

NSX Announcement  
31 January 2012

## **Quarterly Reports**

Please find attached the following reports relating to the quarter ended 31 December 2011:

- Quarterly Disclosure Declaration;
- Quarterly Activities Report; and
- Quarterly Cash Flow.

Yours faithfully  
International Petroleum Limited

Tony Sage  
**Non-Executive Chairman**

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31 January 2012

Mr Ian Craig  
Companies Manager  
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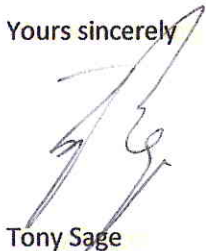
Dear Sir

#### QUARTERLY DISCLOSURE DECLARATION

In accordance with the listing conditions imposed by the National Stock Exchange of Australia (NSX) on International Petroleum Limited (Company), on behalf of the Board of the Company we declare that the Board has reviewed the operations of the Company and, in the opinion of each member of the Board:

- (a) all matters that require disclosure have been disclosed by the Company in accordance with Listing Rules of the NSX; and
- (b) the market remains fully informed as to the prospects and activities of the Company.

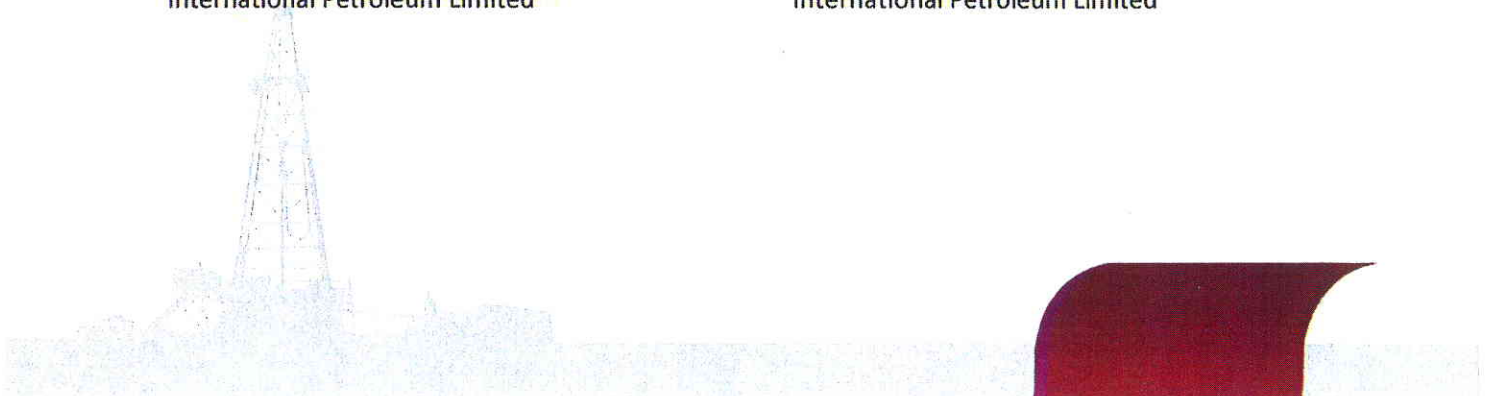
Yours sincerely



Tony Sage  
Non-Executive Chairman  
International Petroleum Limited



Chris Hopkinson  
Director and Chief Executive Officer  
International Petroleum Limited



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## **QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2011**

International Petroleum Limited (**NSX: IOP; OTCQX: ITPLY**) (“**International Petroleum**” or the “**Company**”), an oil and gas exploration company with assets in Russia and Kazakhstan, is pleased to present its quarterly activities report for the quarter ended 31 December 2011.

