
INTERNATIONAL PETROLEUM LIMITED

ABN 76 118 108 615

NOTICE OF ANNUAL GENERAL MEETING

TIME: 10:30am (WST)

DATE: 27 May 2011

PLACE: Kailis Bros Fish Market & Café Function Centre
101 Oxford Street
Leederville WA 6007

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9388 0744.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:30am (WST) on 27 May 2011 at:

Kailis Bros Fish Market & Café Function Centre
101 Oxford Street
Leederville WA 6007

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne, Victoria, 3001;
- (b) facsimile to Computershare Investor Services Pty Ltd on facsimile number 1800 783 447 (within Australia) and +61 3 9473 2555 (outside Australia); or
- (c) for Intermediary Online Subscribers Only, Subscribers Only (Custodians) www.intermediaryonline.com,

so that it is received not later than 10:30am (WST) on 25 May 2011.

Proxy Forms received later than this time will be invalid. Enquiries in respect of the proxy form should be made on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders will be held at 10:30am (WST) on 27 May 2011 at Kailis Bros Fish Market & Café Function Centre, 101 Oxford Street, Leederville, Western Australia.

The Explanatory Statement provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at opening of business on 26 May 2011.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 31 December 2010 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the period ended 31 December 2010."

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – WILLIAM MCAVOCK

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 13.4 of the Constitution and for all other purposes, Mr William McAvoock, a Director who was appointed on 5 January 2011, retires, and being eligible, is re-elected as a Director."

3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – CHRIS HOPKINSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 13.4 of the Constitution and for all other purposes, Mr Chris Hopkinson, a Director who was appointed on 13 April 2011, retires, and being eligible, is re-elected as a Director."

4. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – ANTONY SAGE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Mr Antony Sage, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

5. RESOLUTION 5 – RE-ELECTION OF DIRECTOR – MARK GWYNNE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Mr Mark Gwynne, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

6. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE – OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for all purposes, Shareholders ratify the allotment and issue of 17,375,000 Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – ISSUE OF DIRECTOR OPTIONS – WILLIAM MCAVOCK

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Section 208 of the Corporations Act, NSX Listing Rule 6.44 and for all other purposes, approval is given for the Directors to allot and issue 3,000,000 Director Options to Mr William McAvoch (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr William McAvoch (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. RESOLUTION 8 – ISSUE OF DIRECTOR OPTIONS & INCENTIVE SHARES – CHRIS HOPKINSON

To consider and, if thought fit, to pass the following resolution as a **special resolution**:


“That, for the purposes of Section 208 of the Corporations Act, NSX Listing Rule 6.44 and for all other purposes, approval is given for the Directors to allot and issue 15,000,000 Director Options and 10,000,000 Shares to Mr Chris Hopkinson

(or his nominee) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Chris Hopkinson (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DATED: 18 APRIL 2011

BY ORDER OF THE BOARD

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

**CLAIRE TOLCON
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 10:30am (WST) on 27 May 2011 at Kailis Bros Fish Market & Café Function Centre, 101 Oxford Street, Leederville, Western Australia.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

Shareholders should note that pursuant to a deed between the Company and Safeguard Management Limited (**Safeguard**), no votes may be cast at this Annual General Meeting by Safeguard in respect of the proposed resolutions. As at the date of this Notice of Meeting, Safeguard holds 444,018,420 Shares representing 46.79% of the issued capital of the Company.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the period ended 31 December 2010 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report on its website at www.internationalpetroleum.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the period ended 31 December 2010.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

3. RESOLUTIONS 2 AND 3 – RE-ELECTION OF DIRECTORS – WILLIAM MCAVOCK AND CHRIS HOPKINSON

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Mr William McAvoch was appointed as a Director on 5 January 2011 and Mr Chris Hopkinson was appointed as a Director on 13 April 2011.

Mr William McAvock and Mr Chris Hopkinson will retire in accordance with clause 13.4 of the Constitution and being eligible seeks re-election.

A profile of Mr William McAvock is contained in the 2010 Annual Report.

