International Goldfields Limited
18 Oxford Close
Leederville WA 6007

26 October 2009

Manager of Company Announcements
Australian Securities Exchange
Level 6, 20 Bridge Street
SYDNEY NSW 2000

Via e-lodgement

ANNUAL REPORT AND NOTICE OF ANNUAL GENERAL MEETING

Please find attached the Company's Annual Report and the Notice of Annual General meeting, as despatched to shareholders of the Company.

For and on behalf of the Board

Tony Sage
Executive Chairman

For further information please contact:

Tony Sage
Chairman
International Goldfields Ltd
Ph: 08 9388 0744

David Tasker
Professional Public Relations
Ph: 08 9388 0944/ 0433 122 936
Em: david.tasker@ppr.com.au

2009

09 ANNUAL REPORT

INTERNATIONAL GOLDFIELDS LIMITED

International Goldfields Limited
(ABN 76 118 108 615)

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2009

CORPORATE DIRECTORY

EXECUTIVE CHAIRMAN
Antony William Paul Sage

NON-EXECUTIVE DIRECTORS
Timothy Paul Turner
Mark Gwynne

COMPANY SECRETARY
Jane Flegg

PRINCIPAL & REGISTERED OFFICE
18 Oxford Close
LEEDERVILLE WA 6007
Telephone: (08) 9388 0744
Facsimile: (08) 9382 1411

AUDITORS
BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
Telephone: (08) 9380 8400
Facsimile: (08) 9380 8499

SHARE REGISTRAR
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
PERTH WA 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

STOCK EXCHANGE LISTING
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: IGC

CONTENTS

CHAIRMAN'S LETTER

Dear Shareholder

I am delighted to provide a summary of your Company's activities for the year ended 30 June 2009.

This year has been quite a journey, where we have consolidated our focus on the exploration and development of the farm-in rights to the Genorah Farms platinum project in the Bushveld region of South Africa. The Bushveld region produces over 70% of the world's platinum and the Genorah Farms project is seen as one of the most highly prospective projects in the region, continuing to advance development of our significant platinum assets in South Africa.

Under a Farm-In Agreement signed in 2006, we have earned a 15% interest in three "farms", Hoepakrantz 291KT, Nooitverwacht 324KT and Eerste Geluk 327KT that comprise the "Tubatse Project", by spending US$10 million on exploration over a three year period that commenced in April 2007.

Since 2008, development activities at the project have been ongoing, with up to ten drill rigs on site for the majority of the time. The JORC-compliant resource on portions of Nooitverwacht 324KT and Eerste Geluk 327KT were recently upgraded from 12.4Moz to 45.25Moz (3PGE + Au) of inferred JORC resource.

You are no doubt aware that the prospectivity of the area and the strong development potential of the three farms, in which your Company has an earn-in right, are such that in late 2008, International Goldfields signed an Option Agreement with fellow Australian platinum company and joint venture partner Nkwe Platinum Limited ("Nkwe") in relation to our 15% interest in the three farms comprising the Tubatse Project.

Under the Option Agreement, Nkwe paid International Goldfields Limited an option fee of A$100,000 and 2.5 million of its own shares for time to facilitate the acquisition of our 15% interest in the Tubatse Project by way of a scheme of arrangement or asset sale. In early 2009, Nkwe extended the Option Agreement by issuing a further 2.5 million ordinary shares to International Goldfields.

Your Board wishes to advise all shareholders that, despite the six month option period, both parties are committed to the deal and expect to have an agreement finalised by October of this year. Your Board feels that, having reviewed a range of opportunities associated with this investment, including the continued exploration and eventual development of the Project, this deal with Nkwe will deliver maximum return and long-term value to you, the shareholders.

Since early 2009, your Board has also been reviewing a number of significant acquisition opportunities that have been presented to it, and in due course expects to finalise at least one of these transactions. Your Board believes that these transactions have the ability to generate significant returns to the company and its shareholders.

Tony Sage
Chairman

DIRECTORS' REPORT

Your Directors present their report on International Goldfields Limited ("International Goldfields" or "IGC" or "Company") for the financial year ended 30 June 2009.

DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

Mr Antony William Paul Sage	
Mr Timothy Paul Turner	
Mr Mark Gwynne	appointed 24 April 2009
Mr Michael George Povey	resigned 24 April 2009

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

The Company Secretary is Ms Jane Flegg.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year was mineral exploration and development.