### **HIGHLIGHTS**

- US\$0.9 million cash at bank at 31 December 2011.
- Completed testing of Well No. 1 and Well No. 2 at the Krasnoleninsky Project in Western Siberia.
- Obtained shareholder approval for the acquisition of 100% of the shares in Vamaro Investments Limited, which holds licences for geological study of subsoil, prospecting and extraction of oil and gas within the territories of the Yuzhno-Sardakovsky block and the Zapadno-Novomolodezhniy block in the Khanty-Mansiysk Autonomous Region in Western Siberia, Russia.
- Following receipt of shareholder approval, completed the acquisition of 75% of the issued share capital of Charlize Investments Limited and became the operator of OOO VostokNefteGaz and the Druzhny Project.
- Secured a standby facility of up to US\$10 million to fund exploration expenditure and working capital.
- Obtained shareholder approval for the allotment and issue of up to 128,000,000 shares in respect of a placement to institutions and sophisticated investors. Subsequent to the quarter end, on 31 January 2012, the Company announced that it had received firm commitments from institutions and sophisticated investors to raise A\$33,146,000 (approximately US\$35.1million). The Company currently expects to complete the placement in early February 2012.
- Established a sponsored Level 1 American Depositary Receipt program with BNY Mellon and the ADR commenced quotation on OTCQX.
- The Company agreed with Nkwe Platinum Limited to vary the date by which the A\$45 million cash consideration is receivable under the Asset Sale Agreement from 31 December 2011 to 30 June 2012.



## CORPORATE

### Acquisition of the Vamarov Project – Western Siberia, Russia

During August 2011, the Company entered into a Share Purchase Agreement ("**Vamaro Agreement**") to acquire 100% of the issued share capital of Vamaro Investments Limited (an entity incorporated in Cyprus) ("**Vamaro**") ("**Vamaro Acquisition**").

Vamaro is the holder of:

- (a) 100% of the issued share capital of Yuzhno-Sardakovskoye LLC (an entity incorporated in Russia), which holds a licence for geological study of subsoil, prospecting and extraction of oil and gas within the territory of the Yuzhno-Sardakovsky block in the Khanty-Mansiysk Autonomous Region in Western Siberia, Russia; and
- (b) 100% of the issued share capital of Zapadno-Novomolodezhnoye LLC (an entity incorporated in Russia), which holds a licence for geological study of subsoil, prospecting and extraction of oil and gas within the territory of the Zapadno-Novomolodezhniy block in the Khanty-Mansiysk Autonomous Region in Western Siberia, Russia,

(together, the "**Vamarov Project**").

On 9 November 2011, at the Company's General Meeting, shareholder approval was obtained for the allotment and issue of 55,000,000 Shares ("**Vamarov Consideration Shares**") in part consideration for the acquisition of Vamaro.

In accordance with the terms and conditions of the Vamaro Agreement, the Company will also pay US\$3 million in cash to the seller and assume certain liabilities of Vamaro, including US\$1 million (which was paid during November 2011) and a further US\$4 million (which was originally payable by 27 December 2011 but is now payable by 27 February 2012) (together, the "**Vamarov Consideration Cash**").

Settlement of the Vamaro Acquisition will occur as soon as practicable following issue of the Vamarov Consideration Shares and the Vamarov Consideration Cash, but, with the permission of the seller, the Company has already become the operator of the Vamarov Project.

The Company has studied the data from the Vamarov Project, including an independent assessment of the original oil in place and the volume of remaining recoverable oil, and believes that the Vamarov Project may contain up to 55 mmboe of proved and probable ("**2P**") reserves. This internal estimate is based on the original oil in place as estimated by the independent assessment, but uses different recovery factors, which the Company believes are appropriate for production using hydraulic fracturing techniques in the region.

13 wells have been drilled on the Zapadno-Novomolodezhniy block and the Company is currently evaluating wells to work over and bring into production during the first quarter of 2012, despite completion of the Vamaro Acquisition possibly not occurring until the end of February 2012. A communication corridor passes through the northern part of the Zapadno-Novomolodezhniy block and includes pipelines and a hard-surface all-weather road, which can be used throughout the year, and a power transmission line.

8 wells have been drilled on the Yuzhno-Sardakovsky block and commencement of oil production in this block is expected to occur in the first quarter of 2012. The nearest oil pipelines are 16 km from the block and the nearest hard-surface road is 11 km from the block.

### Acquisition of the Druzhny Project – Western Siberia, Russia

On 4 November 2011, the Company entered into a Share Purchase and Funding Agreement (“**Druzhny Agreement**”) to acquire 75% of the issued share capital of Charlize Investments Limited (an entity incorporated in Cyprus) (“**Charlize**”) (“**Charlize Acquisition**”).