Mr Chris Hopkinson has 22 years' experience in the oil and gas industry. Mr Hopkinson joins International Petroleum from BG Group, where he was Senior Vice President of North Africa. Before that, Mr Hopkinson spent 8 years working in Russia as CEO of Imperial Energy Corporation plc and in senior management positions for TNK-BP, Yukos and Lukoil. Mr Hopkinson started his career with Shell working in various locations worldwide.

4. RESOLUTIONS 4 AND 5 – RE-ELECTION OF DIRECTORS – MR ANTONY SAGE AND MR MARK GWYNNE

Clause 13.2 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

The Company currently has six Directors and accordingly two must retire.

Messrs Sage and Gwynne, the Directors longest in office since their last election, retire by rotation and seek re-election.

5. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE – OPTIONS

5.1 General

Since the last Annual General Meeting of the Company in November 2010, the Company issued a total of 17,375,000 Options to consultants and employees of the Company as part of their contract with the Company.

None of the recipients were related parties of the Company.

Resolution 6 seeks Shareholder ratification pursuant to NSX Listing Rule 6.25 for the issue of those Options (**Option Ratification**).

NSX Listing Rule 6.25 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in NSX Listing Rule 6.25 without the requirement to obtain prior Shareholder approval.

5.2 Technical information

The following information is provided in relation to the Option Ratification:

- (a) 17,375,000 Options were allotted and issued;
- (b) the Options were issued for nil cash consideration;
- (c) the Options were issued on the terms and conditions set out in Schedule 1;
- (d) the Options were allotted and issued to:
 - (i) Hamunts Ltd (in respect of services provided by Dr Valera Beloussov) – 9,500,000 Options;
 - (ii) Hamunts Ltd (in respect of services provided by Alexander Osipov) – 2,000,000 Options;
 - (iii) Anya Belogortseva - 1,500,000 Options;
 - (iv) Kenneth Hopkins - 2,500,000 Options; and
 - (v) Mikhail Petrenko – 1,875,000 Options; and
- (e) no funds were raised from the issue of the Options as the Options were issued to consultants and employees of the Company in consideration for services to the Company and pursuant to contracts with the Company. Most of the Options were issued with vesting conditions linking the vesting of the Options with milestones of the Company's performance.

6. RESOLUTIONS 7 + 8 – ISSUE OF DIRECTOR OPTIONS & INCENTIVE SHARES – WILLIAM MCAVOCK & CHRIS HOPKINSON

6.1 General

Each of Mr William McAvoock and Mr Chris Hopkinson (**Related Parties**) entered into agreements with the Company for their appointment as Chief Financial Officer and Chief Executive Officer respectively. The remuneration for each of Mr William McAvoock and Mr Chris Hopkinson was split into a cash component and an equity component (subject to receipt of necessary Shareholder approvals) to align each of Related Parties' interest with that of the Company.

The Board considered it usual practice for the executive's remuneration to have a cash component and an equity component.

Specifically, the equity component of the Related Parties' contracts with the Company provide for the issue of the following securities:

- (a) Mr William McAvoock – 3,000,000 Director Options which have vesting conditions linked to Company performance; and
- (b) Mr Chris Hopkinson – 15,000,000 Director Options and up to 10,000,000 Shares upon the achievement of the following milestones:
 - (i) 2,500,000 Shares upon the Shares trading on NSX at A\$0.50 for 30 continuous trading days;
 - (ii) 2,500,000 Shares upon the Shares trading on NSX at A\$0.75 for 30 continuous trading days;

- (iii) 2,500,000 Shares upon the Shares trading on NSX at A\$1.00 for 30 continuous trading days;
- (iv) 2,500,000 Shares upon the Shares trading on NSX at A\$1.50 for 30 continuous trading days

(together, the **Incentive Shares**).

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (c) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (d) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, NSX Listing Rule 6.44 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in NSX's opinion, such that approval should be obtained unless an exception in NSX Listing Rule 6.44 applies.

The grant of the Director Options to Mr McAvock and Director Options and Incentive Shares to Chris Hopkinson requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as a Director, Mr William McAvock and Mr Chris Hopkinson are each related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and NSX Listing Rule 6.44 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options and Incentive Shares to the Related Parties.

