting Procedures of the Company in respect of the Kazakhstan Project

Reporting in respect of the Kazakhstan Project will be made directly from the NCPL management team (discussed above) to the Company (and not via the board of NCPL and Eastern Petroleum).

Dr Valera Beloussov (further details of whom are set out in Section 6.4 above) will take overall responsibility for the management of the Kazakhstan Project in Kazakhstan, which includes making decisions in respect of executing the proposed exploration programs and day-to-day project administration matters. Dr Valera Beloussov is experienced in the Kazakhstan Project and her role would continue post completion of the Share Sale Agreement.

The Company intends to appoint a Chief Executive Officer (**CEO**) within 3 months of completion of the Offer. It is expected that the CEO will work closely with Dr Valera Beloussov and will be required to spend a significant amount of time in Kazakhstan at the Almaty office and on site. Until the CEO is appointed, Mr Mark Gwynne (a current Director) will take on the role of CEO discussed below in respect of reporting on the Kazakhstan Project.

Prior to each phase of the exploration program commencing on the Kazakhstan Project, Dr Valera Beloussov will be required to submit an exploration program and supporting budgets to the CEO for review. Following such review, the programs and budgets will then be presented to the Company's Board of Directors by the CEO for approval. Each drilling budget will be based on formal tenders received pursuant to the tender procedures as required by applicable Kazakhstan legislation.

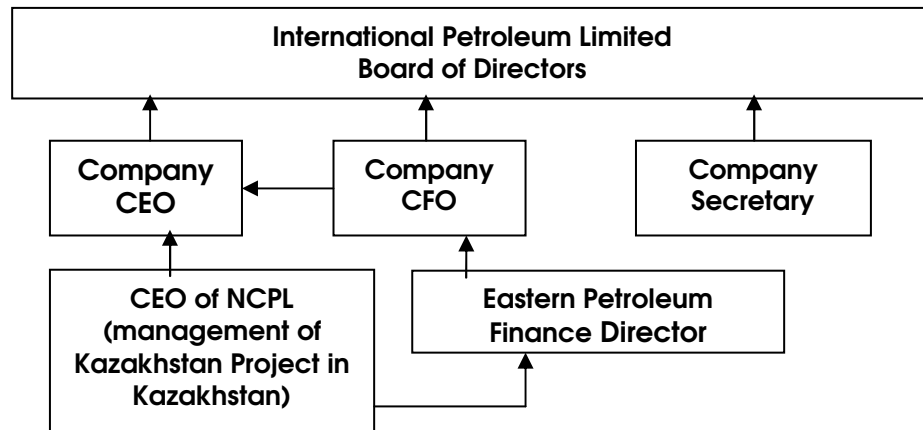
Dr Valera Beloussov will also be required to submit an operational and country report to the CEO on a monthly basis. This report will provide details on the progress of the exploration program and a comparison of actual progress achieved to plan. The CEO will be required to include that monthly report in his or her monthly report to the Board.

It is intended that the CEO (in conjunction with RISC) will take overall responsibility for the interpretation of drill and test results and will be required to immediately update the Board whenever significant information in relation to the Kazakhstan Project becomes available. The CEO (in conjunction with RISC) will be required to prepare all reports required to ensure the Company's compliance with securities exchange reporting requirements in respect of the Kazakhstan Project.

Mr Mark Ashurst (further details of whom are set out in Section 9.2) will take overall responsibility for the submission of monthly management accounts for Eastern Petroleum and its subsidiaries to the Chief Financial Officer of the Company (**CFO**). These management accounts will include an analysis of actual cash spent compared to budget, with supporting explanations.

The CFO will take overall responsibility for the submission of monthly management accounts for the Company and its subsidiaries to the Board. These management accounts will include cash flow analysis together with other key performance indicators required by the Board. The CFO will also be responsible for liaising with the Company's auditors and tax agents and, in conjunction with the Company Secretary, ensuring that the Company complies with all statutory and securities exchange reporting requirements.

The Company Secretary will be responsible for scheduling monthly Board meetings, compiling the Board documentation and preparing Board minutes.



Details of corporate governance policies relating to media releases and securities exchange announcements are set out in Section 9.4 of the Prospectus.

7. RISK FACTORS

7.1 General

The Shares offered under this Prospectus should be considered speculative because of the nature of the Company's business. The future profitability of the Company will be dependent on the successful commercial exploitation of its business and operations.

Whilst the Directors recommend the Offer, there are numerous risk factors involved. The following is a summary of the more material matters to be considered. However, this summary is not exhaustive and potential investors should examine the contents of this Prospectus in its entirety and consult their professional advisors before deciding whether to apply for the Shares.

Based on the information available, a non-exhaustive list of risk factors which may affect the Company's financial position, prospects and the price of its listed securities include the following:

Risks relating to the Company's delisting from ASX and listing on NSX

7.2 Delisting from ASX and listing on NSX

In February 2010, the Company lodged a prospectus for the raising of \$30 million to satisfy the condition precedent in the Share Sale Agreement and that prospectus closed fully subscribed. Subsequent to the closing of that offer, ASX advised the Company that it would not be reinstated to quotation on ASX until IPO announced to ASX that it will not be proceeding with the Share Sale. No Shares were issued pursuant to the February 2010 prospectus. The basis for the ASX Decision, as advised to the Company, stems from its concerns over the influence that Mr Frank Timis, as a substantial shareholder (refer to Section 15.3 for details of his shareholding post completion of the Share Sale Agreement) and non executive Director (refer to Section 9.2 for a summary of Mr Timis), will have on the Company's ability to comply with its continuous disclosure obligations post the transaction. The Company is appealing the ASX Decision which will be heard on 30 April 2010.

If the Company is not successful in its Appeal of the ASX Decision and Shareholders pass the resolutions at the General Meeting and NSX conditionally approves IPO to admission, the Board may seek to delist IPO from ASX.

In any event, the Shares offered pursuant to this Prospectus and the Shares issued pursuant to the Share Sale Agreement will not be quoted on ASX. Application will only be made to NSX for quotation of the Shares offered pursuant to this Prospectus.

There is a risk that the Company may not be able to meet the requirements of the NSX for quotation of its Shares on the NSX. Should this occur, the Shares will not be able to be traded on the NSX until such time as those requirements can be met, if at all. If NSX does not grant conditional approval for the Company to be listed on NSX, no Shares will be issued pursuant to this Prospectus.

Further details on NSX are set out in Section 4.3 of this Prospectus.

The NSX is not as large as ASX and the liquidity of the Shares is considered to be less than that offered on ASX. Accordingly, this may affect an investor's ability to sell their Shares.

Further, the possibility exists that NSX will not permit the Shares to be traded on NSX until the Company is delisted from ASX. This will mean investors will not have a market in which to trade their Shares during this time.

The outcome of the Appeal is not expected to affect the Company's ability to receive conditional approval to list on NSX.

Share Sale Agreement

Pursuant to the terms of the Share Sale Agreement (as varied) the conditions precedent must be satisfied by 30 April 2010 or such other date as the parties agree. As the General Meeting will not be held until May 2010, the Company is in the process of extending out the date to satisfy the conditions precedent to 15 June 2010. If the extension is not granted, the Offer will not proceed and no Shares will be issued under this Prospectus.

Major Controlling Shareholder

Following completion of the acquisition of Eastern Petroleum, the Eastern Petroleum Shareholders will collectively hold between 73.87% (if the minimum subscription is raised) and 71.28% (if the full \$30million is raised) of the Company. If all Consideration Options are exercised and no further Shares are issued or Options exercised, the Eastern Petroleum Shareholders would hold approximately 74.86% (if the full subscription is raised).

Additionally, Safeguard Management Limited, an entity controlled by Mr Frank Timis (**Safeguard**) will hold between 48.53% (if the minimum subscription is raised) and 46.82% (if the full \$30million is raised). If Safeguard exercises all of its Consideration Options and no further Shares are issued or Options exercised, Safeguard would hold approximately 53.08% (if the minimum subscription is raised) and 51.37% (if the maximum subscription is raised) of the Company. Therefore in respect of all resolutions that only require a majority vote (ie 50%) to be carried and which Safeguard is permitted to vote on, the resolution would be passed.

The issue of the Consideration Shares and Consideration Options to the Eastern Petroleum Shareholders under the Share Sale Agreement will have a significant dilutionary effect on the Company's remaining shareholders, including subscribers to this Prospectus.

Risks relating to Kazakhstan Project

7.3 Risks Associated with Operating in Kazakhstan

The Kazakhstan Project is located in Kazakhstan and the Company will be subject to the risks associated with operating in that country. Such risks can include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, mine safety, labour relations as well as government control over mineral properties or government regulations that require the employment of local residents or contractors or require other benefits to be provided to local residents.

The Republic of Kazakhstan gained independence from the Soviet Union in 1991. In 1995-1996, there was an increase in economic reform and privatisation which resulted in a substantial shift of assets to the private sector and liberalised foreign trade. Kazakhstan has established an industrial policy designed to diversify the

economy away from an over-dependence on the oil and raw minerals sector by developing light industry.

Changes to Kazakhstan's mining or investment policies and legislation or a shift in political attitude may adversely affect the Company's operations and profitability. The Company might also be required by local authorities to invest in social projects for the benefit of the local community. Additional social expenditures in the future may have a negative impact on the Company's profitability.

7.4 Kazakhstan Legal Environment

Kazakhstan's legal system is less developed than more established countries and this could result in the following risks:

- political difficulties in obtaining effective legal redress in the courts whether in respect of a breach of law or regulation or in an ownership dispute;
- a higher degree of discretion held by various government officials or agencies;
- the lack of political or administrative guidance on implementing applicable rules and regulations, particularly in relation to taxation and property rights;
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- relative inexperience of the judiciary and court in matters affecting the Company.

The commitment to local business people, government officials and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that the Share Sale Agreement between the Company and Eastern Petroleum and other legal arrangements will not be adversely affected by the actions of the government authorities or others. As such, the effectiveness and enforcement of such arrangements cannot be assured.

7.5 Early Stage Asset with Limited Exploration

The Alakol Basin Block is located in eastern Kazakhstan where limited exploration activities have been conducted. While Kazakhstan has a significant petroleum industry, the vast majority of the projects are located in proven oil producing regions in western Kazakhstan. The Alakol Basin is virtually unexplored and therefore offers no comparative data for probabilities of geological success and typical finding costs. The Kazakhstan Project potentially exposes Shareholders to a very early stage, high risk asset located in an unexplored region of Kazakhstan.

Additionally, NCPL will need to satisfy the minimum work program detailed in the Contract for Exploration with Hydrocarbon Resources (refer to Section 8.3 for a summary of this Contract) (**Minimum Work Program**). The Company considers that this program will be met within the required timeframe, failure to do so could result in the suspension of operations and the potential termination of the subsurface use contract pursuant to applicable Kazakhstan subsurface law.

7.6 Minimum Work Program

Due to a force majeure event experienced between November 2008 and March 2009 (being the occurrence of severe climatic conditions in the location of the well), the drilling obligations required under the Minimum Work Program in 2008 were not fulfilled. MEMR confirmed that the non-performance with regards to the drilling of a well in 2008 was due to a force majeure event occurring between November 2008 and March 2009 and recommended that Remas and NCPL provide an appropriate amendment to the Contract for MEMR's review by 23 February 2010.

Remas and NCPL complied with MEMR's request and, as a result, Amendment Agreement No. 4 was signed and registered by MEMR on 29 January 2010. Specifically, Amendment Agreement No. 4 provides for:

- (a) an extension of the term of the Contract to 13 November 2010 (due to the force majeure event which lasted 5 months starting from November 2008); and
- (b) the carry over of some of the drilling works required under the Minimum Work Program to 2010. Please refer to Section 14.2 of this Prospectus for further details.

Notwithstanding that the term of the Contract has been extended to 13 November 2010, it is possible that severe climatic conditions may be experienced in the Alakol Block area in the future. This is likely to adversely affect the Kazakhstan Project, resulting in additional costs to NCPL and further delays to its proposed drilling activities. As noted in Section 14.2 of this Prospectus, severe winds have caused Remas and NCPL to suspend drilling and seismic works as of November 2009.

As stated in Section 6.3 of this Prospectus, the Contract requires the minimum expenditure of US\$35,284,000 to be spent during the initial term of the Contract, which now expires on 13 November 2010. The Competent Person's Report in Section 12 of this Prospectus states that this minimum expenditure requirement should be met by the end of 2009. Although severe climatic conditions experienced in the Alakol Block area meant that this was not reached by the end of 2009, NCPL had spent approximately US\$31,754,000 towards this minimum expenditure as at 31 December 2009. The minimum expenditure commitment is expected to be met by expiry of the term of the Contract.

7.7 Term of Contract

The initial 5 year term of the Contract expires on 13 November 2010, after being extended for a further 6 months by Amendment Agreement No. 4. NCPL has applied for an extension of the term of the Contract for a further 2 year period. While the Company is confident that such an extension will be granted, there can be no guarantee that MEMR will agree to extend the term of the Contract for a further 2 years or at all.

In addition, at least 25% of the Contract area must be relinquished in 2010. The remaining part of the Contract area must be returned upon the expiry of the term of the Contract, except for any areas where a commercial discovery is made. Prior to relinquishment of the Contract area, NCPL and Remas must reclaim the land and other objects of nature disturbed as a result of their operations to a condition suitable for further use.

7.8 Recent Drilling Activities

As noted in Section 6.3 and the covering letter to the Competent Person's Report set out in Section 12 of this Prospectus, NCPL conducted the drilling of one exploratory well to 2,487 metres in August of 2009 in the southern trough of the South Eastern part of the Alakol Block. Due to the severe climatic weather conditions experienced subsequent to such drilling, NCPL decided to temporarily conserve the well until 2010 when further testing of the well is to be conducted. As a result, partial temporary conservation of the well and reclamation of the well site was carried out during September of 2009.

Testing is yet to be done with respect to such drilling activities and, as a result, no results have been produced from the well. The Competent Person notes in the covering letter to the Competent Person's Report set out in Section 12 of this Prospectus that any new information or results arising from any testing carried out in the future in respect of the exploratory well that has been drilled may significantly affect the Prospective Resource Volumes shown in the report.

7.9 Exploration and Development Risks

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (c) the discovery and/or acquisition of economically recoverable reserves;
- (d) access to adequate capital for project development;
- (e) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (f) securing and maintaining title to interests;
- (g) obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production; and
- (h) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual hydrocarbons and formations, flow consistency and reliability and commodity prices affect successful project development and operations.

Drilling activities carry risk and as such, activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment. In addition, drilling and operations include reservoir risk such as the presence of shale laminations in the otherwise homogeneous sandstone porosity.

Industry operating risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of

sufficient sub-surface data from correlative well logs and/or formation core analyses). The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

7.10 Probability of Geologic Success

As noted in the Competent Person's Report in Section 12 of this Prospectus, the 5 prospects identified within the Kazakhstan Project are interpreted to carry a high degree of risk, primarily due to the lack of any direct subsurface knowledge from the basin. Miller and Lents, Ltd. estimates in its report that if all 5 prospects are drilled, there is a 63.6% chance that all 5 wells will be dry holes and this could adversely impact on the Company's financial position and prospects. Please refer to the Competent Person's Report set out in Section 12 of this Prospectus for further details.

7.11 Oil and Gas Price Volatility

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

7.12 Hydrocarbon Reserves and Resource Estimates

Hydrocarbon reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis the estimates are likely to change. This may result in alterations to development and production plans which may in turn, adversely affect the Company's operations.

7.13 General Economic and Political Risks

Changes in the general economic and political climate in Kazakhstan, Australia and on a global basis that could impact on economic growth, the oil and gas prices, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any oil and gas activity that may be conducted by the Company.

7.14 Joint Venture Parties, Contractors and Contractual Disputes

Eastern Petroleum's subsidiary, NCPL, is a party to a joint venture in respect of a 50% interest in an oil and gas licence in Alakol Basin in eastern Kazakhstan. The Company is thereby reliant upon NCPL's joint venture participants complying with their obligations.

With respect to this issue, the Directors are unable to predict the risk of:

- (a) financial failure or default by a participant in any joint venture to which the Company may become a party; or
- (b) insolvency or other managerial failure by any of the operators and contractors used by the Company in its exploration activities; or
- (c) insolvency or other managerial failure by any of the other service providers used by the Company or its operators for any activity.

Under the terms of the JOA between NCPL and Remas, all decisions of the operating committee are to be passed by a simple majority of votes. Each of NCPL and Remas will have a voting right equal to its participating interest at the time of voting. Given that neither NCPL nor Remas currently holds a majority interest in the Kazakhstan Project, the likelihood of a dispute arising between the parties may be increased. Compliance with the dispute resolution procedure set out in the JOA (and discussed further in Section 8.4(f) of this Prospectus) could result in additional costs and delays in the decision making process.

7.15 Oil Reserves and Commercial Oil Flow

Oil reserves are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, oil reserves are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and commercial oil flow plans which may, in turn, adversely affect the Company's operations.

7.16 Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to hydrocarbon production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for oil and gas, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

7.17 Environmental Risks

The Company will be subject to environmental laws and regulations in connection with operations it may pursue in the oil and gas industry, which

operations are currently in Kazakhstan. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

Impact on Environmentally Sensitive Lake Alakol Area

As noted in the Independent Expert's Report on Cost Estimates in Section 13 of this Prospectus, the Alakol State Sanctuary was created to protect the area because Lake Alakol is an important breeding and nesting ground for various wetland birds. The lake and its islands are categorised as an Important Bird Area (IBA). The IBA comprises a group of three islands that are renowned as regular nesting grounds for a variety of colonial waterbirds including several with the regional and/or global protection status.

In the event that NCPL undertakes oil field developments within the Kazakhstan Project, a rigorous environmental assessment would have to be conducted, a lengthy approval process would need to be implemented and stringent conditions imposed on NCPL's design and operating practices to protect the environmentally sensitive Lake Alakol area. This assessment may result in additional costs and delay and is therefore likely to adversely affect NCPL's exploration and development schedule.

Preliminary Environmental Impact Assessment

As noted in Section 14.4 of this Prospectus, the preliminary environmental impact assessment for the geologic survey and exploration activities and the environmental impact assessment for the exploration drilling were approved by the environmental protection authority of the Almaty Oblast. However, there is a question as to whether it was granted by the correct chain of authority. It is unclear under the legislation whether exploration of hydrocarbons is subject to approval by the Ministry of Environmental Protection (MEP) or by its territorial subdivisions. If it were the case that MEP approval should have been obtained as opposed to approval from the regional subdivision, then there is a risk that an administrative fine may be imposed on Remas and NCPL.

Remas and NCPL have also not obtained approval from the East Kazakhstan Sanitary Authorities for exploration drilling, which may result in administrative fines.

However, the risk that a fine could be imposed on the basis of damage to the environment is low since the exploration drilling with respect to well A-1 is over and no environmental damage has been identified pursuant to the Act of Acceptance of the Recultivated Lands dated 6 October 2009. In addition, the Statute of limitations for an administrative violation in the sphere of environmental protection is 6 months from the date of its occurrence. Such statute of limitations for absence of the approval from the MEP and the Almaty state sanitary expert for the exploration drilling will expire on 26 February 2010, being 6 months from the date when the exploration drilling of well A-1 was completed (i.e. 26 August 2009).

7.18 Reliance on NCPL and its Key Personnel

The Board does not currently have the expertise relevant to an oil and gas project in Kazakhstan and accordingly, the Company is substantially reliant on the expertise and abilities of NCPL (as Operator of the Kazakhstan Project) and its key personnel in overseeing the day-to-day operations of the Kazakhstan Project. Details of these persons are set out in Section 6.4. There may be a detrimental impact on the Company if NCPL fails to meet its obligations under the Contract or the JOA or one or more of the Kazakhstan Project's key personnel cease their employment or engagement with NCPL.

7.19 Competition

The Company will compete with other companies, including major oil and gas companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce oil and gas, but also carry out downstream operations on these and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

7.20 Regulatory

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

7.21 Insurance

Insurance against all risks associated with oil and gas production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

7.22 Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or identify oil reserves, failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated reservoir problems which may affect field production performance, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Risks relating to Tubatse Project

7.23 Completion Risk

Pursuant to the terms and conditions of the Asset Sale Agreement, NKWE will pay the Company a final payment of \$50,000,000 (**Final Payment**) within 30 days of the earlier of:

- (a) the grant of mining rights in respect of the Tubatse Project; and

- (b) XStrata South Africa exercising its option with NKWE such that Xstrata South Africa will acquire a 50% interest in the land the subject of the Tubatse Project.

However, receipt of the Final Payment is subject to the grant of mining rights in respect of the Tubatse Project or XStrata South Africa exercising its option with NKWE. There can be no guarantee that either of these events will occur or if they do occur that NKWE will make the Final Payment, in which case, the Company will not receive the Final Payment from NKWE and will retain a 10% interest in the Tubatse Project. Please refer to Section 8.1 of this Prospectus for a summary of the terms and conditions of the Asset Sale Agreement.

7.24 Sovereign Risk

Until completion of the Asset Sale Agreement, the Company has a 10% interest in the Genorah Platinum Farms in South Africa (a 5% interest has already been transferred to NKWE under the Asset Sale Agreement). Future government activities concerning the economy, foreign ownership or the operation and regulation of facilities such as mines or mineral exploration operations, could have a significant effect on the Company. It is not possible to guarantee that the current political and economic climate in South Africa will continue if there is a social or political upheaval or a change in leadership in the country.

The Company interest in the Genorah Platinum Farms is subject to various sovereign risks including the adverse political developments, war and civil conflict, changes in and uncertainties associated with government policy and laws, lack of law enforcement, labour unrest and changes in the ability to enforce legal rights. Should such sovereign risks arise it could potentially have a significant adverse impact on the profitability and viability of the Company.

7.25 Regulatory and Political Risks

The exploration, development and any future mining of the Genorah Platinum Farms will be subject to the laws and regulations in South Africa governing the acquisition and retention of title to mineral rights, mine development, health and worker safety, employment standards, wastes disposal, protection of the environment, and protection of endangered and protected species and other matters. It is possible that future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of existing permits and agreements applicable to the Company or the Genorah Platinum Farms, which could have a material and adverse impact on exploration activities, planned development projects or future mining operations, including by requiring the Company to cease, materially delay or restrict, development or mining operations.