Charlize owns 100% of the issued share capital of OOO VostokNefteGaz (an entity incorporated in Russia) (“**VNG**”). VNG owns an exploration licence in the Tomsk region of Western Siberia (the “**Tomsk Exploration Licence**” or the “**Druzhny Project**”).

In consideration for the Charlize Acquisition, the Company agreed to:

- (a) issue 6,666,667 Shares (“**Charlize Consideration Shares**”) to the seller of the interest in Charlize; and
- (b) fund all of the exploration work necessary to fulfil the minimum work programme as stipulated in the Tomsk Exploration Licence.

On 9 November 2011, at the Company’s General Meeting, shareholder approval was obtained for the allotment and issue of the Charlize Consideration Shares in part consideration for the Charlize Acquisition.

The Charlize Consideration Shares were issued during December 2011 and the Charlize Acquisition has completed and the Company is the operator of VNG and the Druzhny Project. The Charlize Consideration Shares are subject to escrow until the earlier of:

- (a) a commercial discovery having been made in the Tomsk Exploration Licence;
- (b) VNG having acquired an oil-producing asset in the Tomsk region of Russia; or
- (c) a period of five years from the date of settlement of the Charlize Acquisition.

The minimum work programme as stipulated in the Tomsk Exploration Licence is as follows:

<b>Commitment</b>	<b>To be fulfilled by</b>
Develop, negotiate and obtain the approval of the programme of exploration and appraisal work	October 2011
Carry out at least 1,000 line km of 2D seismic survey	October 2012
Carry out at least 2,000 line km of 2D seismic survey (including 1,000 line km to be done by October 2012)	October 2013
Commence drilling of the first exploration well	October 2014
Complete drilling of at least three exploration wells	October 2015
Implement a full program of exploration and appraisal of hydrocarbon reserves in line with the programme of exploration and appraisal work	October 2015

If deposits are discovered, the Company intends to carry out an operational estimate of hydrocarbon reserves and file the estimate for Russian state expert evaluation not later than six months after the production well test date.

The Company plans to meet the requirements of the minimum work programme by carrying out at least 1,000 line km of 2D seismic survey during 2012.

#### **Sale of interest in Tubatse Project to Nkwe Platinum Limited for A\$45 million**

During August 2011, the terms of an asset sale agreement (the “**Asset Sale Agreement**”) entered into with Nkwe Platinum Limited (ASX: NKP) (“**Nkwe**”) relating to the Company’s interest in the Tubatse Project in South Africa were varied to reduce the consideration payable by Nkwe to the Company from A\$50 million to A\$45 million to be paid by 31 December 2011 and removing the trigger conditions that required Nkwe to make the payment.

On 11 November 2011, Nkwe’s shares were suspended from trading on the Australian Securities Exchange (“**ASX**”), at the request of Nkwe, pending the release of an announcement regarding the outcome of joint venture negotiations.

On 23 December 2011, Nkwe announced that it has been trying to settle a dispute about the ownership of certain mineral farms in South Africa and that there has been substantial agreement between the parties, but that certain technical difficulties have arisen and a concerted effort is being made to find resolution in the quickest possible time frame.

The Company has entered into an agreement to vary the terms of the Asset Sale Agreement in order to extend the latest date by which the A\$45 million consideration is payable from 31 December 2011 to 30 June 2012 and, in the event of a change of control in Nkwe, to increase the consideration payable by Nkwe to the Company from A\$45 million to A\$50 million.

On 12 January 2012, Nkwe announced that negotiations to settle the dispute about the ownership of certain mineral farms in South Africa are continuing and that Nkwe expects to make a definitive announcement on all matters relating to its projects and their development during January 2012.

As of today, Nkwe’s shares remain suspended on the ASX, pending an announcement of a binding outcome of this dispute.

Nkwe has indicated to the Company that, once it releases an announcement regarding a binding outcome of this dispute and its shares resume trading on ASX, it will be able to raise the funding it needs in order to pay the A\$45 million cash consideration to the Company.

#### **Standby loan facility**

During the quarter, the Company secured a standby facility (“**Standby Facility**”) of up to US\$10 million to fund exploration expenditure and working capital. This is in addition to the US\$10 million standby facility that was secured in May 2011.