During the year, the Company completed its acquisition of its 15% interest in the Tubatse Platinum Project in South Africa.

OPERATING RESULTS

The profit/(loss) of the Company after providing for income tax amounted to ($1,270,938) (2008: $1,538,123).

DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

REVIEW OF OPERATIONS

South African Tubatse Platinum Project

With the sale of the Company's Australian exploration assets last year, the Board further consolidated the Company's focus on the exploration and development of the Company's 15% farm-in rights to the Genorah Farms Platinum Project located on the eastern limb of South Africa's renowned Bushveld Complex, the world's premier platinum group metal producing region comprising approximately 80% of world production.

Under the farm-in agreement, IGC has earnt a 15% interest in three Genorah Farms (Hoepakrantz 291KT; Nooitverwacht 324KT and Eerste Geluk 327KT, collectively "the Tubatse project") by spending USD$10m on exploration over the past three years.

During the year, The JORC-compliant resource on portions of Nooitverwacht 324KT and Eerste Geluk 327KT was upgraded from 12.4Moz to 20.4Moz (3PGE + Au) inferred and, subsequent to 30 June 2009, has been upgraded to 45.25Moz (3PGE + Au) of inferred JORC resource.

DIRECTORS' REPORT continued

REVIEW OF OPERATIONS continued

Tubatse Project – Mineral Resource

	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				
Inferred	98.73	1.98	4.13	13.11
UG2				
Inferred	57.67	1.00	6.35	11.77
Total	**258.98**			**45.25**

Competent Person Statement

The information in this report that relates to initial 20.37Moz 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 14 years 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 in the 2004 Edition of the "Australasian Code for 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. 400060/98). Mr Denner consents to the inclusion of this information in the form and context in which it appears in this report.

The information in this report 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. Mr Clay is a Geologist with 12 years 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 in the 2004 Edition of the "Australasian Code for 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. 400041/99). Mr Clay consents to the inclusion of this information in the form and context in which it appears in this report.

All Mineral Resources stated in this Quarterly Report are in accordance with the requirements of the JORC Code (2004)

Nkwe Platinum Limited ("Nkwe") has exercised its option to acquire a 59 per cent interest in the Tubatse Project, with South African black empowerment company, Genorah Resources (Pty) Ltd, holding the remaining 26 per cent interest in the project.

Nkwe also holds a 74 per cent working interest in the two farms directly adjacent (north) to the Tubatse Project and has a stated goal of becoming a platinum producer with its joint venture option partner Xstrata, producing from both Tubatse and the northern farms a steady state operation of 1Moz of PGM per annum.

Option to sell Bushveld Stake to Nkwe Platinum Limited

During the period, International Goldfields Limited entered into a heads of agreement with ASX-listed company Nkwe Platinum Limited (ASX: NKP) to sell its 15% interest in the Tubatse project within the Bushveld platinum region of South Africa to Nkwe Platinum, subject to government and regulatory approvals.

Nkwe and IGC have had an Option Agreement in place since late 2008 that enabled Nkwe to negotiate on an exclusive basis to acquire the IGC's 15% stake. Originally the two parties were negotiating to implement a merger via a court approved Scheme of Arrangement, however the board of IGC believes that at this time an asset sale is in the best interest of its shareholders.

At the date of this report Nkwe and IGC are continuing to negotiate a revised agreement in order to complete the transaction.

REVIEW OF OPERATIONS continued

Board Changes

In April, the Company was pleased to announce Mr Mark Gwynne's appointment as a Director of the Company following the resignation of Mr Michael Povey.

Share/Option Issues

During the year a total of 34,200,165 shares were issued following the conversion of options, raising $6,705,025. The Board has been encouraged by the response of shareholders in exercising options during these times of world economic crisis.

Short term Loan

A loan of $2.15m plus interest owing to International Goldfields was settled during the year.

Financial Position

The entity has cash funds on hand of $6,701,514 (2008: $2,139,520) at year end.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Refer to Review of Operations which outlines significant changes in the state of affairs during the year.

AFTER BALANCE DATE EVENTS

The JORC-compliant resource on portions of Nooitverwacht 324KT and Eerste Geluk 327KT has upgraded the inferred JORC resource across the Tubatse Project to 45.25Moz 3PGE+AU.

BUSINESS STRATEGIES, PROSPECTS, LIKELY DEVELOPMENTS & EXPECTED RESULTS

The Company will continue to meet its obligations with respect to its 15% interest in the Tubatse Project with the object of identifying and developing commercial resources until the Nkwe Option Agreement has been finalised.