Genorah will need to obtain necessary permits to conduct exploration or mining operations which can be a complex and time consuming process and the Company cannot assure whether any necessary permits will be obtainable on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop, delay or restrict Genorah from proceeding with the exploration activities or with development or future mining operations at the Genorah Platinum Farms. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruptions or restriction of exploration activities, development or mining operations or fines, penalties or other liabilities.

Mineral and Petroleum Resources Development Act

The South African Mineral and Petroleum Resources Royalty Act gives effect to section 3(2)(b) of the South African Mineral and Petroleum Resources Development Act, Act No. 28 of 2002 (**MPRDA**). The MPRDA serves to compensate the South African Government for the permanent loss of the country's non renewable resources in the form and bring South Africa's mining legislation in line with prevailing international norms.

Whereas consideration for the extraction of mineral and petroleum resources was previously payable to the South African Government only in certain cases (i.e. where mining was conducted on state land), the exploitation of all minerals and petroleum resources in South Africa will now require consideration in the form of mineral and petroleum royalties payable to the South African Government.

The mineral and petroleum royalty payment is calculated as a percentage of gross sales of mineral resources and will become payable as from 1 March 2010. The percentage is calculated in terms of different formulae depending on whether the mineral resources are unrefined or refined.

7.26 PGM Exploration and Development Risks

Exploration for PGMs is highly speculative in nature and there is no guarantee of exploration success. The exploration work (that will be managed by Genorah) in South Africa involves many risks and success in exploration is dependent upon a number of factors including, but not limited to, quality of management, quality and availability of geological expertise and availability of exploration capital. The Company can give no assurance that its future exploration efforts will result in the discovery of a mineral reserve or mineral resource or result in the discovery of any mineral resource suitable for economic extraction.

There are a number of significant environmental issues that would need to be dealt with in respect to the establishment of mine infrastructure and during the various mining activities on the Genorah Platinum Farms.

The economic viability of a PGM deposit is dependent on a number of factors, not all of which are within the control of the Company. These include deposit attributes such as size, grade and proximity to infrastructure, structural complexity including faulting and potholing, government regulations, the prevailing price of PGMs, prevailing currency exchange rates, land tenure and title, availability of capital and other factors. The complete effect of these factors, either alone or in combination, cannot be entirely predicted, and their impact may result in Genorah not being able to economically extract minerals from any identified mineral resource.

7.27 PGM Price Volatility Risk

PGM prices historically have fluctuated widely and are affected by numerous external factors beyond the Company's control.

These factors include industrial and retail demand, the availability of substitute metals for industrial uses, sales and purchases of PGMs, forward sales of PGMs by producers and speculators, levels of PGM production, short term changes in the supply and demand because of speculative hedging activities, the strength of the US dollar (the currency in which PGMs are generally quoted) and global or regional political or economic conditions of events in major PGM producing countries.

General Risks

7.28 Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

7.29 Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

7.30 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

7.31 Market Conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance and regardless of the exchange or exchanges the Company is listed on. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and
- (f) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

7.32 Reliance on Key Management

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

7.33 Investment Speculative

The above list of risk factors should not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares. Therefore, the Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

8. MATERIAL CONTRACTS

Set out below is a summary of contracts to which the Company (or Eastern Petroleum or its subsidiary, NCPL) is a party or will obtain the benefit and obligation of following completion of the Share Sale Agreement and which may be material in terms of this Prospectus.

To fully understand all of the rights and obligations of a material contract, it would be necessary to review each contract in full and the summaries should be read in that light.

8.1 Asset Sale Agreement

The Company entered into a formal sale agreement with NKWE (**Asset Sale Agreement**) on or about 7 October 2009 pursuant to which the Company agreed to sell, and NKWE agreed to purchase, 100% of the Company's rights, title and interest in the Tubatse Project (**Asset Sale**) for A\$60 million on the terms and conditions set out in the Asset Sale Agreement.

The material terms of the Asset Sale Agreement are as follows:

- (a) (**Conditions Precedent**): settlement of the Asset Sale is subject to and conditional upon:
 - (i) the Company obtaining all necessary Shareholder approvals for the Asset Sale and Shareholder approval for the Company to acquire all of the issued capital of Eastern Petroleum (**Shareholder Approval Condition**); and
 - (ii) the parties to the Asset Sale Agreement obtaining all necessary governmental or third party consents and approvals necessary to give effect to the Asset Sale,

(together, the **Conditions**). If the Conditions are not satisfied (or waived, to the extent that any Condition is capable of waiver) by 31 December 2009 or such other date as may be agreed by the parties in writing, the Asset Sale Agreement shall immediately terminate;
- (b) (**Consideration**): in consideration of the Asset Sale, NKWE will pay to the Company A\$60,000,000 in the following tranches:
 - (i) \$1,000,000 payable within one business day of exchange of the Asset Sale Agreement;
 - (ii) \$9,000,000 within 5 business days of satisfaction of the Shareholder Approval Condition (**Second Payment**); and
 - (iii) \$50,000,000 within 30 days of the earlier of the grant of mining rights in respect of the Tubatse Project and Xstrata South Africa exercising its option with NKWE such that Xstrata South Africa will acquire a 50% interest in the land the subject of the Tubatse Project (**Final Payment**);
- (c) (**Transfer of Interests**): The Company will transfer:
 - (i) a 5% interest in the Tubatse Project to NKWE upon the Second Payment being made; and

- (ii) a 10% interest in the Tubatse Project upon the Final Payment being made;
- (d) **(Repayment of Consideration):**
 - (i) The \$1,000,000 is only refundable if the Shareholder Approval Condition is not satisfied.
 - (ii) NKWE has no rights to any interest in the Tubatse Project until the Second Payment is made after which, the Company will assign a 5% interest in the Tubatse Project to NKWE.
 - (iii) If the Final Payment is not made within the prescribed timeframe, NKWE will have no right to acquire the remaining 10% in the Tubatse Project from the Company; and
- (e) **(Outgoings and Expenditure):** NKWE is responsible for all the Company's outgoings and expenditure on the Tubatse Project as and from the date of the Asset Sale Agreement. If the Final Payment is not made, the expenditure payments will not be refunded by the Company to NKWE.

The Company has provided standard warranties and undertakings in the Asset Sale Agreement in favour of NKWE with respect to the Company's interest in the Tubatse Project. The Asset Sale Agreement otherwise contains other standard clauses typical for an agreement of this nature.

As announced to ASX on 22 December 2009, NKWE paid \$10,000,000 (being the first \$1,000,000 payment and the Second Payment) to the Company and, in accordance with the terms of the Asset Sale Agreement, the Company transferred a 5% beneficial interest in the Tubatse Project to NKWE. Accordingly, the Company currently only holds a 10% interest in the Tubatse Project.

8.2 Share Sale Agreement

The Company entered into a share sale agreement (as varied) (**Share Sale Agreement**) with Eastern Petroleum Corporation Limited (**Eastern Petroleum**) and each of the shareholders of Eastern Petroleum (**Eastern Petroleum Shareholders**) on or about 7 October 2009 pursuant to which the Eastern Petroleum Shareholders will sell, and the Company will acquire, all of the fully paid ordinary shares in the capital of Eastern Petroleum (**Share Sale**).

The material terms of the Share Sale Agreement are as follows:

- (a) **(Conditions Precedent):** Settlement of the Share Sale is subject to and conditional upon satisfaction or waiver of the following (inter alia):
 - (i) the Company completing financial and legal due diligence on Eastern Petroleum and its subsidiaries, to the sole and absolute satisfaction of the Company;
 - (ii) Eastern Petroleum completing financial and legal due diligence on the Company to the sole and absolute satisfaction of Eastern Petroleum;
 - (iii) the Company obtaining all necessary shareholder approvals required by the Corporations Act and the Listing Rules in relation to the Share Sale;

- (iv) the Company receiving conditional approval to be requested on ASX or admitted to NSX and for the Consideration Shares to be admitted to ASX and/or NSX (subject to NSX or ASX imposed escrow restrictions) subject to standard conditions acceptable to the Company;
- (v) no governmental, state agency or regulatory body or any other person or organisation having instituted or threatened by notice to Eastern Petroleum, the Eastern Petroleum Shareholders or the Company any action or investigation to restrain, prohibit or challenge the Share Sale contemplated by the Share Sale Agreement or otherwise arising from the Share Sale;
- (vi) each of the Convertible Note Holders (as that term is defined in the Share Sale Agreement) converting their respective convertible notes into shares in the capital of Eastern Petroleum in accordance with the terms of the relevant convertible note agreements to which they are a party;
- (vii) the cancellation of the warrants in the capital of Eastern Petroleum to the sole and absolute satisfaction of the Company;
- (viii) no restrictions being imposed on Mr Frank Timis becoming a Director of the Company;
- (ix) Mr Frank Timis entering into executive services agreement with the Company on terms acceptable to the Company;
- (x) the Company receiving the Second Payment from NKWE in accordance with the Asset Sale Agreement; and
- (xi) the Company completing a placement of Shares to raise \$20,000,000,

(together, the **Share Sale Conditions**). If the Share Sale Conditions are not satisfied (or waived, to the extent that any Share Sale Condition is capable of waiver) by 30 April 2010 or such other date as may be agreed by the parties in writing (**End Date**), the Share Sale Agreement shall immediately terminate;

- (b) (**Consideration**): in consideration of the Share Sale, the Company will issue 4.5 Shares for every 1 Eastern Petroleum Share held, being approximately 675,965,359 Shares (**Consideration Shares**) to the Eastern Petroleum Shareholders together with 1 Option for every 5 Shares issued (totalling 135,193,072 Options) (**Consideration Options**). The Consideration Shares and Consideration Options will be issued to the following parties:

Security Holder	No. of Shares Currently Held	No. of Consideration Shares issued	No. Shares held after conversion of Consideration Options
Safeguard Management Limited as trustee of the Timis Trust	Nil	444,018,420	532,822,104
Higgins Investment Limited	Nil	40,470,953	48,565,144
Pershing Keen Nominees Limited	Nil	11,007,900	13,209,480

Exchange Minerals	Nil	8,998,286	10,797,943
Canaccord Nominees Limited	Nil	18,000,000	21,600,000
Lynchwood Nominees Limited	Nil	17,569,800	21,083,760
Hillburg International Limited	Nil	45,000,000	54,000,000
Kontillo Resources Limited	Nil	45,000,000	54,000,000
Caldwell Management AG	Nil	28,575,000	34,290,000
Milorad Soactar	Nil	675,000	810,000
Alexander Magid	Nil	1,575,000	1,890,000
Niculae Oancea	Nil	1,575,000	1,890,000
Rozica Oancea	Nil	1,125,000	1,350,000
Marius Daniel Timis	Nil	450,000	540,000
Ian Timis	Nil	2,925,000	3,510,000
Pembury Nominees Pty Limited	Nil	9,000,000	10,800,000
Total	Nil	675,965,359	811,158,431

Please also refer to Sections 4.5 and 15.3 of this Prospectus for further details of controllers' interests in the Company;

- (c) **(Escrow):** the Consideration Shares and Consideration Options will be escrowed for such time as prescribed by the Listing Rules;
- (d) **(Settlement):** settlement of the Share Sale is to occur that date which is 5 business days after the satisfaction or waiver of the last of the Share Sale Conditions;
- (e) **(Operational Costs):** The Company covenants in favour of the Eastern Petroleum Shareholders and Eastern Petroleum that during the period from the execution of the Share Sale Agreement to the first to occur of settlement or termination, the Company will bear all operational costs of Eastern Petroleum and its subsidiaries. To date this has amounted to \$5.5 million;
- (f) **(Warranties):** the Eastern Petroleum Shareholders have provided standard warranties and representations in relation to Eastern Petroleum, its subsidiaries and its interests in the Kazakhstan Project in the Share Sale Agreement in favour of the Company. The Eastern Petroleum Shareholders give such warranties severally and not jointly and severally. Each Eastern Petroleum Shareholder is only liable for each claim, action or proceeding, judgment, damage, loss, cost, expense or liability incurred by the Company (**Claim**) to the extent of their proportional shareholding in Eastern Petroleum; and
- (g) **(Limitation of Liability):** in the absence of fraud, dishonesty or wilful concealment by or on behalf of the Eastern Petroleum Shareholders, the aggregate liability of the Eastern Petroleum in respect of all Claims shall not in any event exceed \$1.

Other than as set out above, the Share Sale Agreement otherwise contains other standard clauses typical for an agreement of this nature.

8.3 Contract for Exploration of Hydrocarbon Resources

On 13 June 2005, the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (**MEMR**), Remas and NCPL entered into a Contract for Exploration of Hydrocarbon Resources in the Alakol Block in East Kazakhstan and Almaty Oblasts of the Republic of Kazakhstan (**Contract**). Remas is not a related party of Eastern Petroleum or the Company.

The Contract (as amended by Amendment Agreement No.'s 1, 2, 3 and 4 dated 19 January 2006, 26 June 2006, 6 October 2009 and 29 January 2010 respectively) permits NCPL and Remas to conduct exploration of hydrocarbon resources in the Alakol basin in the east Kazakhstan and Almaty Oblasts of the Republic of Kazakhstan. The Contract is effective as of 13 June 2005 and grants a 5 year period of exploration with two possible extensions for up to 2 years each. This initial 5 year period of exploration was extended to 13 November 2010 by Amendment Agreement No. 4 dated 29 January 2010.

The minimum work program requires monetary expenditure and fulfilment of certain work programs.

The monetary value of the minimum work program for the initial 5 year term of the Contract is US\$35,284,000. As indicated above, NCPL had spent approximately US\$31,754,000 towards this minimum expenditure as at 31 December 2009.

By NCPL drilling a further 3 wells and undertaking 700kms of seismic, it is expected that NCPL will fulfil all minimum work program obligations, being its monetary and physical obligations.

The initial 5 year term of the Contract expires on 13 November 2010, after being extended for a further 6 months by Amendment Agreement No. 4. Eastern Petroleum has advised the Company that NCPL has applied for an extension of the term of the Contract for a further 2 year period. In addition, at least 25% of the Contract area must be relinquished in 2010. The remaining part of the Contract area must be returned upon the expiry of the term of the Contract, except for any areas where a commercial discovery is made.

All subsurface users are required to submit quarterly reports to the territorial body of the Committee on Subsurface and Subsurface Use under the MEMR, confirming whether the amounts required to be spent under the current annual work program and the amounts actually spent during the reporting period.

The Contract also includes a number of local content requirements. For instance, NCPL and Remas are required to use no less than 25% of equipment, materials and products produced in Kazakhstan provided that they comply with Kazakhstan legislation on technical regulation and international quality standards. Similarly, NCPL and Remas are required to engage Kazakhstan organisations for the carrying out of no less than 45% of works and services when undertaking exploration activities, including the use of air, rail, water and other means of transportation. In addition, NCPL and Remas are obliged to give preference to Kazakhstan personnel and ensure the following percentage of Kazakhstan personnel are employed in respect of the Kazakhstan Project:

- top management – not less than 50%;
- mid level management – not less than 70%;
- specialists – not less than 90%; and

- qualified workers – 100%.

NCPL and Remas are required to ensure equal conditions and remuneration for Kazakhstan personnel compared with foreign personnel.

The Contract provides that the appropriate ecological obligations are met in conducting subsurface use operations. NCPL and Remas are further obliged to submit all pre-project and project documentation, which must contain an evaluation of the possible impact of their planned activities on the environment.

NCPL and Remas are also required to obtain obligatory insurance (including mandatory ecological insurance, environmental insurance and general civil liability insurance).

The MEMR has the right to suspend the Contract, inter alia, if NCPL and Remas violate the Kazakhstan legislation on subsurface protection, environment protection and the safe performance of operations. In addition, the MEMR is entitled to terminate the Contract in the event that NCPL and Remas significantly violate a term of the Contract.

The terms and conditions of the Contract are otherwise standard for operating agreements of this nature within the Kazakhstan oil and gas industry.

8.4 Joint Operating Agreement

On 12 April 2006, NCPL and Remas entered into a Joint Operating Agreement pursuant to which NCPL is designated as operator of the Project (**JOA**).

The material terms of the JOA are as follows:

- (a) **(Participating Interest):** each of Remas and NCPL hold a 50% participating interest pursuant to the Contract and the JOA;
- (b) **(Costs and Expenses):** all costs and expenses, liabilities, proceeds and benefits arising as a result of project operations shall be distributed between Remas and NCPL in accordance with their respective participating interests;
- (c) **(Minimum Work Programme):** NCPL is responsible for all expenses relating to the minimum work programme. In the event that such obligations are not fulfilled, NCPL shall bear liability to the MEMR and Remas;
- (d) **(Operating Committee):** The operating committee shall carry out general management, supervision and control on all matters relating to the Project operations and is to comprise 1 representative of NCPL, 1 representative of Remas and 1 representative of the Operator. The chairman of the operating committee shall be a representative of NCPL and the deputy chairman of the operating committee shall be a representative of Remas. Meetings of the operating committee are to be held at any times necessary and no less than twice a year;
- (e) **(Operator):** NCPL is appointed as the operator of the Project (**Operator**) and is responsible for the conduct of Project operations in accordance with the terms of the Contract. The Operator shall exercise all of the rights, obligations, functions and duties of the Contractor under the Contract and shall have exclusive charge of all Project operations;

- (f) **(Voting):** Each of NCPL and Remas shall have a voting right equal to its participating interest at the time of voting. All decisions of the operating committee shall be passed by a simple majority of votes. If the parties fail to make a decision by vote of the required majority, such matter will be regarded as a dispute.

In the event of a dispute, any party may notify the other of the nature of the dispute and NCPL and Remas must first, in good faith and in taking all reasonable measures, meet within 20 days of such notice to try to settle the disagreements amicably through negotiation. If the issue is not resolved within 60 days from the notice or if the parties do not meet within 20 days of the notice, then either NCPL or Remas may commence arbitration by 3 arbitrators in accordance with the current UNCITRAL (United Nations Commission on International Trade Law) Arbitration Rules. The arbitrators' decision will be final and binding on NCPL and Remas.

Notwithstanding the above, if NCPL and Remas fail to make a decision by vote of the required majority on a matter necessary for the timely performance of the Minimum Work Program, the Operator shall continue the performance of the Minimum Work Program based on the plan proposed by the Operator;

- (g) **(Term):** The term of the JOA commences on 12 April 2006 and continues until the provisions of the Contract and, if applicable, any production contract remain in force and until all property acquired for the purpose of conducting project operations has been disposed of; and
- (h) **(Governing Law):** The JOA is governed by the laws of the Republic of Kazakhstan.

The JOA otherwise contains other standard clauses typical for an agreement of this nature.

8.5 Service Agreements – Kazakhstan Project

Eastern Petroleum and its wholly owned subsidiary, NCPL, have entered into a number of agreements in respect of the Kazakhstan Project.

The majority of these contracts are service agreements pursuant to which NCPL engages various contractors for the provision of services on standard and commercial terms for agreements of their nature (**Service Agreements**).

The Service Agreements relate to the provision of the following:

- (a) drilling fluid services;
- (b) drilling services;
- (c) cementing services;
- (d) mud logging services;
- (e) storage services;
- (f) drilling crew supervision;
- (g) reporting in relation to prospects, wells, seismic data and core analysis information;

- (h) technical services; and
- (i) the supplying and moving of equipment.

8.6 Consultancy Agreement – Tony Sage

On or about 1 July 2008, the Company entered into a consultancy agreement (**Consultancy Agreement**) with Okewood Pty Ltd (**Consultant**) and Antony Sage (**Executive Chairman**) pursuant to which the Company agreed to engage the Consultant to provide the services of the Executive Chairman on the following terms and conditions:

- (a) (**Term**): the Consultancy Agreement commenced on the date of execution of the Consultancy Agreement (**Start Date**) and will continue for a period of 3 years from the Start Date (**Term**), subject to:
 - (i) earlier termination in accordance with the terms of the Consultancy Agreement; and
 - (ii) the right of the Consultant to extend the Term from 3 years to 4 years by giving notice to the Company prior to the expiration of 35 months from the Start Date;
- (b) (**Consultancy Fee**): in consideration for the Consultant providing the services of the Executive Chairman, the Company will pay the Consultant a fee (**Consultancy Fee**) of \$350,000 per annum (exclusive of GST, but inclusive of any income tax and superannuation). The Consultancy Fee will be reviewed every 6 months from the Start Date and, if considered appropriate by the Company's board of Directors, shall be increased with regard to the Consumer Price Index, changes in the market value of the Company, the Company's circumstances and the performance of the Consultant under the Consultancy Agreement. In the event that the market capitalisation of the Company reaches and maintains \$100 million for a period of 3 months, the Consultancy Fee is to be increased to \$500,000 per annum (exclusive of GST). No fee will be payable to or in respect of the Executive Chairman in his capacity as Chairman of the Company; and
- (c) (**Termination**): the Company may immediately terminate the Consultancy Agreement:
 - (i) by giving written notice to the Consultant if:
 - (A) the Consultant fails to comply with any lawful directions given by the Company;
 - (B) the Consultant fails to provide the services under the Consultancy Agreement to a satisfactory standard in the reasonable opinion of the board of the Company's Directors;
 - (C) the Consultant commits a serious or persistent breach of the Consultancy Agreement that is unable of being remedied to the satisfaction of the board of the Company's Directors;
 - (D) the Consultant fails to remedy a serious or persistent breach of the Consultancy Agreement to the satisfaction of the board of the Company's Directors

within 14 days of receiving notice from the Company of such breach;

- (E) the Executive Chairman is by reason of illness or incapacity unable to perform the services required for 40 consecutive business days or an aggregate of 60 business days in any 12 month period; or
 - (F) the Executive Chairman fails to offer himself for re-election as a Director in accordance with the requirements of the Corporations Act and the Company's constitution; or
- (ii) subject to all limits imposed by the Corporations Act and ASX Listing Rules, without cause at any time by paying the Consultant the aggregate of amounts which but for such termination would otherwise be payable under the Consultancy Agreement to the Consultant. If the Corporations Act and ASX Listing Rules impose a limit on such payment, the Company may not terminate the Consultancy Agreement without cause.

9. BOARD AND MANAGEMENT

9.1 Current Directors

Antony William Paul Sage (B.Com, FCPA, CA, FTIA) **Executive Chairman**

Mr Sage has in excess of 24 years' experience in the fields of corporate advisory services, funds management and capital raisings. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining companies for the last 15 years.

Mr Sage is also the Executive Chairman of Cape Lambert Resources Limited, Cauldron Energy Limited and Global Iron Limited, and Director of Corvette Resources Limited and FE Limited.