#### **Placement**

In September 2011, the Company announced it proposed to raise up to US\$25 million through a placement of shares to institutions and sophisticated investors.

On 9 November 2011, at the Company’s General Meeting, shareholder approval was obtained for the allotment and issue of up to 128,000,000 shares in respect of this placement.

Owing to difficult market conditions in late 2011, the placement was delayed, but, on 31 January 2012, the Company announced that it had received firm commitments from institutions and sophisticated investors to raise gross proceeds of A\$33,146,000 (approximately US\$35.1million) through the issue of 165,730,000 shares at an issue price of A\$0.20 per share. The Company expects the placement to close in early February 2012.

### **OTCQX International**

In October 2011, the Company appointed Merriman Capital, Inc. ("**Merriman**") to act as its Principal American Liaison ("**PAL**") for the Company's securities to trade on the OTCQX marketplace in the United States ("**OTCQX**").

During the quarter, Merriman advised on the creation of a Level 1 American Depositary Receipt ("**ADR**"), representing the Company's securities, to trade on OTCQX and on the selection of an ADR provider.

In December 2011, the Company established a sponsored Level 1 ADR program with BNY Mellon and the ADR was quoted on OTCQX. Each ADR represents 20 of the Company's ordinary shares and the ADRs will trade on OTCQX under the ticker symbol "ITPLY". The Company's shares will continue to trade on the National Stock Exchange of Australia ("**NSX**") under the ticker symbol "IOP".

By establishing the ADR program, the Company hopes to tap into North American investor interest in oil and gas exploration and production in Russia and the Commonwealth of Independent States.

Merriman is one of a select group of investment bank sponsors registered by OTCQX to work with international and domestic companies as a PAL. In addition, Merriman will assist the Company to increase its visibility in the world's largest market by coordinating research coverage, taking the Company on road shows in the United States and providing other investment banking services.

The Company's information is available via S&P Capital IQ Corporation Records Listing Program ("**S&P Program**"). As part of the S&P Program, a full description of the Company will be published in the Daily News Section of S&P Capital IQ Corporation Records, a recognized securities manual for secondary trading in up to 38 States under the Blue Sky Laws. S&P Capital IQ Corporation Records is available in print, CD-ROM, and via the web at [www.netadvantage.standardandpoors.com](http://www.netadvantage.standardandpoors.com) as well as through numerous electronic vendors.

The information about the Company to be made available through the S&P Program includes an in-depth description of the Company's business operations, share price, dividend history, shares outstanding, company financial position, earnings, and full income statement and balance sheet.

OTCQX is the top tier of the OTC market, providing International Petroleum with exposure to U.S. institutional and retail investors. OTCQX International is reserved for companies that are listed on a qualified stock exchange in their home country, providing a visible presence in the U.S. without the duplicative disclosure and compliance requirements typical of a U.S. stock exchange.

With the progress International Petroleum has made, with its discoveries of commercial quantities of oil in both exploration wells that it drilled at the Krasnoleninsky Project and the Company's plans to produce oil during 2012 from these two wells and also from the wells at the Vamarov Project, trading on OTCQX will bolster International Petroleum's presence in the U.S. and give investors a broader opportunity to invest in a progressive oil exploration and production company.

## EXPLORATION

### Krasnoleninsky Project – Western Siberia, Russia

The Company, through its wholly-owned subsidiary IPL Siberia Ltd, owns a 75% equity interest in Souville Investments Ltd ("**Souville**"). Souville is the 100% legal and beneficial holder of Irtysh-Neft, a Russian company having exploration rights to four blocks in Western Siberia ("**Krasnoleninsky Project**"). Assuryan Assets Ltd holds the remaining 25% interest in Souville and, by extension, the Krasnoleninsky Project. The four blocks comprising the Krasnoleninsky Project cover a total area of 1,467 km<sup>2</sup> and are located in the Khanty-Mansiysk Region in Western Siberia, the largest oil-producing region of Russia.