ENVIRONMENTAL ISSUES

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the first measurement period 1 July 2008 to 30 June 2009, the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

INFORMATION ON DIRECTORS

Antony William Paul Sage	Executive Chairman
Qualifications	B.Com, FCPA, CA, FTIA
Experience	Mr Sage has in excess of 24 years experience in the fields of corporate advisory services, funds management and capital raising. 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 a Director of Cape Lambert Iron Ore Limited, Executive Chairman of Cauldron Energy Limited, Director of Tianshan Goldfields Limited, Director of Global Iron Limited and Non-Executive Chairman of Canadian listed NFX Gold Inc.
Interest in Shares and Options	Fully Paid Ordinary Shares 1,555,691

INFORMATION ON DIRECTORS continued

Timothy Paul Turner	Non-Executive Director
Qualifications	B.Bus, FCPA, FTIA, Registered Company Auditor
Experience	Mr Turner is 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 Iron Ore Limited, Global Iron Limited and Legacy Iron Limited.
Interest in Shares and Options	Fully Paid Ordinary Shares 161,819

Mark Gwynne	Non-Executive Director (appointed 24 April 2009)
Experience	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.
Interest in Shares and Options	Mr Gwynne does not hold any shares or options in the Company.

Michael George Povey	Non-Executive Director (resigned 24 April 2009)
Qualifications	Mr Povey is a Chartered Engineer, a member of the Australian Institute of Mining and Metallurgy, a Member of the Institute of Company Directors and Associate of the Camborne School of Mines and holds a number of Certificates of Competency in the mining industry including an unrestricted West Australian Mine Managers certificate.
Experience	Mr Povey is a mining engineer with 29 years experience in the mining and explosives industry. Previous experience has been gained in Southern Africa, North America and Australia and has included senior management positions with Rio Tinto Ltd, ICI Explosives and the Anglo America Group of Companies.
Interest in Shares and Options	Mr Povey does not hold any shares or options in the Company.

Jane Flegg	Company Secretary
Experience	Ms Flegg has over 20 years of experience in finance and administration. During the past decade she has been a Corporate Advisor to several ASX Public Listed Companies, specialising in corporate and financial management, compliance and company secretarial advice. Ms Flegg is also Joint Company Secretary of Continental Coal Limited and Range Resources Limited.
Interest in Shares and Options	Ms Flegg does not hold any shares or options in the Company.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for key management personnel of International Goldfields Limited.

Remuneration policy

Details of directors and key management personnel

(i) Directors

Antony Sage	Executive Chairman	
Timothy Turner	Non-Executive Director	
Mark Gwynne	Non-Executive Director	(appointed 24 April 2009)
Michael Povey	Non-Executive Director	(resigned 24 April 2009)

(ii) Other Key Management Personnel

Jane Flegg	Company Secretary

There are no other specified executives of the company.

The Board's policy for determining the nature and amount of remuneration for board members is as follows:

The remuneration policy, setting the terms and conditions for the directors, was approved by the Board as a whole. The Board considered that it was not considered necessary to establish a separate remuneration committee. This function could be performed just as efficiently with full board participation.

The entity is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. The remuneration may consist of a salary, bonuses, or any other element but must not be a commission on, or percentage of, operating revenue. Currently there is no link between remuneration and shareholder wealth or company performance. Options have no link to performance history. Options have been issued as a long term incentive to increase shareholder wealth.

The executive directors do not receive any retirement benefits. All remuneration paid to Directors is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Executive Chairman determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is $200,000 or such other amount approved by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors were issued with options upon listing on ASX on 27 April 2006.

The Board has no formal policy for limiting the exposure of Key Management Personnel's to risk in relation to options.

Company Performance and Shareholder Wealth and Directors' and Executives' Remuneration

The Board continues to maintain promotional activity amongst analysts so as to increase investor awareness of the Company in line with a consistent and stable financial position and base value of assets.

The Board exercises its discretion in determining remuneration performance of executives. Given the size and nature of the company, the board does not deem it to be realistic to measure performance against defined criteria. As such remuneration and performance are not linked.