Timothy Paul Turner (B.Bus, FCPA, FTIA, Registered Company Auditor) **Non-Executive Director**

Mr Turner is a senior partner with accounting firm, Hewitt Turner & Gelevitis. Mr Turner specialises in domestic business structuring, corporate and trust tax planning and the issuing of audit opinions. Mr Turner also has in excess of 21 years' experience in new ventures, capital raisings and general business consultancy.

Mr Turner has a Bachelor of Business (Accounting and Business Administration), is a registered company auditor, Fellow of CPA Australia and a Fellow of the Taxation Institute of Australia.

Mr Turner is also a director of Cape Lambert Resources Limited, Global Iron Limited and Legacy Iron Limited.

Mark Gwynne **Non-Executive Director**

Mr Gwynne has been involved in exploration and mining for over 17 years and has held management positions on mine sites and in the service sector of the mining industry, including general manager of an exploration consultancy. Mr Gwynne has extensive skills in exploration and mining logistics and management, as well as acquisition and divestment of mineral assets.

Mr Gwynne is also a director of Monitor Energy Limited and FE Limited.

9.2 Proposed Directors:

Frank Timis **Non Executive Director**

Mr Timis is a successful resource entrepreneur. He has interests in numerous resource companies listed in London, Australia and Toronto and assets worldwide. Mr Timis has raised approximately US\$1 billion on the financial markets worldwide and is Executive Chairman of African Minerals Limited, an AIM listed mineral exploration company with significant interests in Sierra Leone.

He was Executive Chairman and a director of Regal Petroleum plc (**Regal**) from 29 July 2002 until his resignation on 7 June 2005. On 17 November 2009, the London Stock Exchange (the **Exchange**) issued a public censure and fine of £600,000 against Regal for breaches of AIM Rules (the **Regal Decision**) relating to Regal's notifications (the **Notifications**) and delays in notifying the market of

material developments (together the Notifications and delay being referred to as the **Public Censure Matters**) during the period 27 June 2003 to 19 May 2005 (the **Relevant Period**).

There were a number of other directors of Regal during the Relevant Period and the Regal Decision did not specifically criticise the actions of Mr Timis or of any other individual director during the Relevant Period, nor did the resulting sanctions apply to the directors individually. Neither Mr Timis nor any other director was sanctioned or prosecuted as a result of his actions as a director of Regal during the Relevant Period.

In 2007, Mr Timis was Executive Chairman of an AIM listed company that released 2 announcements to AIM which were subsequently determined to contain misleading and unrealistically optimistic statements about the prospects and actual results of the company's operation and, as a result, the company was found to be in breach of the AIM Rules for failing to take reasonable care to ensure that they were not misleading. A private censure and fine of £75,000 was issued by AIM in January 2008.

Further, Timis received a number of penalties and sanctions in Australia relating to various minor and largely driving related offences and two (2) narcotic related offences, an assault charge and a charge for failing to store explosives correctly. In the first narcotics offence, Timis was convicted in 1990 for heroin sell or supply and fined \$10,000. In the second narcotics offence, Timis was charged in 1991 with possession of approximately 17 grams of heroin with intent to sell or supply it to another and fined \$17,000. Under Australian Law, possession in the amount stated carries a prescription of intent.

In May 2002, the Toronto Stock Exchange (**TSX**) advised Mr Timis that TSX had determined that he was unsuitable to act as a director, officer or major or controlling shareholder of a TSX listed issuer due to Mr Timis' failure to disclose his previous heroin convictions on a personal information statement provided to TSX. In November 2007, TSX again determined that Mr Timis was unsuitable to act as a director, officer or major or controlling shareholder of a TSX listed issuer on the basis of both this failure to disclose and the Regal Decision (as outlined above). These determinations by TSX do not constitute a ban on Mr Timis being a director of an unlisted company in this jurisdiction. Further, Mr Timis is continuing to provide information requested by TSX in respect of Timis' request for TSX to reconsider the unsuitability of Timis as a director of a TSX listed entity.

The Company recognises the need to balance the benefits of Mr Timis's knowledge of the Kazakhstan Project with the interests of investors in light of the recent Regal Decision and the ASX Decision. While the current Board acknowledges his intimate knowledge of the oil and gas industry in Kazakhstan and his relationship with those persons that have been involved with the Kazakhstan Project to date, he will not have an integral role in its day-to-day operations. As non executive director of the Company, it is proposed that Mr Timis will be involved, in conjunction with the Kazakhstan Project management team, in forming and securing high level governmental and national oil relationships in respect of the Kazakhstan Project. Any securing or consummating of contracts or relationships would require the consultation and approval of the Board but it is envisaged that Mr Timis, through his established relationships in respect of the Kazakhstan Project, will be involved in initial dealings and negotiations. However, Mr Timis will not have a significant role in the day-to-day operations of the Kazakhstan Project. This will be carried out by the management team (referred to in Section 6.4).

In accordance with the Company's corporate governance policies, the release of information to the Company's applicable exchange in accordance with the

Company's continuous disclosure obligations will be determined by the Board as a whole on advice from technical, financial and legal persons, where appropriate and the recommendation from the Continuous Disclosure Committee (refer to Section 9.4).

Mr Timis will not be a member of the Continuous Disclosure Committee, Audit Committee or Remuneration Committee.

Mark Ashurst
Non Executive Director

Mr Ashurst graduated from Sheffield University with a degree in law and is a qualified Barrister and Chartered Accountant. He is a member of the Institute of Chartered Accountants in England and Wales. Mr Ashurst has been employed as a senior investment banker with a broad range of corporate finance and broking skills gained from over 20 years in the City of London. Institutions Mr Ashurst has worked for include BZW, Hoare Govett and, more recently, Canaccord Adams. He has advised both UK and overseas listed companies and has significant expertise in IPO's, fund raising and mergers and acquisitions. Mr Ashurst is a Non-Executive Director of African Minerals Limited and is a Director of Eastern Petroleum Corporation Limited.

9.3 Management of the Kazakhstan Project

The Board does not currently have the all the expertise relevant to an oil and gas project in Kazakhstan and accordingly, the Company is substantially reliant on the expertise and abilities of NCPL (as Operator of the Kazakhstan Project) and its key personnel in overseeing the day-to-day operations of the Kazakhstan Project. Details of these persons and the reporting channels within the Company in relation to the Kazakhstan Project are set out in Sections 6.4 and 6.5 respectively. As indicated in Section 9.2 above, Mr Timis will not have an integral role in the day-to-day operations of the Kazakhstan Project.

The only Directors that will have any involvement in the daily operations of the Kazakhstan Project are Mark Ashurst (as overall responsibility for financial reporting on Eastern Petroleum and its subsidiaries) and Mark Gwynne (until a Chief Executive Officer is engaged).

Please refer to Section 6.3 for further details of the management of the Kazakhstan Project.

9.4 Corporate Governance

The Company's main corporate governance policies and practices are outlined below:

The Board of Directors

The Company's Board of Directors is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and

- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

Remuneration arrangements

The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-executive Director. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate amount of \$200,000 per annum.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

Nominated Advisor

In accordance with the rules of NSX, IPO proposes to appoint Steinepreis Paganin Lawyers and Consultants as its nominated advisor (**NOMAD**). Steinepreis Paganin has been lawyers to IPO since incorporation and advised on the spin off of IPO from Cape Lambert Resources Limited, so it is familiar with the company, its board and its assets. It is proposed that Steinepreis Paganin will be consulted and advise on announcements issued by IPO that are price sensitive.

Continuous Disclosure Committee

In accordance with its existing corporate governance policies, IPO proposes to establish a Continuous Disclosure Committee (comprising Messrs Turner, Ashurst and Gwynne) which will prepare (in conjunction with other relevant parties) and recommend all announcements that are then finally approved and signed off by the NOMAD and Mr Sage (Chairman of the Company) before being released to the relevant exchange. This committee and the NOMAD will complement and strengthen the continuous disclosure policy currently in place for IPO. In addition, the reporting procedures set out in Section 6.5 of this Prospectus will be followed to ensure the Company's compliance with all continuous disclosure reporting requirements in respect of the Kazakhstan Project.

Specifically, all announcements of IPO will be made from the offices in Perth (by persons who are experienced in making securities exchange announcements) and no announcement will be made without the initial recommendation of the Continuous Disclosure Committee and the subsequent approval of the NOMAD and Mr Sage. Specifically, although Mr Timis will be consulted on the release of announcements, he will not have the authority to release announcements. The only persons that have access to the announcement platform for IPO is the company secretary and chief financial officer and in accordance with the Continuous Disclosure Policy outlined above, those persons will not release an announcement until it has the final approval of the NOMAD and Mr Sage. Both the company secretary and chief financial officer are experienced in listed companies and dealings with securities exchanges to appreciate the necessity of the above process being followed.

IPO also has a Director's Code of Conduct which addresses the policy surrounding public and media comment. Specifically, individuals are not permitted to make official comment on matters relating to IPO unless they are authorised by Mr Sage.

10. FINANCIAL SECTION

10.1 IPOs Unaudited Pro Forma Consolidated Statement of Financial Position as at 31 December 2009

The table below sets out the adjustments to arrive at the IPO Unaudited Pro Forma Consolidated Statement of Financial Position as at 31 December 2009. The IPO Unaudited Pro Forma Consolidated Statement of Financial Position has been prepared in accordance with the basis of preparation as disclosed below. The disclosure requirements of Australian Accounting Standards have not been complied with.

10.2 Basis of Preparation

The IPO Unaudited Pro Forma Consolidated Statement of Financial Position as at 31 December 2009 has been prepared, as disclosed in the table below, by combining the Reviewed Statement of Financial Position of IPO as at 31 December 2009 with the Unaudited Pro Forma Consolidated Statement of Financial Position of EPCL as at 31 December 2009, and includes Pro forma Adjustments as disclosed in Notes 2 to 9 below. The IPO Unaudited Pro Forma Consolidated Statement of Financial Position as at 31 December 2009 has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards, except in respect to the Pro forma adjustments.

The Reviewed Statement of Financial Position of IPO as at 31 December 2009 has been extracted from the reviewed financial statements of IPO for the half year ended 31 December 2009 prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* and lodged with the Australian Securities and Investments Commission on 16 March 2010.

The unaudited consolidated management accounts of EPCL as at 31 December 2009 were prepared in accordance with UK Generally Accepted Accounting Principles ("UK GAAP") and the unaudited EPCL Consolidated Statement of Financial Position as at 31 December 2009 has been adjusted to comply with the recognition and measurement requirements of Australian Accounting Standards and converted into Australian dollars as detailed in Note 1 below to arrive at the Unaudited Pro Forma Consolidated Statement of Financial Position of EPCL as at 31 December 2009.

The Statement of Financial Position of IPO as at 30 June 2009 has been extracted from the audited financial statements of IPO for the year ended 30 June 2009 prepared in accordance with Australian Accounting Standards and lodged with the Australian Securities and Investments Commission on 25 September 2009.

The audited consolidated financial statements of EPCL as at 31 December 2008 were prepared in accordance with UK GAAP and the EPCL Consolidated Statement of Financial Position as at 31 December 2008 has been adjusted to comply with the recognition and measurement requirements of Australian Accounting Standards and converted into Australian dollars as detailed in Note 1 below to arrive at the Unaudited Pro Forma Consolidated Statement of Financial Position of EPCL as at 31 December 2008.

Management of IPO has taken the view that no significant transactions (except those reflected as Pro forma adjustments as set out in the notes below) have occurred since 31 December 2009.

Summarised Statements of Financial Position as at 31 December 2009

	Reviewed IPO 31 December 2009 \$'000 (Note 1)	Unaudited Pro forma EPCL 31 December 2009 \$'000 (Note 2)	Pro forma Adjustments \$'000	IPO Unaudited Pro forma Consolidated 31 December 2009 \$'000	Notes
Current Assets					
Cash and cash equivalents	11,407	881	28,197	40,485	3,4,6
Trade and other receivables	99	1,395	-	1,494	
Total Current Assets	11,506	2,276	28,197	41,979	
Non Current Assets					
Trade and other receivables	3,313	-	(3,313)	-	7
Exploration and evaluation asset					
- Tubatse Platinum Mine					
Project (held for sale)	14,538	-	23,269	37,807	3,5
- Project in the Alakol					
Basin in Kazakhstan	-	45,874	-	45,874	
Property plant and equipment	-	47	-	47	
Other financial assets	2,622	-	-	2,622	
Total Non Current Assets	20,473	45,921	19,956	86,350	
Total Assets	31,979	48,197	48,153	128,329	
Current Liabilities					
Trade and other payables	134	7,276	(3,313)	4,097	7
Current tax liability	1,650	-	-	1,650	
Total Current Liabilities	1,784	7,276	(3,313)	5,747	
Non Current Liabilities					
Provisions	-	293	-	293	
Deferred tax liability	433	-	11,342	11,775	5
Total Non Current Liabilities	433	293	11,342	12,068	
Total Liabilities	2,217	7,569	8,029	17,815	
Net Assets	29,762	40,628	40,124	110,514	

Equity

Issued Capital	29,577	165,526	50,355	245,458	4,5,6,9
Reserves	5,004	(110,016)	(5,004)	(110,016)	5
Accumulated losses	(4,819)	(14,882)	(5,227)	(24,928)	5,6
Total Equity	29,762	40,628	40,124	110,514	

Notes:

1. Reviewed Statement of Financial Position of IPO as at 31 December 2009 including the comparative Audited Statement of Financial Position of IPO as at 30 June 2009

	Reviewed IPO 31 December 2009 \$'000	Audited IPO 30 June 2009 \$'000
Current Assets		
Cash and cash equivalents	11,407	6,701
Trade and other receivables	99	151
Total Current Assets	11,506	6,852
Non Current Assets		
Trade and other receivables	3,313	-
Exploration and evaluation asset - Tubatse Platinum Mine Project (held for sale)	14,538	24,532
Property, plant and equipment	-	1
Other financial assets	2,622	1,619
Total Non Current Assets	20,473	26,152
Total Assets	31,979	33,004
Current Liabilities		
Trade and other payables	134	790
Current tax liability	1,650	-
Total Current Liabilities	1,784	790
Non Current Liabilities		
Deferred tax liability	433	-
Total Non Current Liabilities	433	-

Total Liabilities	2,217	790
Net Assets	29,762	32,214
Equity		
Issued Capital	29,577	29,577
Reserves	5,004	4,433
Accumulated losses	(4,819)	(1,796)
Total Equity	29,762	32,214

2. Restatement of the EPCL Unaudited Pro Forma Consolidated Statement of Financial Position as at 31 December 2009 in accordance with Australian Accounting Standards including the comparative Audited EPCL Consolidated Statement of Financial Position as at 31 December 2008 in accordance with Australian Accounting Standards

The unaudited 31 December 2009 consolidated management accounts of EPCL were prepared based on the recognition and measurement requirements of UK GAAP. No material differences have been identified between those accounting policies and Australian Accounting Standards for the purpose of preparing the Pro forma Statement of Financial Position.

The following pro forma adjustments have been made to arrive at the Unaudited Pro Forma Consolidated Statement of Financial Position of EPCL as at 31 December 2009.

Account Balance	Unaudited EPCL 31 December 2009 USD'000	Pro forma Adjustments USD'000	Notes	Unaudited Pro forma EPCL 31 December 2009 USD'000	Unaudited Pro forma EPCL 31 December 2009 AUD'000 (b)	Audited EPCL 31 December 2008 USD'000	Unaudited EPCL 31 December 2008 AUD'000 (b)
Current Assets							
Cash	813			813	881	470	510
Trade and other receivables	1,286			1,286	1,395	1,276	1,383
	<u>2,099</u>			<u>2,099</u>	<u>2,276</u>	<u>1,746</u>	<u>1,893</u>
Non-Current Assets							
Exploration and evaluation asset	42,319			42,319	45,874	30,845	33,436
Property, plant and equipment	43			43	47	43	47
	<u>42,362</u>			<u>42,362</u>	<u>45,921</u>	<u>30,888</u>	<u>33,483</u>

Total Assets	44,461			44,461	48,197	32,634	35,376
Current Liabilities							
Creditors	6,712			6,712	7,276	3,475	3,767
Borrowings	19,735	(19,735)	(a)	-	-	10,806	11,714
	<u>26,447</u>			<u>6,712</u>	<u>7,276</u>	<u>14,281</u>	<u>15,481</u>
Non-Current Liabilities							
Provisions	270			270	293	270	293
Borrowings	-			-	-	-	-
	<u>270</u>			<u>270</u>	<u>293</u>	<u>270</u>	<u>293</u>
Total Liabilities	26,717			6,982	7,569	14,551	15,774
Net Assets	17,744			37,479	40,628	18,083	19,602
Equity							
Issued Capital	132,963	19,735	(a)	152,698	165,526	130,963	141,965
Foreign currency translation reserve	26			26	28	26	28
Reserves	(101,516)			(101,516)	(110,044)	(101,516)	(110,044)
Accumulated losses	(13,729)			(13,729)	(14,882)	(11,390)	(12,347)
Total Equity	17,744			37,479	40,628	18,083	19,602

- a. Borrowings include an amount of US\$19,735,306 attributable to convertible loan notes. Each US\$1 of the convertible loan notes has a warrant to subscribe for one Ordinary share at 50 pence a share. As part of the conditions precedent of the Share Sale Transaction the convertible loan notes are required to be converted to shares in EPCL. Accordingly, for the purposes of the IPO Unaudited Pro Forma Consolidated Statement of Financial Position, the entire carrying amount of the liability has been reclassified from liabilities to equity.
- b. The EPCL financial statements have a functional currency of US dollars. For the purposes of the Pro Forma Consolidated Statement of Financial Position, the Statement of Financial Position of EPCL has been translated to Australian dollars using the 6 April 2010 closing foreign exchange rate from the Reserve Bank of Australia of 0.9225.

3. Sale of Assets to NKWE

On 7 October 2009, IPO entered a formal sale agreement with NKWE Platinum Limited (NKWE) to sell its 15% interest in the Tubatse Platinum Mine Project in South Africa (Tubatse Project). The sale will be made subject to a number of pre-conditions and for total consideration of \$60.0 million (as described in Appendix A). The transaction is effectively structured in two separate tranches, as follows:

- Tranche 1 – sale of 5% interest by way of a payment of a \$1.0 million deposit (refundable only if IPO shareholder approval is not received) and \$9.0 million payment on approval of the transaction by IPO shareholders.
- Tranche 2 – remaining 10% interest transferred on payment of a further \$50.0 million when either a Mining Right Grant is obtained or Xstrata South Africa obtains an interest in the Tubatse Project land.

Section 8.1 of this Prospectus summarises the material terms of this sale agreement.

Tranche 1 of \$10.0 million was received by IPO in respect of the sale of IPO's 5% interest in the Tubatse Project in December 2009. This \$10.0 million has been recognised as a reduction in the carrying amount of the exploration and evaluation asset in the Reviewed Statement of Financial Position of IPO as at 31 December 2009. The \$50.0 million final payment (as reduced by any free carry payments in the intervening period) has not been recognised and will only be recognised when the pre-conditions are satisfied.

4. Share Placement

IPO will raise a maximum of \$30.0 million through a placement of 100,000,000 Shares at \$0.30 per Share. The impact of the share placement is recognised as a pro forma adjustment by an increase in cash and cash equivalents and an increase in issued capital of \$30.0 million.

5. Purchase of Shares in EPCL (Share Sale)

For the purposes of the IPO Unaudited Pro Forma Consolidated Statement of Financial Position as at 31 December 2009, EPCL is considered the accounting acquirer and the business combination is recognised as a 'reverse acquisition' of IPO (the accounting acquiree). This results in the assets and liabilities of IPO being required to be fair valued at the date of acquisition. A summary of the reverse acquisition is as follows:

	\$'000
Total consideration transferred⁽¹⁾	81,720
Less: Funding provided to EPCL pre acquisition ⁽³⁾	(3,313)
	78,407

Fair value of assets and liabilities acquired:

Current assets ⁽²⁾	39,703
Trade and other receivables	-

Property, plant & equipment	-
Exploration and evaluation asset ⁽⁴⁾	37,807
Other financial assets	2,622
Current liabilities	(134)
Current tax liabilities ⁽⁵⁾	(1,650)
Deferred tax liabilities ⁽⁶⁾	(11,775)
Total fair value of assets and liabilities acquired	66,573
Excess Consideration⁽⁷⁾	11,834

⁽¹⁾ This represents the fair value of the Company's Shares on issue (152,400,004), the Converting Performance Shares (20,000,000) and the shares to be issued from the Share Placement (100,000,000) based on the assumed price of \$0.30 per share.

⁽²⁾ The current asset balance includes the proceeds from the share placement (Note 4 above) reduced by transaction costs (Note 6 below). The share placement is a condition precedent of the Share Sale Transaction. The current asset balance further includes the proceeds from the sale of the 5% interest in the Tubatse Project (Note 3 above).

⁽³⁾ For the purposes of determining the consideration transferred, the funding of \$3.3 million provided to EPCL by IPO has been treated as a reduction of consideration.

⁽⁴⁾ The exploration and evaluation asset represents IPO's 10% retained interest in the Tubatse Project. The fair value of this asset has been based on the sales price agreed to in the IPO / NKWE Asset Sale of \$50.0 million. No adjustment to the fair value has been made in respect of outgoings and expenditure paid by NKWE in respect of IPO costs for the purposes of the pro forma adjustment. The \$50.0 million has an expected payment date of two years after the signing of the asset sale agreement and therefore has been discounted at 15% to reflect a net present value of \$37.8 million.

⁽⁵⁾ As recorded in the Reviewed Statement of Financial Position of IPO as at 31 December 2009, it has been assumed that the A\$10 million received by IPO in respect of the sale of IPO's 5% interest in the Tubatse Project (Refer Note 3) will be subject to tax in South Africa at a rate of 16.5% being the effective tax rate for non-residents. It has been assumed that no withholding tax is payable.

⁽⁶⁾ In preparing the IPO Unaudited Pro Forma Consolidated Statement of Financial Position it has been assumed that the only balance to have a deferred tax implication is the exploration and evaluation asset resulting in a deferred tax liability of \$11.3 million using a tax rate of 30%.

It has been assumed that carry forward tax losses will not be available to offset deferred tax liabilities due to the Share Sale impacting the ability of IPO to meet the requirements of the continuity of ownership test and same business test in the Australian tax law.

⁽⁷⁾ The Excess Consideration has been written off to the profit and loss.