The 1,467 km<sup>2</sup> area comprising the Company's four licence blocks has been extensively surveyed by 2,446 line-kilometres of closely-spaced 2D seismic data, which identified more than thirty prospects, including five "superstructures". Within these superstructures, there are a number of potential reservoirs, ranging in age from Paleozoic to Cretaceous, stacked upon each other, offering the potential of multiple producing zones in a single well. In a report to evaluate the hydrocarbon resource potential dated 12 May 2011, Ryder Scott Company-Canada, an independent oil and gas consultant ("**Ryder Scott**"), estimated the unrisks prospective (undiscovered recoverable) resources of the four blocks at 169 (Low Estimate), 260 (Best Estimate) and 385 (High Estimate) million barrels<sup>1</sup>. Based on the undiscovered unrisks resource estimates and scoping type resource economic evaluation reports from Ryder Scott and the oil shows in Well No. 1 and Well No. 2, the Company believes that the Krasnoleninsky Project has significant exploration potential.

In May 2011, drilling at both Well No. 1 and Well No.2 reached the target depths of 2,850 metres and 2,930 metres respectively and oil was found during drilling of both wells. The results of the interpretation of electrical logging of Well No. 1 and Well No. 2 were obtained in June 2011, and the interpretation of the electrical logging indicated that the Bazhenov and Tyumen suites are oil-bearing. In addition, the interpretation of the Palaeozoic suite indicated that the fractured zones in both wells are potentially oil-bearing.

During August 2011, the Company discovered an oilfield at Well No. 2. Oil commerciality was established in the J4 formation at the interval between 2,740 metres and 2,745 metres of Well No. 2, from which an unstimulated daily inflow of 6 cubic meters of oil was received. Using the data from this test, the Company has estimated oil flow rates after hydraulic fracturing to be 202 barrels per day (low case), 419 barrels per day (base case), and 508 barrels per day (high case) from this interval only.

Later in August 2011, the Company also discovered an oilfield during testing of Well No. 1. Oil commerciality was established in the J2-3 formation at the interval between 2,647 metres and 2,665.5 metres of Well No. 1, from which an unstimulated daily inflow of 5.5 cubic metres of oil was recorded.

In September 2011, changes were made to the expiry dates and other terms of the four exploration licences, covering the four blocks. The expiry date of all four licences has been extended to 31 December 2015 and the following licence commitments have been added:

1. Licence over block 7: second exploration well to be completed by 31 July 2015 (i.e. in addition to Well No. 1 that has already been drilled);

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<sup>1</sup> It should be noted that the discoveries are unappraised and that these discoveries increase the confidence in the Ryder Scott-Canada resource estimates relating to the drilled prospects (which will be the subject of reserves report to be completed during the first quarter of 2012) and de-risks the undrilled prospects in the Krasnoleninsky Project.



2. Licence over block 8: second exploration well to be completed by 31 July 2015 (i.e. in addition to Well No. 2 that has already been drilled);
3. Licence over block 9: second dependent exploration well to be completed by 31 July 2015 (i.e. dependent on the successful outcome of the first exploration well); and
4. Licence over block 10: second dependent exploration well to be completed by 31 July 2015 (i.e. dependent on the successful outcome of the first exploration well).