6.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 6.44)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and NSX Listing Rule 6.44, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related parties are Mr McAvock, and Mr Hopkinson, both of whom are Directors;
- (b) the maximum number of Director Options and Incentive Shares (being the nature of the financial benefit being provided) to be granted to the Related Parties are:
 - (i) 3,000,000 Director Options to Mr McAvock; and
 - (ii) 15,000,000 Director Options and up to 10,000,000 Incentive Shares to Chris Hopkinson.
- (c) the Director Options will be granted to the Related Parties no later than 1 month after the date of the Meeting and it is anticipated the Director Options will be issued on one date. The Incentive Shares will not be issued unless and until the milestones in Section 6.1 are achieved;

- (d) the Director Options and Incentive Shares will be granted for nil cash consideration, accordingly no funds will be raised. They are being issued as part of each Director's remuneration package with the Company;
- (e) the terms and conditions of the Director Options are set out in Schedule 2;
- (f) the Incentive Shares when issued will rank equally with existing Shares on issue.
- (g) the value of the Director Options and the pricing methodology is set out in Schedule 3. The Incentive Shares will only be issued upon satisfaction of the milestones referred to in Section 6.1. Based on the closing price of the Shares as at 12 April 2011 (being the last date of trading in Shares before the date of this Notice) of \$0.20, the Incentive Shares would be worth \$2,000,000;
- (h) Mr McAvock currently has a relevant interest in 90,000 Shares and Mr Hopkinson does not have a relevant interest in any Shares;
- (i) Mr McAvock and Mr Hopkinson were only appointed Directors on 5 January 2011 and 13 April 2011 respectively and accordingly did not receive any remuneration for the previous financial year. Pursuant to Mr William McAvock's contract with the Company as Chief Financial Officer, he will receive £130,000 for the current financial year plus a discretionary bonus of up to 100% of base salary may be awarded by the Board's remuneration committee subject to meeting annual targets set at the commencement of the year. Pursuant to Mr Chris Hopkinson's contract with the Company as Chief Executive Officer, he will receive £325,000 for the current financial year plus a discretionary bonus of up to 100% of base salary may be awarded by the Board's remuneration committee subject to meeting annual targets set at the commencement of the year;
- (j) if the Director Options granted to the Related Parties are exercised, a total of 18,000,000 Shares will be allotted and issued. This will increase the number of Shares on issue from 948,865,364 to 966,865,364 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 1.86%.

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on NSX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

- (k) the trading history of the Shares on NSX since listing on NSX is set out below:

	Price	Date
Highest	36.5 cents	28 Jun 2010
Lowest	15 cents	19 Nov 2010
Last	20 cents	12 April 2011

- (l) the primary purpose of the grant of Director Options to Mr McAvock and the Director Options and Incentive Shares Mr Hopkinson is to provide a market linked incentive package in their capacity as Chief Financial

Officer and Chief Executive Officer respectively and for the future performance by them in their roles. The Director Options have vesting milestones set to link part of their remuneration to Company performance. Further, the Incentive Shares will not be issued unless set milestones are achieved by the Company. The Board (other than Mr McAvock and Mr Hopkinson) considered it appropriate that their remuneration comprise a cash component and an equity component which is linked to Company performance.

The Board considered the extensive experience and reputation of each of Mr McAvock and Mr Hopkinson within the oil and gas industry, the current market price of Shares and current market practices when determining the number and exercise price of the Director Options to be issued to Mr McAvock and the Director Options and Incentive Shares to be issued to Mr Hopkinson. In addition, the Board considers the grant of the Director Options to Mr McAvock and the Director Options and Incentive Shares to be issued to Mr Hopkinson to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. If the Director Options and Incentive Shares are not issued, the Company could remunerate the executives for additional amounts. However, the Board considers it reasonable for the remuneration of the 2 executives to have a cash component and an equity component to further align the Related Parties' interests with Shareholders and maintain a strong cash position for the Company.

As outlined above, there are alternate options to issuing Director Options and Incentive Shares available in respect of remunerating the executive Directors and accordingly, Shareholders should consider the above matters carefully before deciding how to vote on these Resolutions.