6. Transaction Costs

Transaction costs are assumed to be \$1.8 million. Of this \$1.8 million, \$1.79 million is attributable to the share placement and accordingly recorded as a reduction to Issued Capital.

7. Elimination of Intercompany Loans

The trade and other receivables amounting to \$3.3 million represent funding IPO has provided to EPCL which has been adjusted in the IPO Unaudited Pro Forma Consolidated Statement of Financial Position as it would be eliminated on consolidation.

8. Exercise of Options

The options issued to Eastern Petroleum Shareholders pursuant to the Share Sale Agreement ("Consideration Options") have been assumed not to be exercised for the purposes of the IPO Unaudited Pro Forma Consolidated Financial Statement of Financial Position. Had the Consideration Options been exercised cash and cash equivalents and Issued Capital would increase by \$33.8 million (135,193,072 Consideration Options exercised at \$0.25). Refer to Section 4.6 of this Prospectus.

9. Company's Capital Structure

Refer to Section 4.6 of this Prospectus for the effect of the Offer and the completion of the Asset Sale, the Share Sale and the Placement on the Company's capital structure.

The Directors
International Petroleum Limited
18 Oxford Close
Leederville, WA 6007

23 April 2010

Dear Sirs

**INVESTIGATING ACCOUNTANTS' REPORT ON PRO FORMA STATEMENT OF
FINANCIAL POSITION OF INTERNATIONAL PETROLEUM LIMITED (FORMERLY
INTERNATIONAL GOLDFIELDS LIMITED) AS AT 31 DECEMBER 2009**

Introduction

Deloitte Touche Tohmatsu (Deloitte) has been engaged by the Directors of International Petroleum Limited (IPO or the Company) to prepare this Investigating Accountants' Report (Report) for inclusion in a Replacement Prospectus to be issued by IPO in respect of a public offering of new securities in IPO (the Equity Raising) for the primary purpose of meeting the admission requirements of the National Stock Exchange (NSX).

References to IPO and other terminology used in this report have the same meaning as defined in the definitions of the Replacement Prospectus.

Pro forma Statement of Financial Position as at 31 December 2009

Deloitte has been requested to prepare a report covering the following Pro forma Statement of Financial Position as at 31 December 2009, as set out in Section 10 of the Replacement Prospectus:

- The Unaudited Pro forma Consolidated Statement of Financial Position of IPO as at 31 December 2009;
- The Pro forma adjustments as described in Section 10 of the Replacement Prospectus; and
- Relevant notes to the Unaudited Pro forma Consolidated Statement of Financial Position of IPO as at 31 December 2009.

Together the "Pro forma Statement of Financial Position".



The Pro forma Statement of Financial Position has been derived from the reviewed statement of financial position of IPO as at 31 December 2009 and the unaudited pro forma consolidated statement of financial position of Eastern Petroleum Corporation Limited (EPCL) as at 31 December 2009, after reflecting the pro forma adjustments as described in Section 10 of the Replacement Prospectus.

The Directors of IPO are responsible for the preparation and presentation of the Pro forma Statement of Financial Position, including the determination of the pro forma adjustments and the assumptions on which they have been based.

The Pro forma Statement of Financial Position is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards (including Australian Accounting Interpretations) applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

Scope

Review of the Pro forma Statement of Financial Position

We have reviewed the Pro forma Statement of Financial Position of the Company in order to report whether anything has come to our attention which causes us to believe that the Pro forma Statement of Financial Position, as set out in Section 10 of the Replacement Prospectus, is not presented fairly in accordance with the basis of preparation as described in Section 10 of the Replacement Prospectus.

Our review has been conducted in accordance with Australian Auditing Standard on Review Engagements (ASRE) 2405 “*Review of Historical Financial Information Other than a Financial Report*”. We have made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- Analytical procedures on the Pro forma Statement of Financial Position;
- A review of work papers, accounting records and other documents;
- A review of the pro forma adjustments and the assumptions on which they are based as described in Section 10 of the Replacement Prospectus;
- A comparison of consistency in application of the recognition and measurement principles in Australian Accounting Standards (including Australian Accounting Interpretations) and the accounting policies adopted by IPO and EPCL as disclosed in their respective financial statements; and
- Enquiry of the directors and management of IPO and EPCL.

Deloitte.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Pro forma Statement of Financial Position.

Review Statement

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Pro forma Statement of Financial Position set out in Section 10 of the Replacement Prospectus is not presented fairly in accordance with the basis of preparation as described in Section 10 of the Replacement Prospectus.

Subsequent Events

Apart from the matters dealt with in this Report, and having regard for the scope of our Report, nothing has come to our attention that would cause us to believe that matters arising after 31 December 2009, other than matters dealt with in Section 10 of the Replacement Prospectus, would require comment on, or adjustments to, the information contained in Section 10 of the Replacement Prospectus, or would cause such information to be misleading or deceptive.

Independence and Disclosure of Interest

Deloitte Touche Tohmatsu does not have any interest in the outcome of the Equity Raising other than the preparation of this Report and other related services in relation to the Equity Raising for which normal professional fees will be received.

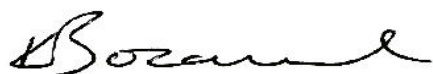
Consent

Deloitte Touche Tohmatsu has consented to the inclusion of this Investigating Accountants' Report in the Replacement Prospectus in the form and context in which it is so included, but has not authorised the issue of the Replacement Prospectus. Accordingly, Deloitte Touche Tohmatsu makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Replacement Prospectus.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Kathleen Bozanic
Partner
Chartered Accountants

12. COMPETENT PERSON'S REPORT



April 6, 2010

The Directors
International Petroleum Limited
18 Oxford Close
Leederville WA 6007
Australia

Re: International Petroleum Limited
Competent Person's Report

Dear Sirs:

Miller and Lents, Ltd. (MLL) understands that International Petroleum Limited (ACN 118 108 615) (the Company) has entered into a Share Sale Agreement with Eastern Petroleum Corporation Limited (Eastern Petroleum) and each of the shareholders of Eastern Petroleum to acquire all of the fully paid ordinary shares in the capital of Eastern Petroleum. Eastern Petroleum's wholly owned subsidiary, North Caspian Petroleum Limited, operates and owns a 50 percent interest in subsoil use rights for the exploration of hydrocarbons in blocks in East-Kazakhstan and Almaty Oblasts covering approximately 32,000 square kilometres in the Alakol and Balkhash sedimentary basins in eastern and south-eastern Kazakhstan (Kazakhstan Project).

MLL was commissioned by Eastern Petroleum to provide a Competent Person's Report on Eastern Petroleum's interests in the Kazakhstan Project. The Competent Person's Report is to be included in a Prospectus to be lodged by the Company with the Australian Securities and Investments Commission for the offer of up to 100,000,000 fully paid ordinary shares in the capital of the Company (Share) at a price of \$0.30 per Share to raise up to \$30,000,000 (before costs of the offer) (Prospectus). MLL gives its consent for the inclusion of the Competent Person's Report in the Prospectus in the form and context in which it appears.

The Competent Person's Report was prepared by MLL during June and July of 2008 and was updated during June and July of 2009 at the request of Eastern Petroleum. The analysis, conclusions and methods contained in the report are based on information available up to and including the date of the report and MLL has not updated, and undertakes no duty to update, anything contained in the report. MLL has no reason to doubt the authenticity or substance of the information provided. However, MLL is aware that an additional exploratory well has been drilled in the Alakol Basin since the date of the report. While MLL understands that testing is yet to be conducted in respect of such drilling activities, any new information or results arising from any testing carried out in the future may significantly affect the estimates shown in the report.

The conclusions contained in the report are based on assumptions that MLL believed were reasonable at the time of its preparation. However, there are a wide range of uncertainties and risks that are outside the control of MLL which may impact these assumptions including, but not limited to,

The Directors
International Petroleum Limited

April 6, 2010
Page 2

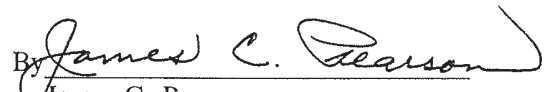
unforeseen market changes, actions of governments or individuals, natural events, economic changes, changes of laws and regulations or interpretation of laws and regulations.

MLL declares that it has no material interest in the Company, its associated entities, or in the assets described in the Competent Person's Report. MLL charged Eastern Petroleum a professional fee for services rendered, the quantum of which is unrelated to the outcome or content of the report.

The Prospectus contains references to the report prepared by Miller and Lents, Ltd. for the exclusive use of Eastern Petroleum Corporation Limited. In addition, a copy of the report is included in the Prospectus. The analysis, conclusions and methods contained in the report are based upon information that was in existence at the time the report was rendered and Miller and Lents, Ltd. has not updated and undertakes no duty to update anything contained in the report. While the report may be used as a descriptive resource, investors are advised that Miller and Lents, Ltd. has not verified information provided by others except as specifically noted in the report, and Miller and Lents, Ltd. makes no representation or warranty as to the accuracy of such information. Moreover, the conclusions contained in such report are based on assumptions that Miller and Lents, Ltd. believed were reasonable at the time of its preparation. However, there are a wide range of uncertainties and risks that are outside of the control of Miller and Lents, Ltd. which may impact these assumptions, including but not limited to unforeseen market changes, actions of governments or individuals, natural events, economic changes, and changes of laws and regulations or interpretation of laws and regulations. Furthermore, neither Miller and Lents, Ltd., nor its affiliates, nor its agents nor representatives nor any other person acting on its or their behalf (a) makes any representation or warranty, expressed or implied (including but not limited to any representation or warranty that the implementation or use of the information contained therein will (i) result in compliance with applicable law or (ii) provide a perfect result), with respect to the use of any information disclosed in such report; or (b) assumes any liability with respect to the use of any information disclosed in such report. As used in this paragraph, the term information includes, without limitation, the analysis, conclusions and methods of the report, whether provided or prepared by Miller and Lents, Ltd. or others, and any data upon which any of the foregoing were based.

Yours very truly,

MILLER AND LENTS, LTD.

By 
James C. Pearson, P.E.
Chairman

JCP/slc

Competent Person's Report

Prepared for

Eastern Petroleum Corporation Ltd.

By

Miller and Lents, Ltd.
Oil and Gas Consultants
Houston, Texas

July 27, 2009



EXECUTIVE SUMMARY

This Competent Person's Report was prepared by Miller and Lents, Ltd. (MLL) during June and July of 2008 and was updated during June and July of 2009 at the request of Eastern Petroleum Corporation Ltd. (Eastern Petroleum), London, United Kingdom. The report presents our estimates of the Prospective Resources as of April 1, 2009, associated with five prospects and six leads delineated within an Exploration License owned by Eastern Petroleum located in the Alakol Basin in the eastern portion of the Republic of Kazakhstan (Figure 1). The Prospective Resources reported herein conform to the standards of the Petroleum Resources Management System (PRMS), which was prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE). The document (SPE-PRMS) was reviewed and jointly sponsored by the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers and was approved by the SPE Board of Directors in March 2007. Definitions from the SPE-PRMS are included in the Appendix.

Eastern Petroleum operates and owns a 50 percent interest in an Exploration License that covers approximately 32,000 square kilometers in the Alakol Basin in eastern Kazakhstan (Figure 2). The initial five-year period of the Exploration Contract will expire June 13, 2010 (Table 1). Eastern Petroleum owns the 50 percent interest through its wholly-owned subsidiary, North Caspian Petroleum Limited (NCPL), and the remaining 50 percent is owned by the Remas Corporation. NCPL is the operator. The license requires the expenditure of \$35 MM on the Minimum Work Program during the first five year period. As of June 30, 2009, Eastern Petroleum has spent approximately \$26 MM toward funding the Minimum Work Program (100 percent), and is currently spending about \$2 MM per month. Therefore, Eastern Petroleum should meet the expenditure requirement of \$35 MM by the end of 2009.

The Alakol Basin is located in eastern Kazakhstan and borders the western boundary of the People's Republic of China. The basin, an extensional depocenter filled primarily with fluvial and lacustrine clastics, was initially formed during the late Paleozoic as an accommodation to complex, regional collision and shearing along a large subduction zone. Non-marine clastic deposition followed the cessation of extension in the Early Jurassic. The basin has undergone several periods of uplift from late Jurassic through the Paleogene.

The stratigraphy and subsurface geology of the prospective Jurassic reservoirs is currently highly uncertain as there are no known penetrations of the Jurassic section in the basin. The predicted stratigraphic and depositional characteristics of the Jurassic reservoirs are based upon the study of nearby surface outcrops and interpreted seismic stratigraphy from the 1,360 kilometers of 2D seismic used to delineate the structures within the license. The proximity of the basin to the postulated sediment source suggests a depositional system consistent with fluvial and lacustral deposits.

Oil seeps have been observed in many water wells in the area, but degradation of the oil has prevented positive correlation with total organic carbon (TOC) from the Jurassic rocks.

The structure of five prospects was delineated using 2D seismic and the interpretation was reviewed by MLL in Eastern Petroleum's offices in London. The structural interpretation presented appeared reasonable and was accepted for use in our evaluation.



MLL estimated the probability of geological success (P_g) that integrates the 2D seismic data interpretation, regional geological studies, public data, and local analogy. MLL developed a range of potential reservoir volumes for each prospect from the 2D seismic interpretation and ranges for reservoir parameters using seismic stratigraphic interpretation, public data, and local analogy. All reservoir parameters are consistent with the postulated depositional environment. Ranges for porosity, oil saturation, formation volume factor, and recovery factor, were obtained from Arps, et al¹ and adjusted to local conditions. MLL adjusted the recovery factor range to account for the depositional environment, incorporating slightly higher recoveries for the best and high estimates as defined by Arps, et al. The adjustment is consistent with suggested values by Tyler² where depositional environment is considered in the range of recovery estimates.

MLL used Monte Carlo simulation incorporating the ranges of reservoir volume and other parameters to estimate the range of gross Prospective Resources for each prospect. The estimated gross 100 percent Prospective Resources volumes for the successful case, in which five prospects are drilled and discover oil, are summarized below and in Table 3. No consideration is given in the analysis to the economics or commerciality of development associated with these prospects.

Successful Case Results Gross (100%) Prospective Resources Volumes

Prospect	Low Estimate P90, MMBO	Best Estimate P50, MMBO	High Estimate P10, MMBO	Probability of Geologic Success, P_g , %
H	5.8	52.1	459.9	8.9
K	4.5	32.9	236.5	8.9
L	1.8	23.5	300.8	8.9
N	5.1	40.3	316.3	8.9
CC	3.1	20.1	128.1	7.6

The probability of discovering the low, best, and high estimates of resource volumes is different for each quantity and is distinct from the probability of geologic success. The probability associated with each volume is the product of P_g and the probability associated with the volume on the distribution curve of all potential volumes.

The five evaluated prospects are interpreted to carry a high degree of risk, primarily due to lack of any direct subsurface knowledge from the basin. MLL estimates that if all five prospects are drilled, there is a 63.6 percent chance that all five wells will be dry holes. Assuming that all five prospects are drilled, and considering the possible combinations of dry holes among the five wells, the statistical

¹ API Bulletin D-14: A Statistical Study of Recovery Efficiency

² Tyler N., et al (1991), Bureau of Economic Geology, "How Stratigraphy Influences Oil Recovery"



aggregation of the gross (100 percent) and net (50 percent) Prospective Resources volumes is summarized below and in Table 4.

Statistical Aggregation of Five Prospects, All Outcomes

	Gross			Net		
	Low Estimate P90, MMBO	Best Estimate P50, MMBO	High Estimate P10, MMBO	Low Estimate P90, MMBO	Best Estimate P50, MMBO	High Estimate P10, MMB)
Statistical Aggregate	5.2	41.0	309.6	2.6	20.5	154.8

Note: No dependencies are assumed among the prospects in this analysis.

Six leads, A, C, E, EE, M, and NN (Figure 2) were evaluated with the results shown in the table below. These leads could develop into prospects if additional seismic data would delineate drillable prospects. Thirteen additional leads were described in information provided by Eastern Petroleum, but MLL did not quantify resource volumes for these leads because of insufficient data.

Successful Case Results Gross (100%) Lead Resources Volumes

Leads	Low Estimate P90, MMBO	Best Estimate P50, MMBO	High Estimate P10, MMBO	Probability of Geologic Success, P _g , %
A	8.0	123.6	1,860.0	4.5
C	3.6	52.3	757.3	7.6
E	3.6	45.9	591.6	7.6
EE	3.4	32.5	309.3	7.6
M	8.0	86.0	902.7	4.5
NN	5.7	76.9	1,036.8	8.9

MLL did not conduct a site visit of the license area since there are no existing facilities or operations to evaluate and we do not believe it would provide a material contribution to the integrity of the report.



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INTRODUCTION

This report presents estimates, as of April 1, 2009, of the gross Prospective Resources contained in five prospects and six leads located within a 32,000 square kilometer license controlled by Eastern Petroleum in the Alakol Basin in the Republic of Kazakhstan. Prospective Resources are the quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

In the preparation of this report, MLL personnel reviewed information and data presented by Eastern Petroleum in their London office in the United Kingdom and additional information and data sent to the MLL office in Houston, Texas. The data and information included approximately 1,360 kilometers of interpreted 2D seismic data, a gravity and magnetics study of the Alakol Basin prepared by GETECH, a geochemistry analysis and report prepared by Oceangrove, an interpretation of the surface geology incorporating satellite imagery and conventional outcrop mapping by the NPA Group (2006) and NEDRA LLP (2006), air quality reports used to identify airborne hydrocarbons, several internal reports by Eastern Petroleum that identify prospects and the procedures used to identify prospects within the basin, and a resources report prepared by Senergy, Ltd. The data reviewed by MLL appeared reasonable and acceptable and were used as the technical basis for this resources estimate. The data were accepted without independent verification as such was beyond the scope of this assignment.

MLL did not conduct an on-site inspection of the subject properties because there are no existing surface facilities or operations to evaluate, and we do not believe a site visit would be material to a report that describes undiscovered resources.

OVERVIEW OF THE REGION, LOCATION, AND ASSETS

The Alakol Basin is located on the eastern edge of Kazakhstan bordering the People's Republic of China (Figure 1 and 2). The basin is located approximately 140 kilometers west of the Junggar Basin in China which produces primarily from Upper Permian and Middle Triassic sandstones and conglomerates.

The subsurface geology within the Alakol Basin is not directly known as there are no deep subsurface penetrations within the area. However, in a regional context, it can be compared to the Zaysan Basin to the north and the Junggar Basin to the east (see Figure 3). The potential source rocks within the basin are of Jurassic age and are exposed in an outcrop adjacent to the basin. Geochemical analysis performed on the Jurassic outcrops proved they contained sufficient organic material to source hydrocarbons. Oil samples have been collected and analyzed from several water wells in the area, but biodegradation and/or water washing of the oil samples precludes a direct correlation with the oil taken



from the Jurassic surface outcrops. Reservoir and seal rocks have not been sampled directly but are postulated based on regional analogies. Although numerous water wells exist in the basin, the wells are shallow and do not penetrate the horizons of interest. The wells are artesian and could present some drilling problems in some of the prospect area due to abnormal pressures in the shallow water zones.

The Alakol Basin is a complex basin bounded by a major strike slip fault to the south and many minor faults to the north. Thirty-seven 2D seismic lines (approximately 1,360 kilometers) were used to delineate the prospective structures evaluated in this report (Figure 4). The seismic interpretation was done by Senenergy, Ltd. in 2008 and was reviewed by MLL in May and June 2008 and again in June 2009 for two additional leads.

The proximity of the basin to the sediment source (provenance) suggests a depositional system consistent with a fluvial/alluvial, deltaic, and lacustrine environment. The range of parameter values used for each prospect is consistent with the postulated depositional environment. Stratigraphic features such as prograding deposition associated with these environments were also identified on the 2D seismic in some of the prospects. MLL believes the major risk to hydrocarbon presence in the basin is thermal maturity of the hydrocarbon source rocks.

RESOURCES ESTIMATES

Classification of Resources

The standard employed by MLL for this resources evaluation is the Petroleum Resources Management System (PRMS), which was prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE). The document (SPE-PRMS) was reviewed and jointly sponsored by the World Petroleum Council, the American Association of Petroleum Geologists, and the Society of Petroleum Evaluation Engineers. It was approved by the SPE Board of Directors in March 2007. Definitions from the SPE-PRMS are included in the Appendix.

The petroleum resources included in this report are all classified as Prospective Resources. Prospective Resources are defined by the SPE-PRMS as those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations. Prospective Resources are further categorized under SPE-PRMS as Prospects and Leads, based on project maturity and relative chance of commerciality:

Prospect - Potential accumulation is sufficiently well defined to represent a viable drilling target.

Lead - Potential accumulation is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.



Prospective Resources estimates were made for the five prospects and six leads shown in Table 3. The prospects and leads are shown on the Location Map (Figure 2).

Evaluation of Prospects

Prospective Resources volumes were calculated probabilistically using Monte Carlo simulation techniques. The resulting continuous distribution of values is represented by “low”, “best”, and “high” estimates. As reported herein, these values follow the SPE convention in which the low estimate represents the P90 value, the best estimate represents the P50 value, and the high estimate represents the P10 value from the cumulative distribution curve of Monte Carlo simulation results.

The analysis was conducted with commercially available Monte Carlo simulation software. Probability distributions were estimated for each volumetric input parameter necessary for calculation of the Prospective Resources volume. Ranges for area and thickness were derived from overview of the 2D seismic. For the porosity, saturation, formation volume factor, and recovery factor, the range of values is taken from Arps, et al³, with modification to the high end of the recovery factor distribution to account for depositional environment. The modification is suggested by Tyler⁴ where an alluvial/fluvial, deltaic deposition is anticipated in the prospects. Lognormal distributions were employed to represent reservoir area and net reservoir thickness; a normal distribution was employed to represent recovery efficiency, and triangular distributions were used to represent porosity, oil saturation, and oil formation volume factors. Reservoir parameters were obtained primarily from public information and our experience in the area. The parameter distributions for the prospects are summarized in Table 2.

The probability of geologic success is the probability of discovering a hydrocarbon accumulation with sufficient volume to flow to the surface at a measurable rate. P_g is calculated by estimating the following chance factors applicable to the subject play and prospect: (1) occurrence of a trap, (2) occurrence of reservoir quality rocks, (3) occurrence of a hydrocarbon source, (4) hydrocarbon migration into the trap, and (5) preservation and retention of the hydrocarbon in the trap. The P_g chance factors measure the presence and effectiveness of each factor, and all factors must coincide in time and space for reservoir hydrocarbons to occur. Since these five chance factors occur independently of each other and all five must occur for a successful outcome, P_g is calculated as the product of the chance of occurrence of all five factors. P_g has not been applied to the successful case volumes in Table 3.