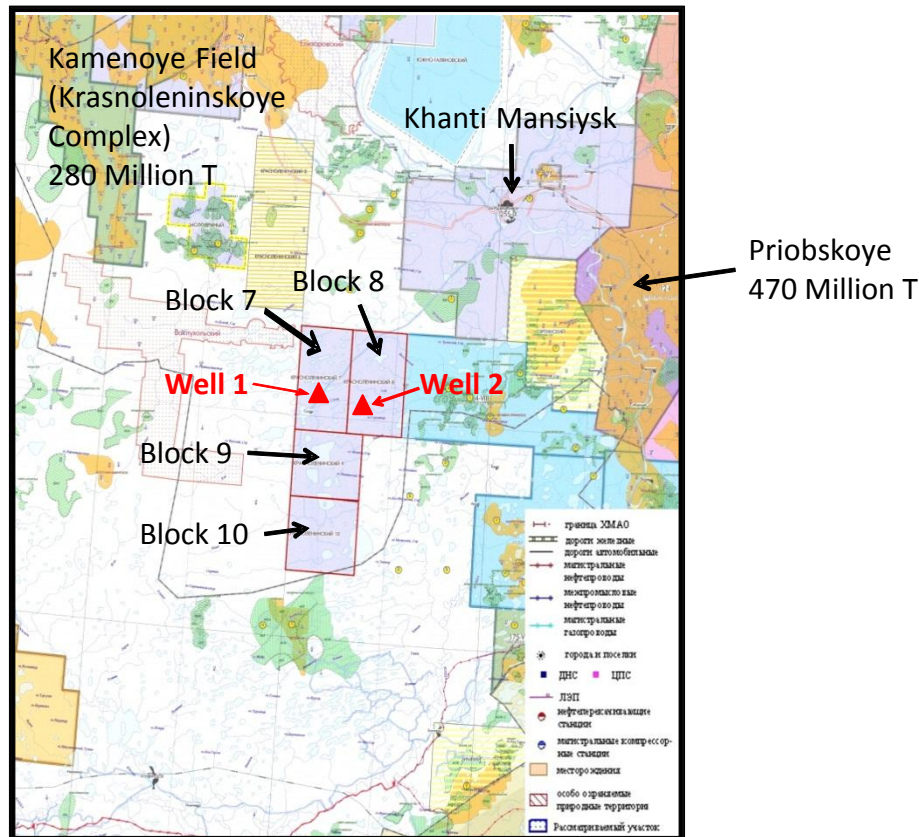


Figure 1: Location Map of Krasnoleninsky Project and Wells No. 1 and No. 2

During the quarter, the Company completed the testing programme at Well No. 1 and Well No. 2.

During the first quarter of 2012, the Company currently plans to conduct a stimulation programme in these two wells and commence oil production, and intends to issue a reserve report for the Krasnoleninsky Project in accordance with the industry standard SPE-PRMS standards.

The current approved work program requires the drilling of two wells on the Krasnoleninsky blocks by 30 June 2012 and the drilling of two additional wells by 30 December 2012 ("**Current Work Program**"). The Company satisfied the first part of this requirement by drilling Wells No. 1 and No. 2 during 2011 and plans to satisfy the second part of the Current Work Program by drilling Wells No. 3 and No. 4 in licence blocks 9 and 10 respectively during 2012.

## BUSINESS DEVELOPMENT OPPORTUNITIES

Whilst the Company is focused on exploration at its existing projects, during the quarter, it continued to review other companies and areas, such as Russia and Africa, for opportunities to acquire additional exploration and/or production projects.

Yours faithfully

Tony Sage

**Non-Executive Chairman**

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## About International Petroleum

International Petroleum is an oil and gas exploration company.

The Company is listed on the National Stock Exchange of Australia (**NSX: IOP**). The Company has established a sponsored Level 1 American Depositary Receipt ("**ADR**") program with BNY Mellon and the ADR is quoted on OTCQX International (**OTCQX: ITPLY**).

The Company owns a 75% equity interest in the exploration rights to four blocks, covering a total area of 1,467 km<sup>2</sup>, located in the Khanty-Mansiysk Autonomous Region in Western Siberia, the largest oil-producing region of Russia in Western Siberia (the "**Krasnoleninsky Project**"). During 2011, the Company drilled two exploration wells in the Krasnoleninsky Project and discovered commercial quantities of oil in both wells.

The Company owns a 75% equity interest in an exploration licence in the Tomsk region of Western Siberia (the "**Tomsk Exploration Licence**" or the "**Druzhny Project**").

The Company also owns a 50% interest in an early stage project covering 24,649 km<sup>2</sup> in eastern and south eastern Kazakhstan ("**Kazakhstan Project**"), which borders the western boundary of the People's Republic of China. International Petroleum's subsidiary company, North Caspian Petroleum Limited, has exclusive exploration rights to the Kazakhstan Project until November 2012.

In August 2011, the Company signed a Share Purchase Agreement to acquire 100% of the shares of Vamaro Investments Limited ("**Vamaro**") with its current shareholder. Vamaro owns two licences for geological study of subsoil, prospecting and extraction of oil and gas in the Khanty-Mansiysk Autonomous Region in

Western Siberia (the “**Vamarov Project**”). Completion of the acquisition of Vamaro is expected to occur by the end of February 2012.