For the reasons set out above, the Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options and Incentive Shares upon the terms proposed;

- (m) Mr William McAvock declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 7, recommend that Shareholders vote in favour of Resolution 7. The Board (other than Mr William McAvock) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and
- (n) Mr Chris Hopkinson declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 8, recommend that Shareholders vote in favour of Resolution 8. The Board (other than Mr Chris Hopkinson) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

7. ENQUIRIES

Shareholders are requested to contact the Company Secretary on (+ 61 8) 9388 0744 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

2010 Annual Report means the financial statements of the Company for the period ended 31 December 2010.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities and Investments Commission.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that NSX declares is not a business day.

Company means International Petroleum Limited (ABN 76 118 108 615).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Director Option means an Option granted pursuant to Resolutions 7 and 8 with the terms and conditions set out in Schedule 2.

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Incentive Shares means Shares that will be issued to Chris Hopkinson on achievement of the milestone set out in Section 7.1.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share with the terms and conditions set out in Schedule 1.

Optionholder means a holder of an Option or Director Option as the context requires.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS (RESOLUTION 6)

The Options issued to Anya Belogortseva, Kenneth Hopkins and Hamunts Ltd (in respect of Services provided by Alexander Osipov) were issued on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) Subject to (c), the Options will expire at 5.00pm (WST) on that date which is five (5) years after the date of issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) All Options (whether vested or not) will automatically lapse 90 days after the recipient ceases to be employed by the Company.
- (d) The amount payable upon exercise of each Option will be \$0.25 (**Exercise Price**).
- (e) 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.
- (f) Subject to the Options vesting, the Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,

(Exercise Notice).

- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) 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.
- (i) The Options are not transferable.
- (j) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (k) The Company will not apply for quotation of the Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on NSX within 10 Business Days after the date of allotment of those Shares.
- (l) The Options have the following vesting conditions:
 - (i) the Options issued to Hamunts Ltd (in respect of services provided by Alexander Osipov) will vest upon the following milestones being met:
 - (A) 500,000 will vest immediately;
 - (B) 500,000 will vest upon the Company share price on NSX reaching A\$0.50 for 30 consecutive days; and

- (C) 1,000,000 will vest upon the Company share price on NSX reaching A\$1.00 for 30 consecutive days;
- (ii) The Options issued to Kenneth Hopkins will vest upon the following milestones being met:
 - (A) 500,000 will vest immediately;
 - (B) 1,000,000 will vest following a commercial discovery at the Alkol Exploration Project in Kazakhstan; and
 - (C) 1,000,000 will vest upon a commercial discovery or on the commercial production of any acquisition project.
- (m) 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 NSX Listing Rules at the time of the reconstruction.
- (n) 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.
- (o) 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.

The Options issued to Mikhail Petrenko were on the following terms:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) Subject to (c), the Options will expire at 5.00pm (WST) on that date which is five (5) years after the date of issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) All Options (whether vested or not) will automatically lapse 90 days after Mikhail Petrenko ceases to be employed by the Company.
- (d) The amount payable upon exercise of each Option will be \$0.30 (**Exercise Price**).
- (e) 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.
- (f) The Options will vest in the holder as long as Mikhail Petrenko is employed by the Company or providing services to the Company and the following milestones are met:
 - (i) 250,000 will vest upon the Company share price on the National Stock Exchange of Australia (**NSX**) reaching A\$0.50 for 30 consecutive days;
 - (ii) 375,000 will vest upon the Company share price on NSX reaching A\$0.75 for 30 consecutive days;
 - (iii) 500,000 will vest upon the Company share price on NSX reaching A\$1.00 for 30 consecutive days; and
 - (iv) 750,000 will vest upon the Company share price on NSX reaching A\$1.50 for 30 consecutive days.

- (g) Subject to the Options vesting, the Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).

- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (i) 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.
- (j) The Options are not transferable.
- (k) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (l) The Company will not apply for quotation of the Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on NSX within 10 Business Days after the date of allotment of those Shares.
- (m) 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 NSX Listing Rules at the time of the reconstruction.
- (n) 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.
- (o) 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.

The Options issued to Hamunts Ltd (in respect of services provided by Dr Valera Belousov) were issued on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) Subject to (c), the Options will expire at 5.00pm (WST) on that date which is five (5) years after the date of issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) All Options (whether vested or not) will automatically lapse after the termination of the service agreement between the Company and Hamunts Ltd.
- (d) The amount payable upon exercise of each Option will be \$0.30 (**Exercise Price**).
- (e) 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.