When assigning a P_g to the prospects, it should be noted that in this analysis each prospect is assumed to be independent from each other. At the current stage of development of the basin, the outcome of all five prospects is assumed to be independent of each other. As drilling occurs in the

³ Ibid., p. 2

⁴ Ibid., p 2



area, dependencies between chance factors and prospects will be better understood and the P_g of the remaining prospects will obviously be affected.

Thirty-seven 2D seismic lines (approximately 1,360 kilometers) were utilized to make the structural interpretations used to estimate ranges of rock volume for the prospects in this report (see example Figure 4). The range of thickness used for each prospect incorporated both regional analogies and interpretation of the 2D seismic data.

The results of our analysis for the five prospects and six leads are presented in Table 3. The range of potential prospect volumes assumes successful discovery of sufficient hydrocarbons capable of flow to the surface.

Note that the probability of discovering the low, best, and high volumes or more is different and distinct from the P_g for each prospect. The probability associated with each volume or more is the product of P_g and the probability associated with the volume on the distribution curve of all potential volumes.

The five evaluated prospects are interpreted to carry a high degree of risk, primarily due to uncertainty regarding the hydrocarbon source. MLL estimates that if all five prospects are drilled, there is a 63.6 percent chance that all five wells will be dry holes. Assuming that all five prospects are drilled, and considering the possible combinations of dry holes among the five wells, the statistical aggregation of the Prospective Resources volumes is given in Table 4.

Discussion of Leads

The Lease Area has an additional 17 leads identified (Figure 2). All leads are delineated by at least one seismic line while some have been imaged by two or more seismic lines. Six of the leads, A, C, E, EE, M, and NN (Figure 2) are the most mature and have been evaluated with the results shown in Table 3. Because of limited seismic coverage over the remaining seven leads in the Alakol Basin, closure was not observed in all directions. Six of the leads to the west are located in the adjoining Balkash Basin and are delineated by one regional seismic line. Since no geologic information was provided to MLL on the Balkash Basin, these leads were not evaluated.

OTHER ASSETS

No other assets are evaluated in this report. Eastern Petroleum represents that the main export pipeline to China runs through the contract area as well as a rail line, but no gathering and processing facilities currently exist for use in the event that discoveries are made. MLL did not independently verify the existence of the pipeline or rail line.



CONCLUSIONS

The basic data provided to MLL by Eastern Petroleum were reasonably comprehensive given the history of exploration in the Alakol Basin. The quality of the data MLL evaluated were generally good and the interpretation of the available data was acceptable to us and was used in our resources evaluation.

Due to the nature of the sample source (oil seeps in water wells) and the degradation of the samples, no direct correlation could be made between hydrocarbon source rocks and the oil samples recovered from the water wells.

The possibility exists that the time-depth velocity calibration applied to the seismic data to map the geologic structures in the basin could vary from the actual velocity model due to the fact that the only available well control point, Well-7A is located some five kilometers from the nearest seismic line and only penetrated 813 meters to the Miocene.

The estimated Prospective Resources are summarized in Table 3 for the successful discovery of hydrocarbons in all five prospects and six leads. No economic or commercial considerations are included in these estimates.

Due to the unexplored nature of the Alakol Basin, any additional data obtained by the planned drilling program will have a significant impact on these resources estimates. It should be noted that because of the small P_g for the five prospects (see Table 3) the overall probability of a hydrocarbon discovery is low. Drilling the five prospects results in a 63.6 percent chance of drilling five dry holes.

Shallow artesian water zones could present some moderate drilling problems.

QUALIFICATIONS AND BASIS OF JUDGMENT

Miller and Lents, Ltd. is an independent oil and gas consulting firm. No director, officer, or key employee of Miller and Lents, Ltd. has any financial ownership in Eastern Petroleum Incorporation Limited. Our compensation for the required investigations and preparation of this report is not contingent on the results obtained and reported, and MLL has not performed other work that would affect our objectivity. Production of this report was supervised by an officer of the firm who is a professionally qualified and licensed Professional Engineer in the State of Texas with more than 25 years of relevant experience in the estimation, assessment, and evaluation of Prospective Resources.

In conducting this evaluation, MLL relied upon engineering and geological data supplied by Eastern Petroleum. These data were accepted as represented, as verification of such data and information was beyond the scope of this assignment.

The evaluations presented in this report, with the exceptions of those parameters specified by others, reflect Miller and Lent's informed judgments based on accepted standards of professional

MILLER AND LENTS, LTD.

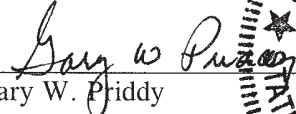
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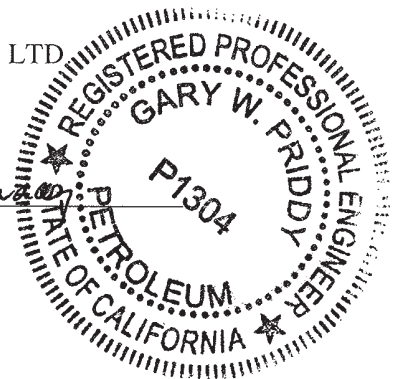
investigation but are subject to those generally recognized uncertainties associated with interpretation of geological, geophysical, and engineering information. Any inconsistencies in subtotals or totals in this report are due to truncation or rounding of aggregated values.

Yours very truly,

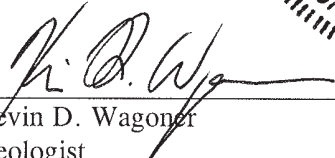
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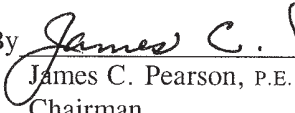

Gary W. Priddy
Reservoir Engineer



By


Kevin D. Wagoner
Geologist

By


James C. Pearson, P.E.
Chairman



GWP/KDW/JCP/slc

Definitions and Guidelines for Petroleum Resources

Recoverable Resources Classes and Sub-Classes

Reserves

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.

Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further subdivided in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their development and production status.

To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame.

A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

On Production. The development project is currently producing and selling petroleum to market. The key criterion is that the project is receiving income from sales, rather than the approved development project necessarily being complete. This is the point at which the project “chance of commerciality” can be said to be 100%. The project “decision gate” is the decision to initiate commercial production from the project.

Approved for Development. All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is under way. At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity’s current or following year’s approved budget. The project “decision gate” is the decision to start investing capital in the construction of production facilities and/or drilling development wells.

Justified for Development. Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.

In order to move to this level of project maturity, and hence have reserves associated with it, the development project must be commercially viable at the time of reporting, based on the reporting entity’s assumptions of future prices, costs, etc. (“forecast case”) and the specific circumstances of the project. Evidence of a firm intention to proceed with development within a reasonable time frame will be sufficient to demonstrate commerciality. There should be a development plan in sufficient detail to support the assessment of commerciality and a reasonable expectation that any regulatory approvals or sales contracts required prior to project implementation will be forthcoming. Other than such approvals/contracts, there should be no known contingencies that could preclude the development from proceeding within a reasonable timeframe (see Reserves class).

The project “decision gate” is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.

Contingent Resources

Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

Development Pending. A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.

The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time frame. Note that disappointing appraisal/evaluation results could lead to a re-classification of the project to “On Hold” or “Not Viable” status.

The project “decision gate” is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.

Development Unclarified or on Hold. A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.

The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a reasonable expectation that a critical contingency can be removed in the foreseeable future, for example, could lead to a re-classification of the project to “Not Viable” status.

The project “decision gate” is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.

Development Not Viable. A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential.

The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions.

The project “decision gate” is the decision not to undertake any further data acquisition or studies on the project for the foreseeable future.

Prospective Resources

Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

Potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.

Prospect. A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target. Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.

Lead. A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect. Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

Play. A project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects. Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific leads or prospects for more detailed analysis of their chance of

discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

Reserves Category Definitions and Guidelines

Proved Reserves

Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

The area of the reservoir considered as Proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.

In the absence of data on fluid contact, Proved quantities in a reservoir are limited by the lowest known hydrocarbon (LKH) as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved reserves (see “2001 Supplemental Guidelines,” Chapter 8).

Reserves in undeveloped locations may be classified as Proved provided that:

- The locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially productive.
- Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations.

For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.

Probable Reserves

Probable reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.

It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations

of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria.

Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.

Possible Reserves

Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves.

The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

Possible Reserves may be assigned to areas of a reservoir adjacent to Probable where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of commercial production from the reservoir by a defined project.

Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.

Probable and Possible Reserves

(See above for separate criteria for Probable Reserves and Possible Reserves.)

The 2P and 3P estimates may be based on reasonable alternative technical and commercial interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects.

In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area.

Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing, faults until this reservoir is penetrated and evaluated as commercially productive. Justification for assigning Reserves in such cases should be clearly documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e. absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources.

In conventional accumulations, where drilling has defined a highest known oil (HKO) elevation and there exists the potential for an associated gas cap, Proved oil Reserves should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.

Reserves Status Definitions and Guidelines

Developed Reserves

Developed Reserves are expected quantities to be recovered from existing wells and facilities.

Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing Reserves. Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-Producing Reserves. Developed Non-Producing Reserves include shut-in and behind-pipe Reserves.

Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells which will require additional completion work or future recompletion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

Undeveloped Reserves

Undeveloped Reserves are quantities expected to be recovered through future investments: (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary of improved recovery projects.

License Summary

Asset	Operator	Interest, %	Status	License Expiration Date	License Area	Comments
Alakol Basin Hydrocarbon Exploration Contract	Eastern Petroleum	50	Exploration	June 13, 2010	32,865 km ²	Commencement of exploration in August 2008

**Input Parameters for
Gross Probabilistic Prospective Resources
As of July 1, 2008**

Prospect	Parameter	P90	P50	P10
H	Area, km ^{2**}	2.8	22.4	181.4
	Net Pay, m ^{**}	5.1	12.2	29.4
	Porosity, percent*	15.2	21.8	29.1
	Oil Saturation, percent*	57.2	67.0	76.6
	Formation Volume Factor, Bo*	1.17	1.41	1.74
	Recovery Efficiency, percent***	15.0	32.5	50.0
	Prospective OOIP, MMBO	22.7	181.2	1,497.6
	Prospective Gross Ultimate Recovery, MMBO	5.8	52.1	459.9
K	Area, km ^{2**}	2.2	14.1	89.2
	Net Pay, m ^{**}	5.1	12.2	29.4
	Porosity, percent*	15.2	21.8	29.1
	Oil Saturation, percent*	57.2	67.0	76.6
	Formation Volume Factor, Bo*	1.17	1.41	1.74
	Recovery Efficiency, percent***	15.0	32.5	50.0
	Prospective OOIP, MMBO	18.6	114.3	733.0
	Prospective Gross Ultimate Recovery, MMBO	4.5	32.9	236.5
L	Area, km ^{2**}	0.9	10.1	115.8
	Net Pay, m ^{**}	5.1	12.2	29.4
	Porosity, percent*	15.2	21.8	29.1
	Oil Saturation, percent*	57.2	67.0	76.6
	Formation Volume Factor, Bo*	1.17	1.41	1.74
	Recovery Efficiency, percent***	15.0	32.5	50.0
	Prospective OOIP, MMBO	7.7	83.3	979.3
	Prospective Gross Ultimate Recovery, MMBO	1.8	23.5	300.8

Prospect	Parameter	P90	P50	P10
N	Area, km ^{2**}	2.5	17.3	122.1
	Net Pay, m ^{**}	5.1	12.2	29.4
	Porosity, percent*	15.2	21.8	29.1
	Oil Saturation, percent*	57.2	67.0	76.6
	Formation Volume Factor, B _o *	1.2	1.41	1.74
	Recovery Efficiency, percent***	15.0	32.5	50.0
	Prospective OOIP, MMBO	20.3	136.5	1,013.6
	Prospective Gross Ultimate Recovery, MMBO	5.1	40.3	316.3
CC	Area, km ^{2**}	2.1	12.2	71.3
	Net Pay, m ^{**}	4.4	8.7	17.2
	Porosity, percent*	15.2	21.8	29.1
	Oil Saturation, percent*	57.2	67.0	76.6
	Formation Volume Factor, B _o *	1.2	1.41	1.74
	Recovery Efficiency, percent***	15.0	32.5	50.0
	Prospective OOIP, MMBO	12.1	69.3	388.0
	Prospective Gross Ultimate Recovery, MMBO	3.1	20.1	128.1

- * Triangular distribution used to generate range of values.
 ** Log normal distribution used to generate range of values.
 *** Normal distribution used to generate range of values.

Successful Case Results Gross (100%) Prospective Resources Volumes

Prospect	Low Estimate P90, MMBO	Best Estimate P50, MMBO	High Estimate P10, MMBO	Probability of Geologic Success, P_g, %
H	5.8	52.1	459.9	8.9
K	4.5	32.9	236.5	8.9
L	1.8	23.5	300.8	8.9
N	5.1	40.3	316.3	8.9
CC	3.1	20.1	128.1	7.6
Lead				
A	8.0	123.6	1,860.0	4.5
C	3.6	52.3	757.3	7.6
E	3.6	45.9	591.6	7.6
EE	3.4	32.5	309.3	7.6
M	8.0	86.0	902.7	4.5
NN	5.7	76.9	1,036.8	8.9

Statistical Aggregation of Five Prospects, All Outcomes

	Gross			Net		
	Low Estimate P90, MMBO	Best Estimate P50, MMBO	High Estimate P10, MMBO	Low Estimate P90, MMBO	Best Estimate P50, MMBO	High Estimate P10, MMB)
Statistical Aggregate	5.2	41.0	309.6	2.6	20.5	154.8

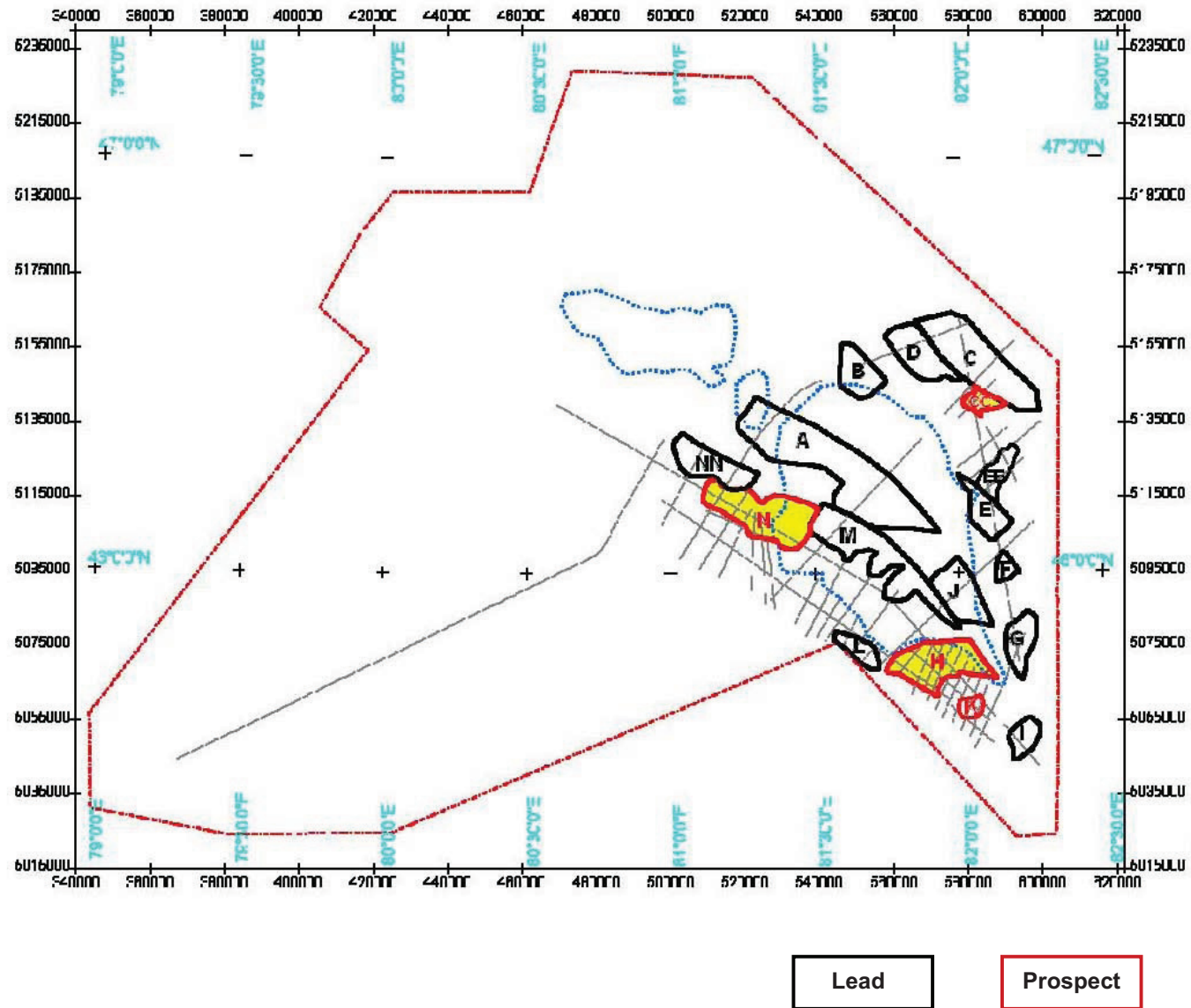
Note: No dependencies are assumed among the prospects in this analysis.

**Location Map
Alakol Basin License Area**



Figure 1

Location Map Prospects and Leads in Alakol Basin License Area



Regional Setting of Alakol Basin
In Relation to Junggar and Zaysan Basins, Allen et al
(1995)