REMUNERATION REPORT (AUDITED) continued

Details of Remuneration for Year Ended 30 June 2009

The remuneration for each key management personnel of the entity during the year was as follows:

2009	Short Term Benefits			Share-based Payment	Post Employment Benefits		
Name	Salary, Fees & Commissions $	Non-cash Benefits $	Cash Bonus $	Options $	Superannuation Contribution $	Total $	Performance Related %
Antony Sage[(i)]	437,500	–	–	–	–	437,500	–
Timothy Turner[(ii)]	60,000	–	–	–	–	60,000	–
Michael Povey[(iii)]	60,000	–	–	–	–	60,000	–
Mark Gwynne[(iv)]	7,000	–	–	–	–	7,000	–
Jane Flegg[(v)]	–	–	–	–	–	–	–
Total	**564,500**	**–**	**–**	**–**	**–**	**564,500**	–

Details of Remuneration for Year Ended 30 June 2008

The remuneration for each key management personnel of the entity during the year was as follows:

2008	Short Term Benefits			Share-based Payment	Post Employment Benefits		
Name	Salary, Fees & Commissions $	Non-cash Benefits $	Cash Bonus $	Options $	Superannuation Contribution $	Total $	Performance Related %
Antony Sage[(i)]	350,000	–	–	–	–	350,000	–
Timothy Turner[(ii)]	48,000	–	–	–	–	48,000	–
Michael Povey[(iii)]	60,000	–	–	–	–	60,000	–
Jane Flegg[(v)]	–	–	–	–	–	–	–
Total	**458,000**	**–**	**–**	**–**	**–**	**458,000**	–

(i) An aggregate amount of $437,500 (2008: $350,000) was paid, or due and payable to Okewood Pty Ltd, a company controlled by Mr Sage, for the provision of his director services to the Company.

(ii) An aggregate amount of $60,000 (2008: $48,000) was paid, or due and payable to Corporate Resource and Mining Services, for the provision of Mr Turner's director services to the Company.

(iii) An aggregate amount of $60,000 (2008: $60,000) was paid, or was due and payable to Minman Pty Ltd, a company controlled by Mr Povey for the provision of director services to the Company.

(iv) An aggregate amount of $7,000 (2008: nil) was paid, or was due and payable to Mark Gwynne.

(v) Ms Flegg is an employee of Okap Ventures Pty Ltd and is paid a salary through Okap's consulting agreement with International Goldfields Limited.

REMUNERATION REPORT (AUDITED) continued

Options Issued as Part of Remuneration for the Year Ended 30 June 2009

There were no options issued as part of remuneration for the year ended 30 June 2009.

Options granted in prior years as remuneration expired on 31 December 2008:

	Vested No.	Granted No.	Date Granted/ Date Vested	Amount Exercised	Last Exercisable Date	Exercise Price	Value per option at grant date
Key Management Personnel							
A Sage	1,500,000	1,500,000	02/05/2006	–	31/12/2008	$0.20	$0.078
T Turner	500,000	500,000	02/05/2006	–	31/12/2008	$0.20	$0.078
N Mayer	1,500,000	1,500,000	02/05/2006	(1,500,000)	31/12/2008	$0.20	$0.078
C Mostert	1,500,000	1,500,000	02/05/2006	–	31/12/2008	$0.20	$0.078
	5,000,000	**5,000,000**		**(1,500,000)**			

Additional information

	A Remuneration consisting of options	B Value at grant date $	C Value at exercise date $	D Value at lapse date $
Key Management Personnel				
A Sage	0%	117,881	–	–
T Turner	0%	39,294	–	–
N Mayer	0%	117,881	–	195,000
C Mostert	0%	117,881	–	–

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the year.

B = The value at grant date calculated in accordance with AASB2 *Share-based Payment* of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

REMUNERATION REPORT (AUDITED) continued

Service Agreements

Mr Antony Sage – Executive Chairman

The Company has entered into an executive chairman consultancy agreement with Okewood Pty Ltd and Mr Antony Sage to provide the services of the Executive Chairman of the Company.

The agreement stipulates the following terms and conditions:

(a) the term of the agreement is a minimum of three (3) years commencing 1 July 2008;

(b) the Company will pay Mr Sage a consultancy fee of $437,500 per annum to be reviewed bi-annually by the Board. In addition, Mr Sage will be reimbursed for all reasonable expenses incurred in the performance of his duties.