Whilst the Company is focused on exploration at its existing projects in Russia and Kazakhstan, it continues to review other companies and areas, such as Russia and Africa, for opportunities to acquire additional exploration and/or production projects.

### **About OTCQX**

OTCQX is the top tier of the OTC market designed for the best OTC companies that meet the highest financial standards and undergo a qualitative review. Investors can find current financial disclosure and real-time level 2 quotes for OTCQX companies on [www.otcmarkets.com](http://www.otcmarkets.com).

### **About OTC Markets Group Inc.**

OTC Markets Group Inc. (OTCQX: OTCM) operates the world’s largest electronic marketplace for broker-dealers to trade unlisted stocks. The OTC Link™ platform supports an open network of competing broker-dealers that provide investors with the best prices in over 10,000 OTC securities. The wide spectrum of OTC-traded companies is categorised into three tiers – OTCQX (the quality-controlled marketplace for investor friendly companies), OTCQB® (the U.S. reporting company marketplace for development stage companies), and OTC Pink™ (the speculative trading marketplace) – so investors can identify the level and quality of information companies provide.

### **About BNY Mellon**

BNY Mellon acts as depositary for more than 2,100 American and global depositary receipt programs, acting in partnership with leading companies from 67 countries. With an unrivaled commitment to helping securities issuers succeed in the world's rapidly evolving financial markets, BNY Mellon delivers the industry's most comprehensive suite of integrated depositary receipt, corporate trust and stock transfer services. Learn more at [www.bnymellon.com/dr](http://www.bnymellon.com/dr).

BNY Mellon is a global financial services company focused on helping clients manage and service their financial assets, operating in 36 countries and serving more than 100 markets. BNY Mellon is a leading provider of financial services for institutions, corporations and high-net-worth individuals, offering superior investment management and investment services through a worldwide client-focused team. It has US\$25.9 trillion in assets under custody and administration and US\$1.2 trillion in assets under management, services US\$11.7 trillion in outstanding debt and processes global payments averaging US\$1.6 trillion per day. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Learn more at [www.bnymellon.com](http://www.bnymellon.com) and through Twitter @bnymellon.

### **About Merriman Capital, Inc.**

Merriman Capital, Inc. is an investment banking firm providing equity and options execution services, market making and differentiated research for high growth companies. The company also provides capital raising, advisory and M&A services. Merriman Capital, Inc. is a wholly owned subsidiary of Merriman Holdings, Inc. (OTCQX: MERR) and is the leading investment banking firm for OTCQX companies. For more information, please go to <http://www.merrimanco.com>.

Merriman Capital, Inc. is a registered broker-dealer and member of The Financial Industry Regulatory Authority (FINRA) <http://www.finra.org> and the Securities Investor Protection Corporation (SIPC) <http://www.sipc.org/contact.cfm>.

**About S&P Capital IQ**

S&P Capital IQ, a brand of the McGraw-Hill Companies (NYSE: MHP), is a leading provider of multi-asset class data, research and analytics to institutional investors, investment advisors and wealth managers around the world. S&P Capital IQ provides a broad suite of capabilities designed to help track performance, generate alpha, identify new trading and investment ideas, and perform risk analysis and mitigation strategies. Through leading desktop solutions such as Capital IQ, Global Credit Portal and MarketScope Advisor desktops; enterprise solutions such as S&P Securities Evaluations, Global Data Solutions, and Compustat; and research offerings including Leveraged Commentary & Data, Global Market Intelligence, and company and fund research, S&P Capital IQ sharpens financial intelligence into the wisdom today's investors need. Company information distributed through the Corporation Records Program is based upon information that S&P Capital IQ considers to be reliable, but neither S&P Capital IQ nor its affiliates warrant its completeness or accuracy, and it should not be relied upon as such. This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument.