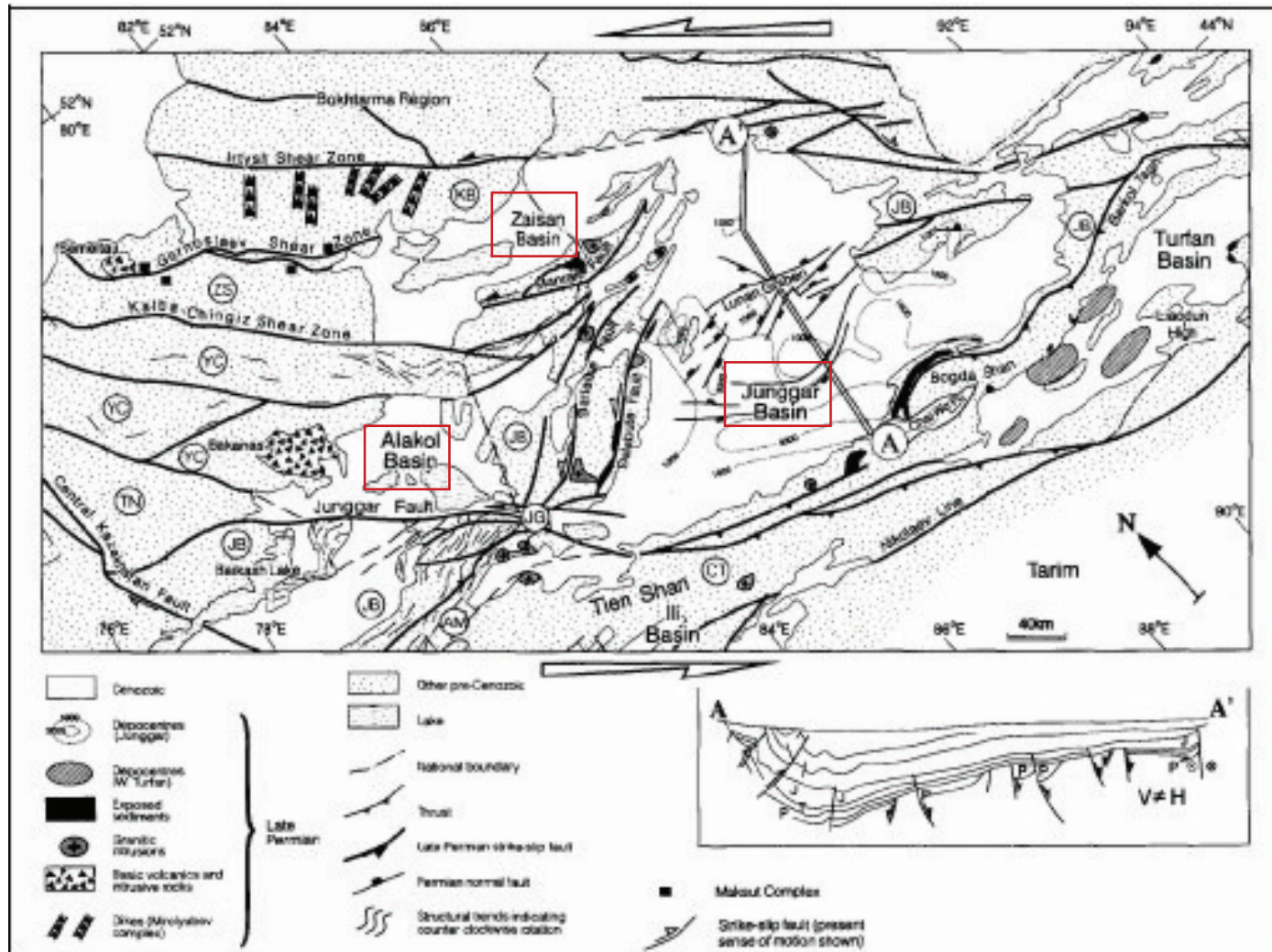


Figure 3

Example of Seismic Line through Prospects H and K

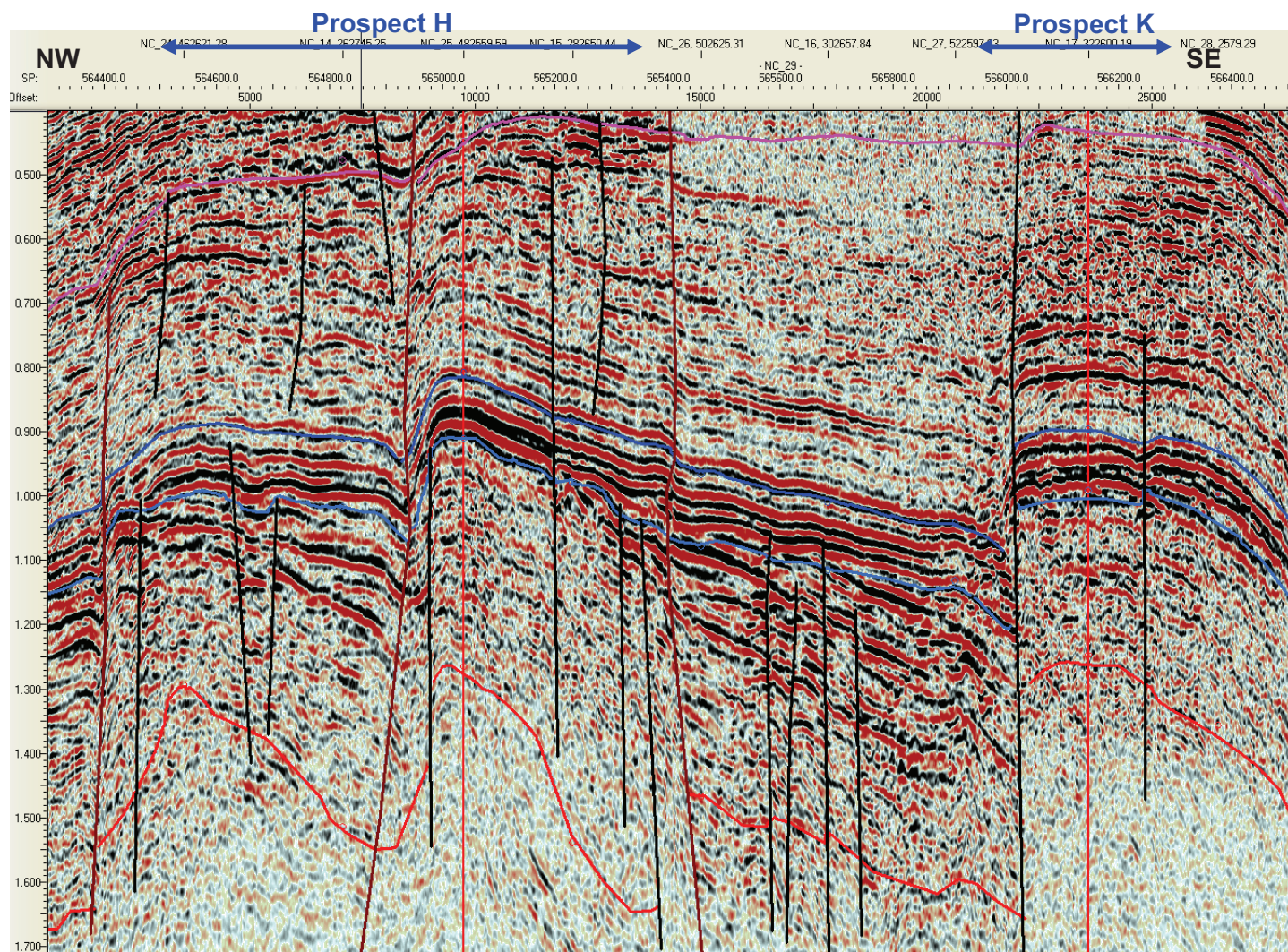


Figure 4

GLOSSARY AND DEFINITION OF TERMS

accumulation	An individual body of naturally occurring petroleum in a reservoir.
aggregation	The process of summing reservoir (or project) level estimates of resource quantities to higher levels or combinations such as field, country, or company totals. Arithmetic summation of incremental categories may yield different results from probabilistic aggregation of distributions.
analogous reservoir	Analogous reservoirs, as used in resources assessments, have similar rock and fluid properties, reservoir conditions (depth, temperature, and pressure) and drive mechanisms, but are typically at a more advanced stage of development than the reservoir of interest and thus may provide concepts to assist in the interpretation of more limited data and estimation of recovery.
best estimate	With respect to resource categorization, this is considered to be the best estimate of the quantity that will actually be recovered from the accumulation by the project. It is the most realistic assessment of recoverable quantities if only a single result were reported. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
chance	Chance is 1 – Risk. (See risk.)
concession	A grant of access for a defined area and time period that transfers certain entitlements to produced hydrocarbons from the host country to an enterprise. The enterprise is generally responsible for exploration, development, production, and sale of hydrocarbons that may be discovered. Typically granted under a legislated fiscal system where the host country collects taxes, fees, and sometimes royalty on profits earned.
discovered	A discovery is one petroleum accumulation, or several petroleum accumulations collectively, for which one or several exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially moveable hydrocarbons. In this context, “significant” implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place volume demonstrated by the well(s) and for evaluating the potential for economic recovery.
economic	In relation to petroleum reserves and resources, economic refers to the situation where the income from an operation exceeds the expenses involved in, or attributable to, that operation.

GLOSSARY AND DEFINITION OF TERMS

(Continued)

estimated ultimate recovery (EUR)	Those quantities of petroleum that are estimated, on a given date, to be potentially recoverable from an accumulation, plus those quantities already produced therefrom.
exploration	Prospecting for undiscovered petroleum.
geostatistical methods	A variety of mathematical techniques and processes dealing with the collection, methods, analysis, interpretation, and presentation of masses of geoscience and engineering data to (mathematically) describe the variability and uncertainties within any reservoir unit or pool, specifically related here to resources estimates, including the definition of (all) well and reservoir parameters in 1, 2, and 3 dimensions and the resultant modeling and potential prediction of various aspects of performance.
high estimate	With respect to resource categorization, this is considered to be an optimistic estimate of the quantity that will actually be recovered from an accumulation by a project. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.
hydrocarbons	Hydrocarbons are chemical compounds consisting wholly of hydrogen and carbon.
lead	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect. A project maturity sub-class that reflects the actions required to move a project toward commercial production.
low/best/high estimates	The range of uncertainty reflects a reasonable range of estimated potentially recoverable volumes at varying degrees of uncertainty (using the cumulative scenario approach) for an individual accumulation or a project.
low estimate	With respect to resource categorization, this is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation by a project. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimates.
mineral interest	Mineral interests in properties including (1) a fee ownership or lease, concession, or other interest representing the right to

GLOSSARY AND DEFINITION OF TERMS

(Continued)

extract oil or gas subject to such terms as may be imposed by the conveyance of that interest; (2) royalty interests, production payments payable in oil or gas, and other non-operating interests in properties operated by others; and (3) those agreements with foreign governments or authorities under which a reporting entity participates in the operation of the related properties or otherwise serves as producer of the underlying reserves (as opposed to being an independent purchaser, broker, dealer, or importer).

Monte Carlo simulation

A type of stochastic mathematical simulation that randomly and repeatedly samples input distributions (e.g., reservoir properties) to generate a resulting distribution (e.g., recoverable petroleum volumes).

operator

The company or individual responsible for managing an exploration, development, or production operation.

penetration

The intersection of a well bore with a reservoir.

petroleum

Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase. Petroleum may also contain non-hydrocarbon compounds, common examples of which are carbon dioxide, nitrogen, hydrogen sulfide, and sulfur. In rare cases, non-hydrocarbon content could be greater than 50 percent.

petroleum initially-in-place

Petroleum initially-in-place is the total quantity of petroleum that is estimated to exist originally in naturally occurring reservoirs. Crude oil-in-place, natural gas-in-place, and natural bitumen-in-place are defined in the same manner (see resources). (Also referred to as total resource base or hydrocarbon endowment.)

probability

The extent to which an event is likely to occur, measured by the ratio of the favorable cases to the whole number of cases possible. SPE convention is to quote cumulative probability of exceeding or equaling a quantity where P90 is the small estimate and P10 is the large estimate. (See also uncertainty.)

probabilistic estimate

The method of estimation of resources is called probabilistic when the known geoscience, engineering, and economic data are used to generate a continuous range of estimates and their associated probabilities.

prospect

A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target. A

GLOSSARY AND DEFINITION OF TERMS

(Continued)

	project maturity sub-class that reflects the actions required to move a project toward commercial production.
prospective resources	Those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.
range of uncertainty	The range of uncertainty of the recoverable and/or potentially recoverable volumes may be represented either by deterministic scenarios or by a probability distribution. (See resource uncertainty categories.)
recoverable resources	Those quantities of hydrocarbons that are estimated to be producible from discovered or undiscovered accumulations.
recovery efficiency	A numeric expression of that portion of in-place quantities of petroleum estimated to be recoverable by specific processes or projects, most often represented as a percentage.
reservoir	A subsurface rock formation containing an individual and separate natural accumulation of moveable petroleum that is confined by impermeable rocks/formations and is characterized by a single-pressure system.
resources	The term “resources” as used herein is intended to encompass all quantities of petroleum (recoverable and unrecoverable) naturally occurring on or within the Earth’s crust, discovered and undiscovered, plus those quantities already produced. Further, it includes all types of petroleum whether currently considered “conventional” or “unconventional” (see total petroleum initially-in-place). (In basin potential studies, it may be referred to as total resource base or hydrocarbon endowment.)
resources categories	Subdivisions of estimates of resources to be recovered by a project(s) to indicate the associated degrees of uncertainty. Categories reflect uncertainties in the total petroleum remaining within the accumulation (in-place resources), that portion of the in-place petroleum that can be recovered by applying a defined development project or projects and variations in the conditions that may impact commercial development (e.g., market availability, contractual changes).
resources classes	Subdivisions of resources that indicate the relative maturity of the development projects being applied to yield the recoverable quantity estimates. Project maturity may be indicated qualitatively by allocation to classes and sub-classes and/or

GLOSSARY AND DEFINITION OF TERMS

(Continued)

quantitatively by associating a project's estimated chance of reaching producing status.

risk

The probability of loss or failure. As "risk" is generally associated with the negative outcome, the term "chance" is preferred for general usage to describe the probability of a discrete event occurring.

royalty

Royalty refers to payments that are due to the host government or mineral owner (lessor) in return for depletion of the reservoirs and the producer (lessee/contractor) for having access to the petroleum resources. Many agreements allow for the producer to lift the royalty volumes, sell them on behalf of the royalty owner, and pay the proceeds to the owner. Some agreements provide for the royalty to be taken only in kind by the royalty owner.

stochastic

Adjective defining a process involving or containing a random variable or variables or involving change or probability such as a stochastic stimulation.

total petroleum initially-in-place

Total petroleum initially-in-place is generally accepted to be all those estimated quantities of petroleum contained in the subsurface, as well as those quantities already produced. This was defined previously by the WPC as "petroleum-in-place" and has been termed "resource base" by others. Also termed "original-in-place" or "hydrocarbon endowment."

uncertainty

The range of possible outcomes in a series of estimates. For recoverable resource assessments, the range of uncertainty reflects a reasonable range of estimated potentially recoverable quantities for an individual accumulation or a project. (See also probability.)

working interest

A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.

13. INDEPENDENT EXPERT'S REPORT ON COST ESTIMATES



Independent Report on
Exploration Cost
Estimates for Prospects
and Leads in East
Kazakhstan

February 2010

Declaration

Resource Investment Strategy Consultants (“RISC”) has been commissioned by International Petroleum Limited (formerly International Goldfields Limited) (“Company”) to provide an independent review of technical data and proposed expenditures relating to the Kazakhstan Project for inclusion in a prospectus prepared by the Company for the offer of up to 100,000,000 fully paid ordinary shares at an issue price of \$0.30 each to raise up to \$30,000,000 (before costs of the offer).

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

RISC’s report has been prepared in accordance with the 2005 VALMIN Code. The report complies with section 716(2) of the Corporations Act 2001 (Cth) where consent is required if unpublished statements have been attributed to third parties.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, RISC has considered and relied upon information obtained from representatives or advisors of the Company as well as information in the public domain. The information provided to RISC has included electronic information supplemented with discussions between RISC and key representatives or advisors of the Company.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, neither RISC nor its servants accept any liability for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. In particular, we have not independently verified property title, encumbrances, regulations that apply to this asset(s). RISC has also not audited the opening balances at the valuation date of past recovered and unrecovered development and exploration costs, undepreciated past development costs and tax losses.

We believe our review and conclusions are sound but no warranty of accuracy or reliability is given to our conclusions.

RISC, its employees and associates are not, nor intend to be directors, officers or other direct employees of the Company and have no material interest in the Kazakhstan Project or the Company. The relationship with the Company is solely one of professional association between client and independent consultant. RISC has no pecuniary interest, other than to the extent of the professional fees receivable for the preparation of this report, or other interest in the assets evaluated, that could reasonably be regarded as affecting our ability to give an unbiased view of these assets.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

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1 INTRODUCTION

This report is to be included in a prospectus prepared by the Company for the offer of up to 100,000,000 fully paid ordinary shares at an issue price of \$0.30 each to raise up to \$30,000,000 (before costs of the offer).

The Company has entered into a Share Sale Agreement to acquire all of the fully paid ordinary shares in the capital of Eastern Petroleum Corporation Limited (“Eastern”), a company registered in the United Kingdom.

Eastern’s wholly owned subsidiary, North Caspian Petroleum Limited (the “Operator”), operates and has a 50% interest in subsurface rights for the exploration of hydrocarbons within the blocks in East-Kazakhstan and Almaty Oblasts covering approximately 32,000km² in the Alakol and Balkhash sedimentary basins in eastern and south-eastern Kazakhstan (“Kazakhstan Project”). The remaining 50% interest is held by Remas Corporation LLP (“Remas”).

The Company has engaged RISC to prepare an Independent Technical Report commenting on the adequacy of the Company’s proposed exploration expenditure (refer Section 3.5 of this Prospectus) in Kazakhstan RISC’s report has been prepared in accordance with the 2005 VALMIN Code.

2 BACKGROUND

The location of the Alakol Basin Licence Block is shown in the figure below.

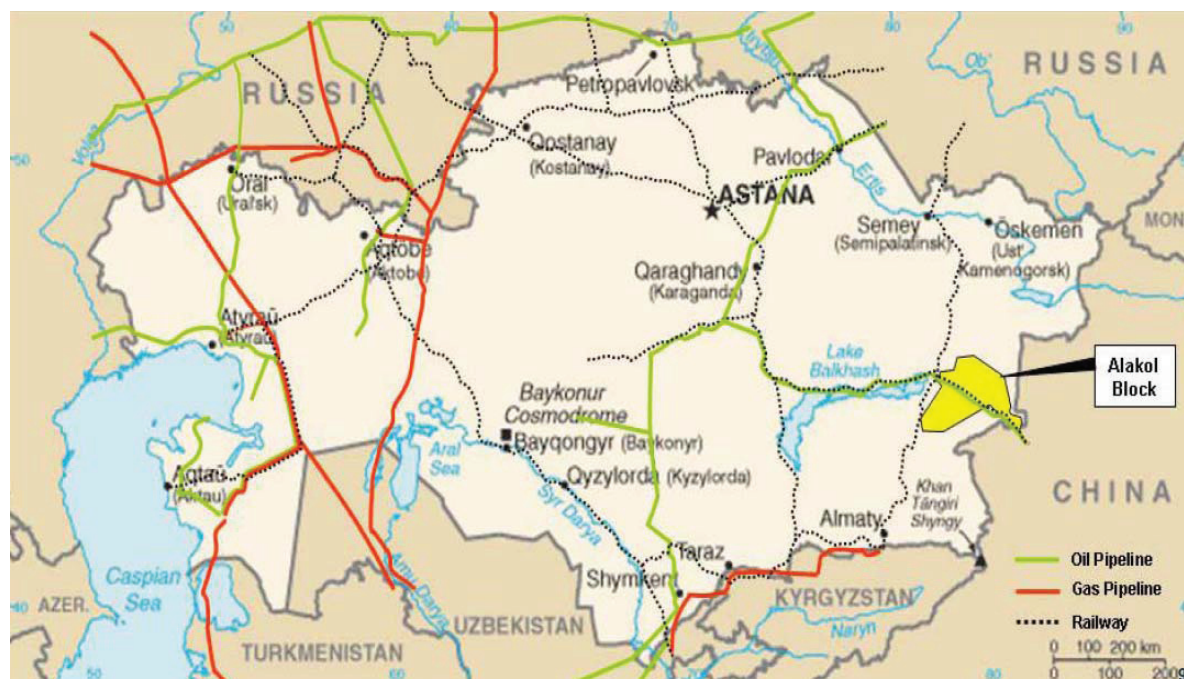


Figure 2-1 Alakol Basin Licence Location (Source: Eastern Petroleum Corporation)

Eastern holds its interest through North Caspian Petroleum Ltd with a 50% interest in the

32,000 km² basin. The block is currently undeveloped, and RISC is not aware of any oil and gas development in the immediate vicinity, although a major oil export pipeline (~200,000 bopd capacity) to Karamay in N.W. China passes through the block as indicated on the map. This pipeline is expected to be upgraded to 400,000 bopd by 2011. The significant Junggar-Karamay fields are 140 km away in China.

Initial exploration surveys have been performed in the block, and Eastern reports that 1360 km 2D seismic was acquired in 2006/07. Subsequent technical studies have identified a number of prospects and leads for which Miller and Lents have estimated success case recoverable Prospective Resource volumes for five prospects ranging from 20 – 52 mmbbls and six leads ranging from 32 - 124 mmbbls on a P50 gross basis. The Miller and Lents prospects and leads inventory is provided below.

Prospective Resource Volumes

	Resource Category			Probability of Geologic Success %
	P90 MMBO	P50 MMBO	P10 MMBO	
Prospect				
H	5.8	52.1	459.9	8.9
K	4.5	32.9	236.5	8.9
L	1.8	23.5	300.8	8.9
N	5.1	40.3	316.3	8.9
CC	3.1	20.1	128.1	7.6
Lead				
A	8.0	123.6	1,860.0	4.5
C	3.6	52.3	757.3	7.6
E	3.6	45.9	591.6	7.6
EE	3.4	32.5	309.3	7.6
M	8.0	86.0	902.7	4.5
NN	5.7	76.9	1,036.8	8.9

Table 2-1 Prospect and Lead Summary (Source: Miller and Lents, July 2009)

The prospects are distributed in the basin, with surface locations at the base of the Junggar-Alatau mountains. Some of the leads extend under Lake Alakol as indicated below. Three drilling locations have been identified and drilling was planned to commence in Spring 2009.

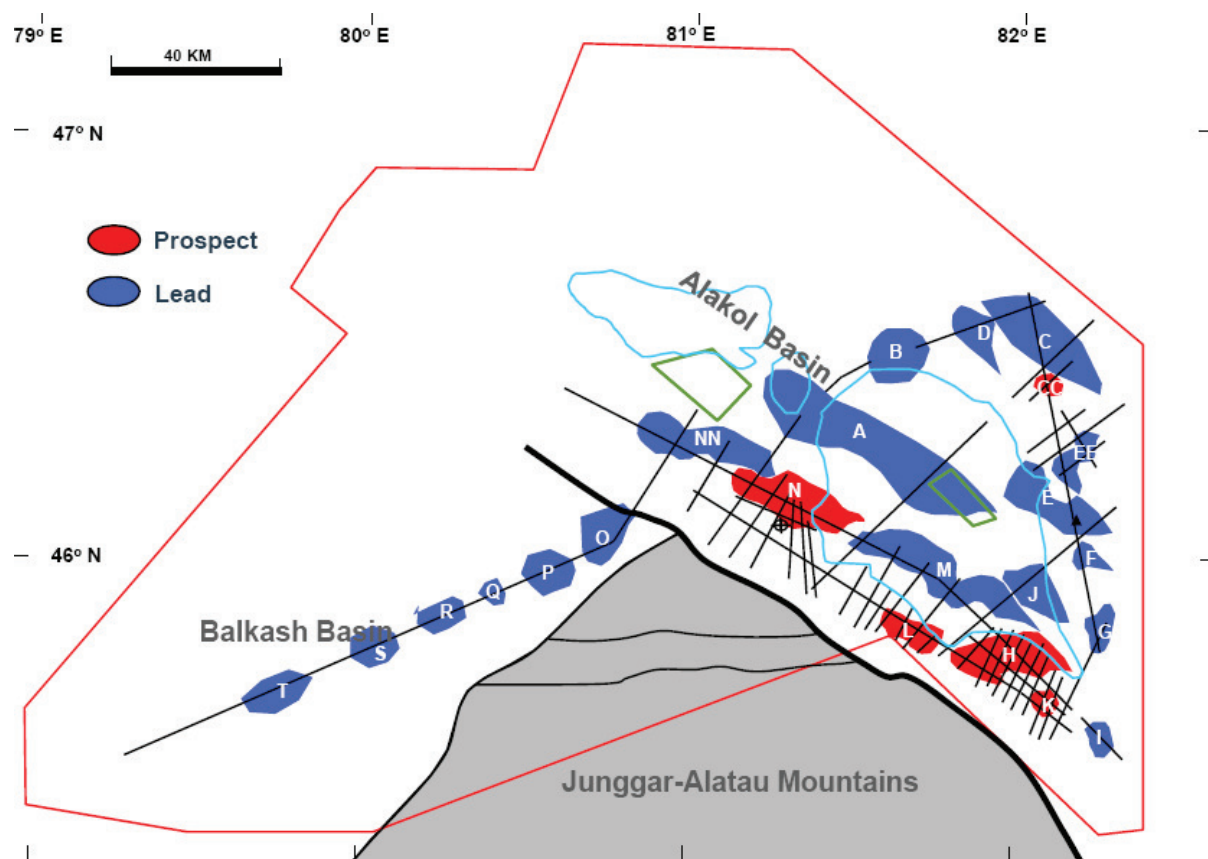


Figure 2-2 Prospects and Leads locations (Source: Eastern)

3 RISC COST ESTIMATES

RISC has estimated costs using limited data provided on this immature area. Costs are stated in AUD\$ using a constant long term conversion rate of US\$0.80 = AUD\$1.00, referenced to mid-2009, and stated in gross (before tax) terms and represent the 100% permit interest.

3.1 Exploration Costs

Eastern's estimated cost for the exploration programme is shown in the table below.