(c) this agreement may be terminated by the Company in a number of circumstances including:

- (i) failure to comply with lawful directions given by the Company through the Board;
- (ii) failure to produce the services to a satisfactory standard which continues unremedied for ten business days after written notice of failure has been given;
- (iii) a serious or consistent breach of any of the provisions of the executive chairman consultancy agreement which is either not capable to being remedied or is capable of being remedied and is not remedied within 14 days; and
- (iv) Mr Sage being unable to perform services for 40 consecutive business days or an aggregate of 60 business days in any 12 months.

Upon termination without meeting the circumstances outlined in (c) above the Company must pay the fee for the remaining term of the agreement.

Mr Timothy Turner – Non-Executive Director

The Company has entered into a consultancy agreement with CRMS Pty Ltd and Mr Timothy Turner to provide the services of a Non-Executive Director to the Company.

The agreement stipulates the following terms and conditions:

(a) the term of the agreement is a minimum of three (3) years commencing 25 November 2008;

(b) the Company will pay Mr Turner a consultancy fee of $60,000 per annum to be reviewed bi-annually by the Board. In addition, Mr Turner will be reimbursed for all reasonable expenses incurred in the performance of his duties.

(c) this agreement may be terminated by the Company in a number of circumstances including:

- (i) failure to comply with lawful directions given by the Company through the Board;
- (ii) failure to produce the services to a satisfactory standard which continues unremedied for ten business days after written notice of failure has been given;
- (iii) a serious or persistent breach of any of the provisions of the non-executive director consultancy agreement which is either not capable to being remedied or is capable of being remedied and is not remedied within 14 days; and
- (iv) Mr Turner being unable to perform services for 40 consecutive business days or an aggregate of 60 business days in any 12 months.

Upon termination without meeting the circumstances outlined in (c) above the Company must pay the fee for the remaining term of the agreement.

REMUNERATION REPORT (AUDITED) continued

Service Agreements continued

Mr Mark Gwynne – Non-Executive Director

The Company has entered into a consultancy agreement with Mr Mark Gwynne to provide the services of a Non-Executive Director to the Company.

The agreement stipulates the following terms and conditions:

(a) the term of the agreement is a minimum of three (3) years commencing 24 April 2009;

(b) the Company will pay Mr Gwynne a consultancy fee of $36,000 per annum to be reviewed bi-annually by the Board. In addition, Mr Gwynne will be reimbursed for all reasonable expenses incurred in the performance of his duties.

(c) this agreement may be terminated by the Company in a number of circumstances including:

  (i) seriously neglectful of his duties under the Agreement;

  (ii) absent in, or demonstrates gross incompetence with regard to, the performance of his duties under this Agreement;

  (iii) conviction of any criminal offence which in the reasonable opinion of the Board brings the Consultant or the Company or any of its related bodies corporate into disrepute;; and

  (iv) Mr Gwynne being unable to perform services for 3 consecutive months or an aggregate of 3 months within any 12 month period.

Upon termination without meeting the circumstances outlined in (c) above the Company must pay the fee for the remaining term of the agreement.

End of Remuneration Report.

MEETINGS OF DIRECTORS

The number of Directors' meetings (including committees) held during the year and the number of meetings attended by each director are:

	Directors' Meetings	
Director	**Number Eligible to Attend**	**Meetings Attended**
Antony Sage	4	4
Timothy Turner	4	4
Mark Gwynne	1	1
Michael Povey	3	–

The audit committee did not meet during the year.

INDEMNIFYING OFFICERS OR AUDITOR

In accordance with the constitution, except where prohibited by the Corporations Act 2001, every director, principal executive officer or secretary of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as director, principal executive officer or secretary of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the year the Company paid a premium of $19,602 to insure the directors and officers of the Company.

DIRECTORS' REPORT continued

OPTIONS

Unissued shares under option

There are currently no options on issue.

Shares issued on the exercise of options

The following ordinary shares of the Company were issued during the year ended 30 June 2009 on the exercise of options.

Date	Number	Exercise price
4 August 2008	5,000,000	20 cents
4 August 2008	83,333	15 cents
30 September 2008	83,500	15 cents
9 October 2008	249,999	20 cents
19 January 2009	2,500,000	15 cents
28 May 2009	166,667	15 cents
28 May 2009	2,000,000	20 cents
30 June 2009	2,116,666	15 cents
30 June 2009	22,000,000	20 cents

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 41 of the annual report.

NON AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the auditor (BDO Kendalls Audit & Assurance (WA) Pty Ltd) for audit and non-audit services provided during this financial period are set out below.