- (f) Subject to the Options vesting, the Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,

(Exercise Notice).

- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) 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.
- (i) The Options are not transferable.
- (j) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (k) The Company will not apply for quotation of the Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on NSX within 10 Business Days after the date of allotment of those Shares.
- (l) The Options have the following vesting conditions:
 - (i) the Options issued to Hamunts Ltd (in respect of services provided by Dr Valera Belousov) will vest upon the following milestones being met:
 - (A) 3,000,000 will vest immediately;
 - (B) 1,500,000 will vest upon the completion of an acquisition targeted in northern Kazakhstan;
 - (C) 2,500,000 will vest upon a commercial discovery of hydrocarbons at one of the Company's projects in Kazakhstan; and
 - (D) 2,500,000 will vest upon a commercial discovery of hydrocarbons at one of the Company's projects in Russia.
- (m) 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 NSX Listing Rules at the time of the reconstruction.
- (n) 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.
- (o) 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.

SCHEDULE 2 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

The Director Options proposed to be issued to Mr William McAvoek entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share.
 - (b) The Director Options will expire at 5.00pm (WST) 5 years from the date of issue (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
 - (c) The amount payable upon exercise of each Director Option will be \$0.25 (**Exercise Price**).
 - (d) The Director 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.
 - (e) The Director Options vest on the following milestones:
 - (i) 1,000,000 will vest on the Company securing a commercial discovery;
 - (ii) 1,000,000 will vest on the Company dual listing on another recognised stock exchange; and
 - (iii) 1,000,000 will vest in equal instalments over a 3 year period commencing on the commencement date with the Company.
 - (f) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;
- (Exercise Notice).**
- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (h) 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 Director Options specified in the Exercise Notice.
 - (i) The Director Options are not transferable.
 - (j) All Shares allotted upon the exercise of Director Options will upon allotment rank *pari passu* in all respects with other Shares.
 - (k) The Company will not apply for quotation of the Director Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on NSX within 10 Business Days after the date of allotment of those Shares.

- (l) 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 NSX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director 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 Director Options prior to the date for determining entitlements to participate in any such issue.
- (n) A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised.

The Director Options proposed to be issued to Mr Chris Hopkinson entitle the holder to subscribe for shares on the following terms:

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share.
- (b) The Director Options will expire at 5.00pm (WST) 5 years from the date of issue (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Director Option will be \$0.25 (**Exercise Price**).
- (d) The Director 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.
- (e) The Director Options vest on the following milestones:
 - (i) 2,500,000 will vest on the Company securing a commercial discovery in Russia prior to 31 December 2011;
 - (ii) 2,500,000 will vest on the Company listing on the AIM Market or the London Stock Exchange; and
 - (iii) 2,500,000 will vest in each of 6 months, 12 months, 24 months and 36 months of his commencement with the Company.
- (f) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
 - (iv) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
 - (v) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;

(Exercise Notice).
- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) 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 Director Options specified in the Exercise Notice.

- (i) The Director Options are not transferable.
- (j) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
- (k) The Company will not apply for quotation of the Director Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on NSX within 10 Business Days after the date of allotment of those Shares.
- (l) 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 NSX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director 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 Director Options prior to the date for determining entitlements to participate in any such issue.
- (n) A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised

SCHEDULE 3 – VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to Mr William McAvoek and Mr Chris Hopkinson pursuant to Resolutions 7 & 8 have been valued by internal management.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Director Options were ascribed a value range, as follows:

Assumptions:			
Vesting conditions	Assumed that all vesting conditions will be achieved		
Valuation date	12 April 2011		
Market price of Shares	20 cents		
Exercise price	25 cents		
Expiry date	12 April 2016		
Risk free interest rate	5.34%		
Volatility	100%	125%	150%
Indicative value per Director Option	14.8 cents	16.8 cents	18.2 cents
Total Value of Director Options			
William McAvoek	\$444,000	\$504,000	\$546,000
Chris Hopkinson	\$2,220,000	\$2,520,000	\$2,730,000

Note: The valuation ranges noted above are not necessarily the market prices that the Director Options could be traded at and they are not automatically the market prices for taxation purposes.