	Funds Applied (AUD\$)	
	Minimum Subscription	Maximum Subscription
Project Expenditure on Kazakhstan Project:		
- 700km of seismic data	7,000,000	7,000,000
- Drilling costs (including operator and supervisor fees) at AUD\$7.3 million per well	21,900,000	29,200,000
Total Project Expenditure	28,900,000	36,200,000

Table 3-1 Project Exploration Cost

The Operator proposes to acquire and process over 700 km 2-D seismic in 2010 at an estimated cost of AUD\$7 million, a unit cost of AUD\$10,000 per kilometre. RISC has compared this estimate with the actual cost of US\$5100/kilometre from a 2007 seismic survey in Atyrau, Kazakhstan and corrected for cost escalation and the additional logistic challenges related to the Alakol basin area, concluding that a unit cost of AUD\$10,000 per kilometre as proposed by the operator is reasonable. The exploration programme includes four exploration wells in the 2 years following the seismic, which RISC assumes are all onshore given all the prospects identified. The Operator's cost estimate of AUD\$7.3 million per well is higher than RISC's well cost estimate of AUD\$3.7 million for a 1000m well, based on a 16 day programme using a 500-tonne rig at AUD\$31,250 per day (including the personnel and fuel, but excluding materials, services such as mud, cementing, logging etc.) and a support cost of AUD\$18,750 per day.

However, given the potential for well targets to be deeper than 1000m, the unknown drilling conditions, a thorough evaluation programme (with coring, logging and testing), logistics associated with drilling in a new region, upgrades to roads and bridges, location preparation and rig mobilisation, an estimate of AUD\$28.9 million for 3 wells and 700 km seismic (based on the minimum subscription being raised under the Prospectus) and AUD\$36.2 million for 4 wells and 700 km seismic (based on the maximum subscription being raised under the Prospectus) is reasonable.

3.2 Environmental Considerations

The Alakol State Sanctuary was created to protect the area because the lake is an important breeding and nesting ground for various wetland birds. The cold mountains and a system of shallow saline lakes provide a breeding habitat for many waterfowl including two globally threatened bird species, Dalmation Pelicans and Relict Gulls. Piski Island has flocks of flamengo, and 40 species of other birds.

The lake and its islands are categorised as an Important Bird Area (IBA). The IBA comprises a group of three islands - Ylken Araltobeh (Bolshoi Kamennyi), Sredniy and Kishkineh Araltobeh (Malyi Kamennyi) - situated in the north-eastern, and deepest, part of the lake, 10 km to the west of Kabanbai (Zharbulak) village. The rocky islands are renowned as regular nesting grounds for a variety of colonial waterbirds including several with the regional and/or global protection status: *Oxyura leucocephala*, *Aythya nyroca*, *Larus ichthyaetus*, *Larus relictus* and *Pelecanus crispus*.

Recently, a substantial threat to the tranquillity of the islands' ecosystems has arisen from a rapidly developing tourist industry. The unlicensed exploration of the islands by recreational groups can endanger colonial waterbird breeding success.

RISC has assumed exploration drilling could proceed with appropriate planning. However we expect a rigorous environmental assessment would have to be conducted, a lengthy approval process would be implemented and stringent conditions imposed on the design and operating practices to protect the environmentally sensitive lake area. This would affect the exploration and development schedule.

4 CONCLUSION

RISC considers the Operators' cost estimate of AUD\$36.2 million (which is more fully set out in Table 3-1, and in Section 3.5 of this Prospectus) for the exploration campaign to be reasonable for the reasons set out in Section 3.1 of this report.

5 DECLARATION

This report has been prepared in accordance with the 2005 VALMIN Code by Mr. William Pulsford, a Chartered Engineer and member of the Institute of Mechanical Engineers. Mr. Pulsford is a Partner and Director of RISC Pty Ltd (ABN 752 494 08310) and has over 18 years' experience in the petroleum industry in Europe and Australia.

Signed:

A handwritten signature in black ink, appearing to read 'W Pulsford', is positioned above the printed name and title.

William Pulsford

Director

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Australia



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14. THE KAZAKHSTAN PROJECT – COMPLIANCE MATTERS

14.1 Background

Eastern Petroleum's wholly owned subsidiary, North Caspian Petroleum Limited (**NCPL**), operates and holds a 50% interest in the subsoil use rights for the exploration of hydrocarbons in blocks located in the East-Kazakhstan and Almaty Oblasts, covering approximately 32,000 square kilometres in the Alakol and Balkhash sedimentary basins in eastern and south-eastern Kazakhstan. NCPL's subsoil rights are held by virtue of the Contract.

This Section of the Prospectus has been based on a report that was prepared solely for the benefit of the Company by its Kazakhstan lawyers and covers Remas and NCPL's compliance with their obligations under the Contract for Exploration of Hydrocarbon Resources in the Alakol Basin in the East Kazakhstan and Almaty Oblasts of the Republic of Kazakhstan between the MEMR, Remas and NCPL dated 13 June 2005, as amended by Amendment Agreement 1 dated 19 January 2006, Amendment Agreement 2 dated 26 June 2006 and Amendment Agreement 3 dated 6 October 2009 (**Contract**). Remas and NCPL each hold a 50% participating interest in the Contract. The report was prepared based upon documentation and information provided by NCPL (which information was not independently verified).

14.2 Suspension of Drilling Works

Due to a force majeure event experienced between November 2008 and March 2009 (being the occurrence of severe climatic conditions in the location of the well), the drilling obligations required under the Minimum Work Program in 2008 were not fulfilled. MEMR confirmed that the non-performance with regards to the drilling of a well in 2008 was due to a force majeure event between November 2008 and March 2009 and recommended that Remas and NCPL provide an appropriate amendment to the Contract for MEMR's review by 23 February 2010.

Remas and NCPL complied with MEMR's request and, as a result, Amendment Agreement No. 4 was signed and registered by MEMR on 29 January 2010. Specifically, Amendment Agreement No. 4 provides for:

- an extension of the term of the Contract to 13 November 2010 (due to the force majeure event which lasted 5 months starting from November 2008);
- amendment to the work programme under the Contract, including the carry over of some financial obligations and drilling works to 2010; and
- amendments to the Contract to bring it into compliance with the current legislation on industrial safety.

On 12 November 2009, Remas and NCPL notified MEMR about another force majeure event (being abnormal winds reaching 40m/sec) causing Remas and NCPL to suspend drilling and seismic works as of November 2009. The Company understands from Eastern Petroleum that this force majeure event is likely to last through to the end of the Kazakhstan winter period. Remas and NCPL in its notice also mentioned that the Almaty Oblast Emergency Department approved the suspension of drilling works during this winter period in the Alakol District of Almaty Oblast. On 20 December 2009 MEMR acknowledged the receipt of the notice of the second force majeure event but it is unclear whether additional amendments to the work program and Contract will be required or accepted.

14.3 Compliance with the Contract and Minimum Work Program

All subsurface users are required to submit quarterly reports to the Geology Committee, a state agency which is part of the MEMR. Reports on Performance of Contract Obligations (LKU) demonstrate financial and work performance of obligations under the Contract.

(a) Compliance in 2005

The total amount of the financial obligations for the second half of 2005 established in the Annual Work Program of the Contract is US\$610,000. According to the LKU for 2005, Remas (at that time Remas was the sole Contractor under the Contract) substantially met its financial obligations for 2005 (in the amount of US\$604,000). Only the payment to the liquidation fund (US\$6,000) was not made under the LKU for 2005.

However, since the inspection conducted in December 2006 by the Taldykurgan Regional Inspection Commission of Yuzhkaznedra (Yuzhkaznedra) (a territorial department of the Geology Committee) noted that Remas had over-fulfilled its obligations under the Contract for the period of 2005-2006, it appears that this amount has since been paid.

(b) Compliance in 2006

According to the LKU for 2006, Remas and NCPL complied with its overall 2006 financial obligations under the Annual Work Program.

In December 2006, Yuzhkaznedra conducted an inspection of the performance of contractual obligations by Remas and NCPL for 2005 and 2006 and noted in its 2006 Act of Inspection that Remas and NCPL had over-fulfilled its financial obligations under the Contract for the period of 2005 to 2006. As indicated above, this further indicates that the US\$6,000 liquidation fund shortfall in 2005 had been paid.

(c) Compliance in 2007

According to the LKU for 2007, Remas and NCPL complied with its overall 2007 financial obligations under the Annual Work Program. In December 2007, Yuzhkaznedra conducted an inspection of the performance of Remas and NCPL's obligations for the period from December 2006 through to December 2007.

In its 2007 Act of Inspection dated 15 December 2007, Yuzhkaznedra reported that Remas and NCPL had not fully performed its social, training and liquidation fund obligations. However, the LKU for 2007 which was submitted to Yuzhkaznedra in January 2008 shows that the above obligations were duly performed. This indicates that Remas and NCPL had fulfilled its social, training and liquidation fund obligations for the above period by the year end.

(d) Compliance in 2008

According to the LKU for 2008, Remas and NCPL have complied with their overall 2008 financial obligations pursuant to the Annual Work Program, but not its drilling work commitments due to force majeure weather conditions experienced between November 2008 and March 2009 and confirmed by MEMR.

On 24 March 2009, MEMR notified Remas and NCPL about the breach of its obligations under the Contract. MEMR's notice pointed out that the following works were not carried out:

- seismic works (100 linear kilometres); and
- drilling of wells (2,250 linear metres).

MEMR's notice also required provision of the documents evidencing compliance with obligations related to:

- payments for development of social infrastructure;
- Kazakhstan personnel training;
- Kazakhstan content requirements; and
- a forecast of long-term environmental consequences and a detailed report about their minimisation.

On 2 April 2009, Remas and NCPL in its letter to MEMR clarified the reasons why seismic works and drilling of wells were not carried out:

- The drilling of one well (2,250 linear metres) was not carried out due to a force majeure event. The Geology Committee had agreed to the suspension of the drilling works from November 2008 until 2009 due to force majeure, and had agreed that Remas and NCPL could carry over the drilling of the first well to April 2009.
- As the 2008 Annual Work Program did not provide for seismic works (100 linear km), the alleged breach of the contractual obligation did not take place. In fact, the 2008 Annual Work Program did not provide for such works.

On 10 April 2009, Remas and NCPL provided MEMR with the documents required by MEMR's notice (i.e. confirmation of fulfilment of obligations related to social obligations, training of personnel, Kazakhstan content and forecast of long-term consequences of its activities on the environment).

As discussed above, on 11 November 2009 MEMR confirmed the non-performance with regards to drilling of a well (2,250 linear metres) in 2008 due to a force majeure event from November 2008 until March 2009. As stated above, the Amendment Agreement No. 4 was signed on 29 January 2010.

(e) **Compliance in 2009**

According to the 4th quarter LKU for 2009, Remas and NCPL were 80% in compliance with its original Annual Work Program for 2009. Since the LKU for the fourth quarter of 2009 was submitted by Remas and NCPL prior to execution of Amendment Agreement No. 4 dated 29 January 2010, compliance of Remas and NCPL with the revised 2009 work program is not reflected in such LKU.

14.4 Environmental Compliance

(a) **Geological Survey Approvals**

Remas and NCPL have received the following approvals from the environmental and sanitary authorities:

- approval from Almaty Environmental Protection Authority for the preliminary environmental impact assessment (**EIA**) on the geology survey and exploration works in 2006 to 2010;
- approval from the East Kazakhstan Sanitary Authority for the preliminary EIA on exploration works in 2006-2010; and
- approval from the Irtysh Water Management Authority for the preliminary EIA on the geology survey works.

(b) **Drilling Approvals**

In addition to the environmental, sanitary and water protection approvals for the exploration operations listed above, Remas and NCPL have obtained or procured the following approvals for drilling:

- the approval of the state environmental experts for the EIA for the technical documentation on exploration drilling within the Alakol Basin of the Almaty Oblast and East Kazakhstan Oblast, No. 03-1090, dated 29 May 2008 (the "Exploration Drilling Approval"), issued by the Almaty Environmental Protection Authority; and
- the approval of the state sanitary experts for the project documentation in relation to DASK Drilling LLP's rotation camp on the Kazakhstan Project, 15 No. 13, dated 29 September 2008 was obtained by DASK Drilling LLP.

The preliminary environmental impact assessment for the geologic survey and exploration activities and the environmental impact assessment for the exploration drilling were approved by the environmental protection authority of the Almaty Oblast. However, there is a question as to whether it was granted by the correct chain of authority. It is unclear under the legislation whether exploration of hydrocarbons is subject to approval by the Ministry of Environmental Protection (**MEP**) or by its territorial subdivisions. If it were the case that MEP approval should have been obtained as opposed to approval from the regional subdivision, then there is a risk that an administrative fine may be imposed on Remas and NCPL.

Remas and NCPL have also not obtained approval from the Almaty Sanitary Authorities for exploration drilling, which may result in administrative fines or suspension of operations.

However, the risk that an administrative fine could be imposed on the basis of damage to the environment is low since the exploration drilling with respect to well A-1 is over and no environmental damage has been identified pursuant to the Act of Acceptance of the Recultivated Lands dated 6 October 2009. In addition, the Statute of limitations for an administrative violation in the sphere of environmental protection is 6 months from the date of its occurrence. The statute of limitations for absence of the approval from the MEP and the Almaty state sanitary expert for the exploration drilling will expire on 26 February 2010, being 6 months from the date when the exploration drilling of well A-1 was completed (i.e. on 26 August 2009). The risk of termination of the Contract based on the absence of sanitary approval for exploration drilling is reduced since the representative of the sanitary protection

authority of the Alakol District of the Almaty Oblast did not identify this as an issue during its examination of the recultivated lands where well A-1 is located, as confirmed by the Act of Acceptance of the Recultivated Lands.

(c) **Emissions Permits**

NCPL informed the Company that for the period prior to May 2008:

- all operations within the contract area were conducted by subcontractors;
- neither Remas nor NCPL performed any physical work within the contract area and did not need environmental permits; and
- subcontractors used their own facilities and equipment and held appropriate environmental permits for their equipment.

If this was the case, Remas and NCPL were not required to have an environmental permit. However, it should ensure that all its subcontractors held appropriate environmental permits.

As advised by NCPL, from May 2008 to date all emissions resulting from Remas and NCPL's equipment, facilities and materials during drilling operations are located within the boundaries of the Almaty Oblast and thus, all emissions permits are obtained from the environmental protection authority of the Almaty Oblast. Permits for emissions from the drilling operations were obtained by NCPL as the operator under the Contract. In particular, NCPL holds:

- Emissions Permit Series B-03 No. 0006571, dated 9 June 2008, issued by the Almaty Environmental Protection Authority for the period from 9 June 2008 through 31 December 2008. The permit is issued for specified volumes of emissions during exploration drilling of well A-1; and
- Emissions Permit Series B-03 No. 0006671, dated 16 October 2008, issued by the Balkhash-Alakol Department of Ecology for the period from 16 October 2008 to 31 December 2009. The permit is issued for the specified volumes of emissions during exploration drilling.

To enable NCPL to obtain an Emissions Permit for 2010 operations, NCPL first needs to have finalised and duly approved with all the relevant authorities the Technical and the EIA Projects which are in the process of being prepared.

(d) **Relinquishment of Contract Area**

According to Amendment Agreement No. 3 dated 6 October 2009, 25% of the Contract area has to be relinquished in 2010. Prior to relinquishment of the Contract area, Remas and NCPL must reclaim the land and other objects of nature disturbed as a result of its operations to a condition suitable for further use.

(e) **Historical Wells and Historical Pollution**

Section 7.2.23 of the Contract states that Remas and NCPL must accept onto its balance sheet and monitor the wells previously drilled within the

Contract area. By doing so, Remas and NCPL will become fully liable for the pollution of the environment from the accepted wells, including compensation damages caused by third party operations or as a result of acts of God.

According to the information provided by NCPL, there were no wells drilled in the Contract area prior to the date of the Contract and therefore Remas and NCPL has not been requested to accept such wells onto their respective balance sheets.

(f) **Areas with Special Requirements within the Contract Area**

Although the territory of the Alakol State Nature Reserve is excluded from the contract area according to the geological allotment, a number of other specially protected areas appear to be located within the contract area. Pursuant to the Contract, the contract area must be adjusted to exclude such areas, after clarification of their boundaries by the government. Remas and NCPL believe that the drilling operations to date have not been within any specially protected areas.

14.5 Land Issues

In order to be able to carry out subsurface use operations, subsurface users must obtain land use rights to the contract area. The contract area of the Contract is located within two Oblasts, namely the Almaty Oblast and the East Kazakhstan Oblast. This means that Remas and NCPL must obtain permits and land use rights within both oblasts. Remas and NCPL received permits from the Almaty and East Kazakhstan Oblasts Akims to conduct exploration:

- (a) Permission Issued by the First Deputy of the Akim of the Almaty Oblast No. 02-70-14/8-66 dated 24 May 2006 to use the land for Conducting Geological Exploration Work within the Alakol basin within the Almaty Oblast on the territory with a total area of 2,306,351 hectares until 13 June 2010; and
- (b) Resolution of the Akimat of the East Kazakhstan Oblast No. 726 dated 21 August 2006 "On Permission to Use Land Plots for Conducting Exploration Work" granting permission to Remas and NCPL to use for exploration work land plots with the total area of 980,149 hectares.

Before commencement of any type of intrusive exploratory works, such as drilling, the subsurface user must also have land use agreements with the local land committee (if lands are owned by the State) and land use agreements with the land owners and users (if lands are privately owned). NCPL entered into land lease agreement No. 4 dated 8 May 2009 with the Alakol District Land Department, which was registered on 1 June 2009 by the Alakol Regional Department of Justice. The agreement is for the lease of 28.0 hectares for exploration drilling of a well. According to NCPL, Remas and NCPL have not yet conducted any activities in the East Kazakhstan Oblast. However, Remas and NCPL are planning to enter into a land lease agreement in the East Kazakhstan Oblast in 2010.

14.6 Summary of Kazakhstan Draft Subsurface Law

Activities of Remas and NCPL under the Contract are subject to a number of laws and regulations.

Currently, the two main laws governing conduct of petroleum operations in Kazakhstan are the Law "On the Subsurface and Subsurface Use" No. 2828

dated 27 January 1996 (as amended) (**Subsurface Law**) and Law "On Petroleum" No. 2350 dated 28 June 1995 (**Petroleum Law**). However, the lower chamber of the Parliament of Kazakhstan, the Majilis, has recently approved a new Subsurface Law (**Draft SL**). If adopted, by the Senate and signed by the President, the new Subsurface Law will replace the current Subsurface and Petroleum Laws.

The timing of the adoption of the new Subsurface Law is unknown, but presumably will be adopted some time in 2010, and effective 6 months after its official publication. The draft adopted by the Majilis is not publicly available. The summary of the new legislation is based upon the Draft SL dated October 2008. Many provisions of the current Subsurface and Petroleum Laws, with some modifications, were incorporated into the Draft SL. The Draft SL contemplates the following main changes to the current Subsurface and Petroleum Laws:

(a) **Terms of contracts and extensions**

The current Subsurface Law provides for an exploration period for up to 6 years, with the possibility of two extensions (each for up to two years) and an additional extension for reserve appraisal. The Draft SL also establishes that the exploration period may be for up to 6 years, but provides for only one extension for up to 2 years for offshore petroleum operations. The Draft SL also provides for an extension for the term necessary for appraisal of the discovery.

The Contract provides for a 5 year exploration period, plus two 2 year extensions, as well as extension for appraisal of a discovery. The Contract also contains guarantees against changes in legislation that worsen the condition of Remas and NCPL. Therefore, any changes that worsen the conditions of the Contract should not apply. However, if the Draft SL is enacted, there is a risk that the authorities may refuse granting the additional two 2 year extensions since the Contract provides that such extension may be granted in accordance with the subsurface use legislation. The authorities may argue, inter alia, that Remas and NCPL do not have the right for further extensions because the new subsurface use legislation no longer provides for such extension.

The Draft SL does not establish the term for production contracts. It states that production contracts shall be signed for a term in accordance with the production operations project.

(b) **MEMR Consent**

The current Subsurface Law requires MEMR's consent for transfers of subsurface rights, transfers of shares (interests) in a subsurface user and pledges over subsurface rights. In addition to the above-mentioned cases, the Draft SL also specifically requires MEMR's consent for the following:

- the initial placement of the subsurface user's shares in an organised security market;
- the participation in public auctions for the sale of subsurface use rights or subsurface user's shares/participating interests, including upon pledge enforcement as well as upon sale of bankruptcy estates that include subsurface use rights, and subsurface user shares/participating interests;

- a pledge holder's acquisition of the pledged subsurface use rights or pledged subsurface user's shares/participating interests in the case of an auction for the sale of pledged subsurface use rights or for the sale of the pledged subsurface user's shares/participating interests is recognised as invalid; and
- the acquisition by a new participant of an interest in a subsurface user by an increase of the charter capital increase.

(c) **The State of Kazakhstan's Priority Right**

Since 2005, the State has a priority right to purchase interests in subsurface use contracts. Such priority right applies to any direct or indirect interest in companies holding subsurface use rights. The State's priority right to purchase is on conditions that are not worse than those being offered for sale. Failure to obtain the State's waiver can result in the termination of the subsurface use contract.

The Draft SL adds important exceptions, which are not provided under the current law, for when a State's waiver of its priority right and the consent of MEMR is not required:

- for transactions on alienation of shares or derivatives of the subsurface user on an organised securities market. However, the initial placement of shares, including the initial placement of additionally issued shares, still requires waiver of the State's priority right;
- for the transfer of all or part of the subsurface use rights or an interest (block of shares) in the subsurface user to a 100% subsidiary; and
- for the transfer of all or part of the subsurface use rights or an interest (block of shares) in the subsurface user, between legal entities that are 100% affiliates.

The acquisition by the State, represented by a state body or the national company, must be made on terms which shall not be worse than those offered by the other applicants.

The Draft SL establishes the procedures (list of documents, timing, etc.) for obtaining the State of Kazakhstan's waiver of its priority right and for obtaining the MEMR's consent.

There are no assurances that the law when enacted will contain any or all of the above mentioned changes.

15. ADDITIONAL INFORMATION

15.1 Rights attaching to Shares

The following is a summary of the more significant rights attaching to the Company's securities. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders in the Company. To obtain such a statement, persons should seek independent legal advice.

Shareholders will be asked to adopt a new constitution at the General Meeting to ensure compliance with the listing rules of both the ASX and NSX. The Offer is conditional (inter alia) on the passing of this resolution.

Accordingly, full details of the rights attaching to Shares are set out in the Company's Constitution to be adopted, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (iii) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend Rights

The Directors may from time to time declare a dividend to be paid to shareholders entitled to the dividend. The dividend shall (subject to Clause 22 of the Company's Constitution and to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividends) be payable on all shares in accordance with the Corporations Act. The Directors may from time to time pay to the shareholders such interim dividends as they may determine. No dividends shall be payable

except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

(d) **Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, shares classified by the applicable securities exchange as restricted securities and which are subject to escrow restrictions at the time of the commencement of the winding up shall rank in priority after all other shares.