# Quarterly Report

Name of entity

INTERNATIONAL PETROLEUM LIMITED

ABN

76 118 108 615

Quarter ended ("current quarter")

31 December 2011

## Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter US\$'000	Year to date (12 months) US\$'000
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) staff costs	(861)	(2,548)
	(b) advertising and marketing	-	(120)
	(c) research and development	-	-
	(d) leased assets	-	-
	(e) other working capital	(302)	(3,902)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	4	155
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)		
	(a) Payments for exploration	(4,779)	(20,085)
	(b) Payments for business development	-	(166)
	(c) VAT Refunds received	1,011	-
<b>Net operating cash flows</b>		<b>(4,927)</b>	<b>(26,666)</b>

		<b>Current quarter US\$'000</b>	<b>Year to date (12 months) US\$'000</b>
1.8	Net operating cash flows (carried forward)	<b>(4,927)</b>	<b>(26,666)</b>
1.9	<b>Cash flows related to investing activities</b>		
	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(3)	(34)
	(e) other non-current assets	-	-
	(f) cash acquired as part of acquisitions	5	5
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	24	14
1.13	Other (provide details if material)		
	(a) Performance bonds put in place	(17)	(139)
	(b) Performance bonds relinquished	-	229
	(c) Security for facilities put in place	(78)	(236)
	<b>Net investing cash flows</b>	<b>(69)</b>	<b>(161)</b>
1.14	<b>Total operating and investing cash flows</b>	<b>(4,996)</b>	<b>(26,827)</b>
	<b>Cash flows related to financing activities</b>		
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	3,675	14,910
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>3,675</b>	<b>14,910</b>
	<b>Net increase (decrease) in cash held</b>	<b>(1,321)</b>	<b>(11,917)</b>
1.21	Cash at beginning of quarter/year to date	1,879	12,822
1.22	Exchange rate adjustments to item 1.21	360	13
1.23	<b>Cash at end of quarter</b>	<b>918</b>	<b>918</b>

**Payments to directors of the entity and associates of the directors****Payments to related entities of the entity and associates of the related entities**

		Current quarter US\$'000
1.24	Aggregate amount of payments to the parties included in item 1.2	273
1.25	Aggregate amount of loans to the parties included in item 1.11	-

## 1.26 Explanation necessary for an understanding of the transactions

US\$273,315 has been paid to directors during the quarter for the provision of their services as directors.

**Non-cash financing and investing activities**

## 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 3 November 2011, the Company assumed control of Vamaro Investments Limited ('Vamaro'). The purchase consideration comprises the issue of 55,000,000 shares in the Company and cash of \$7m. As at 31 December 2011, the purchase consideration has not yet been paid, however the assets and liabilities of Vamaro have been included in the consolidated group. Payment of the purchase consideration is expected to occur by the end of February 2012.

On 28 December 2011, the company acquired 75% of the issued capital of Charlize Investments Limited ('Charlize'). Charlize owns 100% of the issued capital of OOO VostokNefteGaz which owns an exploration licence in the Tomsk region of Western Siberia. In consideration for the Charlize acquisition, the Company issued 6,666,667 shares and agreed to fund all of the exploration work necessary to fulfil the minimum work programme as stipulated in the Tomsk Exploration Licence.

## 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

**Financing facilities available**

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available US\$'000	Amount used US\$'000
3.1	Loan facilities	5,090	14,910
3.2	Credit standby arrangements	-	-

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter US\$'000	Previous quarter US\$'000
4.1 Cash on hand and at bank	767	1,734
4.2 Deposits at call	151	145
4.3 Bank overdraft		
4.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.23)</b>	<b>918</b>	<b>1,879</b>

## Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Vamaro Investments Limited	Charlize Investments Limited	N/A
5.2 Place of incorporation or registration	Cyprus	Cyprus	N/A
5.3 Consideration for acquisition or disposal	55,000,000 shares in the Company  \$7m cash plus assumed liabilities of approx. \$1m	6,666,667 shares in the Company  Funding minimum work program as stipulated in the Tomsk Exploration Licence	N/A
5.4 Total net assets on acquisition	\$10,700,000	\$1,132,965	N/A
5.5 Nature of business	Oil and gas exploration in Western Siberia, Russia	Oil and gas exploration in Western Siberia, Russia	N/A

## Compliance statement

- This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to NSX.
- This statement gives a true and fair view of the matters disclosed.

Sign here: Claire Tolcon  
(Company secretary)

Date: 31 January 2012

## Notes



1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** NSX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.