(e) **Transfer of Shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or applicable listing rules.

(f) **Changes to Capital Structure**

The Company may by ordinary resolution and subject to the Corporations Act and applicable listing rules:

- (i) increase its share capital by the issue of new shares of such amount as is specified in a resolution;
- (ii) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;
- (iii) sub-divide all or any of its shares into shares of smaller amount than is fixed by the Constitution, but so that in the sub-division the proportion between the amount paid and the amount (if any) unpaid on each such share of a smaller amount is the same as it was in the case of the share from which the share of a smaller amount is derived; and
- (iv) cancel shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or have been forfeited and reduce its share capital by the amount of the shares so cancelled.

(g) **Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

15.2 Options and Converting Performance Shares

(a) Terms and Conditions of Options

There are no options currently on issue.

The Options to be issued to Eastern Petroleum Shareholders pursuant to the Share Sale Agreement entitle the holder to subscribe for Shares on the following terms and conditions:

- (i) Each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with the terms and conditions of the Options.
- (ii) The Options will expire at 5:00 pm (WST) on 30 June 2012 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (iii) The amount payable upon exercise of each Option will be \$0.25 (**Exercise Price**).
- (iv) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (v) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (A) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (B) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).
- (vi) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (vii) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (viii) All Shares allotted upon the exercise of Options will upon allotment rank *pari passu* in all respects with other Shares.
- (ix) The Company will not apply for quotation of the Options on ASX or NSX (as the case may be) at this stage. Once spread

requirements are satisfied, the Company may apply to quote the Options it considers appropriate. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX or NSX (as the case may be) within 10 Business Days after the date of allotment of those Shares.

- (x) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the applicable Listing Rules at the time of the reconstruction.
- (xi) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (xii) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

(b) Converting Performance Shares

The Company currently has 40,000 Converting Performance Shares on issue.

The milestone for 20,000 of these Converting Performance Shares has been achieved and will convert into 20,000,000 Shares prior to the Company relisting on ASX or listing on NSX. The remaining 20,000 Converting Performance Shares have been issued on the following terms and conditions:

- (i) **(Converting Performance Share):** Each Converting Performance Share is a share in the capital of the Company.
- (ii) **(General Meetings):** The Converting Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.
- (iii) **(No Voting Rights):** The Converting Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company other than in the following situations:
 - (A) on a proposal to reduce the Company's share capital;
 - (B) on a resolution to approve the terms of a buy back agreement;
 - (C) on a proposal that affects the rights attached to the Converting Performance Shares;

- (D) on a proposal to wind up the Company;
 - (E) on a proposal for the disposal of the whole of the Company's property, business and undertaking; and
 - (F) during the winding up of the Company.
- (iv) **(No Dividend Rights):** The Converting Performance Shares do not entitle the Holder to any dividends.
 - (v) **(Rights on Winding Up):** The Converting Performance Shares participate in the surplus profits or assets of the Company upon winding up of the Company only to the extent of \$0.01 per Converting Performance Share.
 - (vi) **(Not Transferable):** The Converting Performance Shares are not transferable.
 - (vii) **(Reorganisation of Capital):** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
 - (viii) **(Application to ASX):** The Converting Performance Shares will not be quoted on ASX. However, upon conversion of the Converting Performance Shares into Shares in accordance with the terms and conditions below, the Company must within seven (7) days after the conversion, apply for the official quotation of the Shares arising from the conversion on ASX.
 - (ix) **(No Other Rights):** The Converting Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
 - (x) **(Conversion on achievement of milestones):** The Converting Performance Shares will convert into 20,000,000 Shares upon Genorah and the Company establishing a JORC (or similarly accredited reporting code) compliant resource of 65m contained 3PM ounces on the Tubatse Project by no later than 36 months from the date of issue of the Converting Performance Shares (the **Milestone**). For the avoidance of doubt, if the Company is not involved in the establishment of the JORC compliant resource on the Tubatse Project referred to in the Milestone, the Converting Performance Shares will not convert into Shares.
 - (xi) **(Redemption if Milestone not Achieved):** If the Milestone is not achieved by the required date or if the Company withdraws from the Farm-In Agreement, then all of the Converting Performance Shares held by a Holder relating to the Milestone will be automatically redeemed by the Company for the sum of \$0.01 per Converting Performance Share within 10 Business Days of non satisfaction of the Milestone or withdrawal of the Farm-In Agreement (as the case may be).
 - (xii) **(Conversion Procedure):** The Company will issue the Holder with a new holding statement for the Shares as soon as practicable

following the conversion of the Converting Performance Shares into Shares in accordance with condition (x) above.

- (xiii) **(Ranking of Shares):** The Shares into which the Converting Performance Shares will convert will rank pari passu in all respects with existing Shares.

15.3 Directors' and Controllers' Interests

Directors are not required under the Company's Constitution to hold any Shares. As at the date of this Prospectus, the Directors and Proposed Directors have relevant interests in Shares as set out in the table below:

Director	Shares	Options
Tony Sage	1,555,691 ¹	-
Mark Gwynne	-	-
Tim Turner	161,819 ²	-
Frank Timis ³	NIL	NIL
Mark Ashurst	NIL	NIL

Notes:

- 1 1,531,827 Shares are held by Mr Sage as trustee for the Egas Superannuation Fund in his own right and the remaining 23,864 Shares are held by Okewood Pty Ltd, a company controlled by Mr Sage.
- 2 106,575 Shares are held by Shepperton Holdings Pty Ltd as trustee for the Shepperton Unit Fund, a company in which Mr Turner has a relevant interest. The remaining 55,244 Shares are held by Timothy Turner and Marianne Turner as trustees for the Woody Superannuation Fund.
3. Upon completion of the Share Sale and capital raising under this Prospectus, Safeguard Management Limited (an entity controlled by Mr Frank Timis) (**Safeguard**) will hold an interest in 48.53% of the Company (assuming the minimum subscription is raised) and 46.82% of the Company (assuming the maximum subscription of \$30,000,000 is raised). If Safeguard exercises its Consideration Options (and no other Options or Consideration Options are exercised and no additional Shares are issued), it would hold approximately 53.08% of the Company if the minimum subscription is raised and approximately 51.37% if the maximum subscription is raised. All Consideration Shares and Consideration Options issued to Safeguard will be escrowed in accordance with the Listing Rules. Safeguard has confirmed to the Company that on the basis of information available to it, it:
 - (a) has no intention of making any significant changes to the business of the Company other than as indicated in this Prospectus;
 - (b) does not intend to redeploy any fixed assets of the Company;
 - (c) does not have any present intention to inject further capital into the Company;
 - (d) does not intend to transfer any property between the Company and any of the EPCL Shareholders or any person associated with either of them;
 - (e) has no current intention to change the Company's existing policies in relation to financial matters or dividends in a manner that may be detrimental to Shareholders;
 - (f) has no current intentions regarding the future employment of the present employees of the Company; and
 - (g) has no current intention to change the Board.

A profile of Mr Timis is included in Section 9.2.

The Constitution of the Company provide that the Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, where notice of the amount of the suggested increase and the maximum sum that may be paid shall have been given to shareholders in the notice convening the meeting. The aggregate remuneration for Directors has been set at an amount not to exceed \$200,000 per annum.

In the last two years, \$1,022,500 (\$564,500 for the year ended 30 June 2009 and \$458,000 for the year ended 30 June 2008) has been paid by the Company by way of remuneration for services provided by the Directors, companies associated with the Directors or their associates in their capacity as directors, consultants or advisers. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

The table below sets out the remuneration provided to the Directors of the Company and their associated companies during the last financial year prior to the date of this Prospectus and the remuneration the Directors have received during the current financial year as at the date of this Prospectus, inclusive of directors fees and consultancy fees.

Director	Remuneration Received by Directors	
	Year Ended 30 June 2009 (\$)	Current Financial Year (\$)
Tony Sage	437,500	328,125
Mark Gwynne	7,000	27,000
Tim Turner	60,000	45,000

Hewitt Turner and Gelevitis (**HTG**), an entity related to Mr Turner, was engaged as the Company's accountants and tax agents in May of 2006. The services provided by HTG included the preparation of half yearly financial reports, quarterly ASX cashflow reports, year end general purpose financial reports for disclosing entities, interfacing with the auditors during the half year and year-end audits, taxation returns, depreciation schedules and other supporting schedules, election notices and consolidations, business activity statement, instalment activity statement and bookkeeping on standard and commercial terms. These services have since been terminated and HTG is currently utilized by the Company for the preparation of its yearly income taxation return. During the 24 months preceding lodgement of this Prospectus with the ASIC, an aggregate amount of \$102,837.81 has been paid or is payable to HTG for the provision of the services described above.

15.4 Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

- (a) Director or proposed Director;

- (b) person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (c) promoter of the Company; or
- (d) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Shares under this Prospectus; or
- (c) the offer of Shares under this Prospectus,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Shares under this Prospectus.

Deloitte Touche Tohmatsu has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 11 of this Prospectus. The Company estimates it will pay Deloitte Touche Tohmatsu a total of \$42,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Deloitte Touche Tohmatsu and its affiliates has received fees from the Company in the amount of \$218,000.

Denton Wilde Sapte Kazakhstan Limited has acted as the Company's Kazakhstan solicitors in relation to the Offer. The Company estimates it will pay Denton Wilde Sapte Kazakhstan Limited a total of \$62,724 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Denton Wilde Sapte Kazakhstan Limited has not received any other fees from the Company.

Miller and Lents, Ltd has acted as Competent Person and has prepared the Competent Person's Report which is included in Section 12 of this Prospectus. The Company was not required to pay any fees to Miller and Lents, Ltd. for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Miller and Lents, Ltd. has not received any fees from the Company.

RISC Pty Ltd has acted as Independent Expert on Cost Estimates and has prepared the Independent Expert's Report on Cost Estimates which is included in Section 13 of this Prospectus. The Independent Expert's Report on Cost Estimates was prepared by RISC Pty Ltd for the purposes of the Company's Notice of Annual General Meeting. The Company estimates it has paid RISC Pty Ltd a total of \$30,000 (excluding GST) for the report prepared for the purposes of the Company's Notice of Annual General Meeting and which is now included in this Prospectus. During the 24 months preceding lodgement of this Prospectus with the ASIC, RISC Pty Ltd has not received any other fees from the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin a total of \$80,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received fees from the Company in the amount of approximately \$300,000.

15.5 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Deloitte Touche Tohmatsu has given its written consent to consent to being named as Investigating Accountant in this Prospectus, to the inclusion of the Investigating Accountant's Report in Section 11 of this Prospectus in the form and context in which the information and report is included. Deloitte Touche Tohmatsu has not caused or authorised the issue of this Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Denton Wilde Sapte Kazakhstan Limited has given its written consent to being named as the Company's Kazakhstan solicitors in this Prospectus and the inclusion of statements attributed to it in Section 14 of this Prospectus in the form and context in which they are included. Denton Wilde Sapte Kazakhstan Limited has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Miller and Lents, Ltd. has given his written consent to being named as Competent Person in this Prospectus and to the inclusion of the Competent Person's Report in Section 12 of this Prospectus in the form and context in which the report is included. Miller and Lents, Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

RISC Pty Ltd has given his written consent to being named as Independent Expert on Cost Estimates in this Prospectus and to the inclusion of the Independent Expert's Report on Cost Estimates in Section 13 of this Prospectus in the form and context in which the report is included. RISC Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

15.6 Estimated Expenses of Offer

The estimated expenses of the Offer are as follows:

Item	Minimum Subscription \$	Maximum Subscription \$
NSX Fees	78,000	83,000
ASIC Fees	2,010	2,010

Broker Commissions	1,000,000	1,500,000
Australian Legal Expenses	80,000	80,000
Kazakhstan Legal Expenses	80,559	80,559
Investigating Accountant's Fees	42,500	42,500
Print and Mailing Expenses	10,000	10,000
Miscellaneous	5,000	5,000
Total	1,298,069	1,803,069

15.7 Restricted Securities

Certain existing security holders may be required to enter into agreements which restrict dealings in Securities held by them. Additionally, the Consideration Shares and Consideration Options will be escrowed for such time as prescribed by the applicable Listing Rules. These agreements will be entered into in accordance with the Listing Rules.

15.8 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the Company's ASX announcements website at www.asx.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

15.9 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

As outlined elsewhere the Company has lodged an Appeal against the ASX Decision. If the Company is not successful in its Appeal, and the Company elects to complete the Share Sale and all approvals are passed at the General Meeting, the Company may delist from ASX.

The Company has also reserved its rights in respect of any action it may have against ASX as a result of the ASX Decision. However, as at the date of this Prospectus, no litigation has commenced.

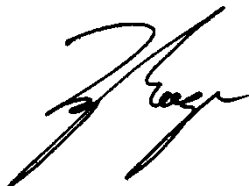
15.10 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

16. DIRECTORS' AND PROPOSED DIRECTOR'S CONSENT

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors and Proposed Directors.

In accordance with Section 720 of the Corporations Act, each Director and Proposed Director has consented in writing to the lodgement of this Prospectus with the ASIC.

A handwritten signature in black ink, appearing to read 'Tony Sage', written in a cursive style.

**Mr Tony Sage
Executive Chairman
For and on behalf of
International Petroleum Limited**

17. DEFINITIONS

Annual Work Program means the annual obligations to be met under the Minimum Work Program.

Appeal means the appeal of the ASX Decision lodged by the Company on 28 March 2010.

Applicant means an investor that applies for Shares using an Application Form pursuant to this Prospectus.

Application Form means the application form either attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

Asset Sale means the sale the subject of the Asset Sale Agreement being the Company's 15% interest in the Tubatse Project.

Asset Sale Agreement means the formal sale agreement entered into between NKWE and the Company on or about 7 October 2009 as summarised in Section 8.1 of this Prospectus.

ASX means ASX Limited (ABN 98 008 624 691).

ASX Decision means the decision by ASX on 26 March 2010 that the Company will not be reinstated to quotation on ASX until it announces to ASX that it is not proceeding with the proposed acquisition of Eastern Petroleum.

ASX Listing Rules means the Listing Rules of ASX.

Business Day means a day on which trading takes place on the stock market of ASX.

Closing Date means the closing date for receipt of Application Forms under this Prospectus as set out in Section 5.4.

Company or **IPL** means International Petroleum Limited (previously named International Goldfields Limited) (ABN 76 118 108 615).

Consideration Options means the options issued in consideration for the acquisition by the Company of all the issued capital in Eastern Petroleum.

Consideration Shares means the Shares issued in consideration for the acquisition by the Company of all the issued capital in Eastern Petroleum.

Constitution means the Company's Constitution as at the date of this Prospectus or as proposed to be adopted at the General Meeting (as applicable).

Contract means the Contract for Exploration of Hydrocarbon Resources in the Alakol Block in East Kazakhstan and Almaty Oblasts of the Republic of Kazakhstan between the MEMR, Remas and NCPL dated 13 June 2005 as amended.

Converting Performance Shares means the converting performance shares on issue in the Company with the terms and conditions set out in Section 15.2(b) of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means directors of the Company at the date of this Prospectus and where applicable, includes the Proposed Directors.

Dollar or “\$” means Australian dollars.

Eastern Petroleum or **EPCL** means Eastern Petroleum Corporation Limited.

Eastern Petroleum Share means a fully paid ordinary share in the capital of Eastern Petroleum.

Eastern Petroleum Shareholders means the holders of an Eastern Petroleum Share.

EIA means environmental impact assessment.

Exposure Period means the period of 7 days after the date of lodgement of the Original Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

Farm-In Agreement means the farm-in agreement between the Company and Genorah in respect of the Tubatse Project.

General Meeting means the meeting of the Shareholders to be held in May 2010.

Genorah means Genorah Resources (Pty) Ltd a privately owned company registered in South Africa.

Joint Operating Agreement or JOA means the agreement dated 12 April 2006 between NCPL and Remas pursuant to which NCPL is designated as operator of the Project, a summary of which is contained in Section 8.4 of this Prospectus.

JORC means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004) prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

Kazakhstan Project means the blocks covering approximately 32,000km² in the Alakol and Balkhash sedimentary basins in eastern and south-eastern Kazakhstan and the subject of the Contract.

Listing Rules means the listing rules of NSX or ASX (as applicable).

MEMR means Ministry of Energy and Mineral Resources of the Republic of Kazakhstan.

NCPL means North Caspian Petroleum Limited (a private company registered in the United Kingdom).

NKWE means NKWE Platinum Limited.

Notice of Annual General Meeting means the Notice of Annual General Meeting lodged with the ASIC on 26 October 2009.

NSX means the National Exchange of Australia.

NSX Listing Rules means the listing rules of NSX.

Offer means the offer of Shares referred to in the “Details of the Offer” section of this Prospectus.

Opening Date means the opening date for receipt of Application Forms under this Prospectus as set out in Section 5.2.

Option means an option to acquire a Share.

Original Prospectus means the prospectus dated 8 April 2010 issued by the Company and lodged with the ASIC on that date.

PGM means platinum.

Proposed Directors means Frank Timis and Mark Ashurst.

Prospectus or **Replacement Prospectus** means this replacement prospectus dated 23 April 2010.

Remas means Remas Corporation LLP.

Securities means Shares and Options.

Shares means the Shares the subject of the Offer.

Share means a fully paid ordinary share in the capital of the Company and where the context permits means the Shares the subject of the Offer.

Share Sale means the sale the subject of the Share Sale Agreement.

Share Sale Agreement means the agreement entered into between the Company, Eastern Petroleum and the Shareholders of Eastern Petroleum on or about 7 October 2009 (as varied) as summarised in Section 8.2 of this Prospectus.

Transactions means the Asset Sale and the Share Sale.

Tubatse Project means the 3 farms located on the eastern limb of South Africa's Bushveld Complex, namely Hoepakrantz 291KT, Nooitverwacht 324KT and Eerste Geluk 327KT.

WST means Western Standard Time.



April 6, 2010

The Directors
International Petroleum Limited
18 Oxford Close
Leederville WA 6007
Australia

Re: International Petroleum Limited
Competent Person's Report

Dear Sirs:

Miller and Lents, Ltd. (MLL) understands that International Petroleum Limited (ACN 118 108 615) (the Company) has entered into a Share Sale Agreement with Eastern Petroleum Corporation Limited (Eastern Petroleum) and each of the shareholders of Eastern Petroleum to acquire all of the fully paid ordinary shares in the capital of Eastern Petroleum. Eastern Petroleum's wholly owned subsidiary, North Caspian Petroleum Limited, operates and owns a 50 percent interest in subsoil use rights for the exploration of hydrocarbons in blocks in East-Kazakhstan and Almaty Oblasts covering approximately 32,000 square kilometres in the Alakol and Balkhash sedimentary basins in eastern and south-eastern Kazakhstan (Kazakhstan Project).

MLL was commissioned by Eastern Petroleum to provide a Competent Person's Report on Eastern Petroleum's interests in the Kazakhstan Project. The Competent Person's Report is to be included in a Prospectus to be lodged by the Company with the Australian Securities and Investments Commission for the offer of up to 100,000,000 fully paid ordinary shares in the capital of the Company (Share) at a price of \$0.30 per Share to raise up to \$30,000,000 (before costs of the offer) (Prospectus). MLL gives its consent for the inclusion of the Competent Person's Report in the Prospectus in the form and context in which it appears.

The Competent Person's Report was prepared by MLL during June and July of 2008 and was updated during June and July of 2009 at the request of Eastern Petroleum. The analysis, conclusions and methods contained in the report are based on information available up to and including the date of the report and MLL has not updated, and undertakes no duty to update, anything contained in the report. MLL has no reason to doubt the authenticity or substance of the information provided. However, MLL is aware that an additional exploratory well has been drilled in the Alakol Basin since the date of the report. While MLL understands that testing is yet to be conducted in respect of such drilling activities, any new information or results arising from any testing carried out in the future may significantly affect the estimates shown in the report.

The conclusions contained in the report are based on assumptions that MLL believed were reasonable at the time of its preparation. However, there are a wide range of uncertainties and risks that are outside the control of MLL which may impact these assumptions including, but not limited to,

The Directors
International Petroleum Limited

April 6, 2010
Page 2

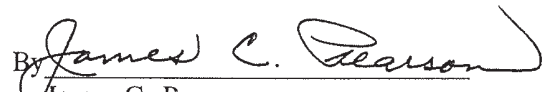
unforeseen market changes, actions of governments or individuals, natural events, economic changes, changes of laws and regulations or interpretation of laws and regulations.

MLL declares that it has no material interest in the Company, its associated entities, or in the assets described in the Competent Person's Report. MLL charged Eastern Petroleum a professional fee for services rendered, the quantum of which is unrelated to the outcome or content of the report.

The Prospectus contains references to the report prepared by Miller and Lents, Ltd. for the exclusive use of Eastern Petroleum Corporation Limited. In addition, a copy of the report is included in the Prospectus. The analysis, conclusions and methods contained in the report are based upon information that was in existence at the time the report was rendered and Miller and Lents, Ltd. has not updated and undertakes no duty to update anything contained in the report. While the report may be used as a descriptive resource, investors are advised that Miller and Lents, Ltd. has not verified information provided by others except as specifically noted in the report, and Miller and Lents, Ltd. makes no representation or warranty as to the accuracy of such information. Moreover, the conclusions contained in such report are based on assumptions that Miller and Lents, Ltd. believed were reasonable at the time of its preparation. However, there are a wide range of uncertainties and risks that are outside of the control of Miller and Lents, Ltd. which may impact these assumptions, including but not limited to unforeseen market changes, actions of governments or individuals, natural events, economic changes, and changes of laws and regulations or interpretation of laws and regulations. Furthermore, neither Miller and Lents, Ltd., nor its affiliates, nor its agents nor representatives nor any other person acting on its or their behalf (a) makes any representation or warranty, expressed or implied (including but not limited to any representation or warranty that the implementation or use of the information contained therein will (i) result in compliance with applicable law or (ii) provide a perfect result), with respect to the use of any information disclosed in such report; or (b) assumes any liability with respect to the use of any information disclosed in such report. As used in this paragraph, the term information includes, without limitation, the analysis, conclusions and methods of the report, whether provided or prepared by Miller and Lents, Ltd. or others, and any data upon which any of the foregoing were based.

Yours very truly,

MILLER AND LENTS, LTD.

By 
James C. Pearson, P.E.
Chairman

JCP/slc