During the year the following fees were paid or payable for services provided by the auditor or its related practices:

Assurance Services		2009 $	2008 $
BDO Kendalls Audit & Assurance (WA) Pty Ltd			
(a)	Audit & Review Services	44,595	30,251
(b)	Other	–	–
		44,595	**30,251**

This report is made in accordance with a resolution of the Board of Directors.

Timothy Turner
Director

Perth, 25 September 2009

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 $	2008 $ (Restated)
Revenue from continuing operations	2	1,097,253	392,232
Depreciation expense	3	(633)	(59)
Directors' remuneration	4	(564,500)	(458,000)
Consulting expenses		(537,123)	(490,283)
Occupancy expenses		–	(1,182)
Compliance and regulatory expenses		(115,620)	(108,762)
Other – share based payment expense		(135,000)	–
Administration expenses		(331,634)	(199,616)
Loss before income tax		(587,257)	(865,670)
Income tax expense	6	–	–
Loss from continuing operations		**(587,257)**	**(865,670)**
Profit/(loss) from discontinued operations	7	**(683,681)**	**2,403,793**
Profit/(loss) for the year	18	**(1,270,938)**	**1,538,123**

		Cents per share	Cents per share
EPS from continuing operations			
Basic loss per share	20	(0.47)	(0.76)
Diluted earnings cents per share	20	n/a	n/a
EPS from overall operations			
Basic earnings/(loss) per share	20	(1.02)	1.36
Diluted earnings cents per share	20	n/a	1.06

The accompanying notes form part of these financial statements

BALANCE SHEET
AS AT 30 JUNE 2009

	NOTE	2009 $	2008 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	6,701,514	2,139,520
Trade and other receivables	9	150,512	41,511
Non-current assets classified as held-for-sale	10	–	634,444
Short term receivable	11	–	2,300,000
TOTAL CURRENT ASSETS		6,852,026	5,115,475
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,242	1,875
Financial assets available-for-sale	13	1,618,836	–
Exploration, evaluation and development expenditure	14	24,532,307	21,346,152
TOTAL NON-CURRENT ASSETS		26,152,385	21,348,027
TOTAL ASSETS		33,004,411	26,463,502
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	789,690	143,100
TOTAL CURRENT LIABILITIES		789,690	143,100
TOTAL LIABILITIES		789,690	143,100
NET ASSETS		**32,214,721**	**26,320,402**
EQUITY			
Contributed equity	16	29,577,362	22,853,400
Reserves	17	4,433,164	7,501,126
Accumulated losses	18	(1,795,805)	(4,034,124)
TOTAL EQUITY		**32,214,721**	**26,320,402**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	Ordinary Share Capital $	Converting Performance Share Capital $	Accumulated Losses $	Share Based Payment Reserve $	Redeemed Option Reserve $	Revaluation Reserve $	Total $
Balance at 30 June 2007		**22,090,176**	**600**	**(5,572,247)**	**7,501,126**	**–**	**–**	**24,019,655**
Profit attributable to members of entity	**18**	–	–	1,538,123	–	–	–	1,538,123
Total recognised income and expense for the year		–	–	1,538,123	–	–	–	(5,037,391)
Transactions with equity holders in their capacity as equity holders								
Options exercised during the year	**16&17**	869,975	–	–	(452,988)	452,988	–	869,975
Transaction costs	**16(a)**	(107,351)	–	–	–	–	–	(107,351)
Balance at 30 June 2008		**22,852,800**	**600**	**(4,034,124)**	**7,048,138**	**452,988**	**–**	**26,320,402**
Revaluation of investments during the year	**17**	–	–	–	–	–	441,095	441,095
Total income recognised directly in equity		–	–	–	–	–	441,095	441,095
Transactions with equity holders in their capacity as equity holders								
Loss attributable to members of entity	**18**	–	–	(1,270,938)	–	–	–	(1,270,938)
Total recognised income and expense for the year		–	–	(1,270,938)	–	–	441,095	(829,843)
Shares expired during the year	**16(b)**	–	(200)	200	–	–	–	–
Options exercised during the year	**16&17**	6,705,025	–	–	(3,539,081)	3,539,081	–	6,705,025
Options expired during the year	**17**	–	–	3,509,057	(3,509,057)	–	–	–
Transaction costs	**16(a)**	19,137	–	–	–	–	–	19,137
Balance at 30 June 2009		**29,576,962**	**400**	**(1,795,805)**	**–**	**3,992,069**	**441,095**	**32,214,721**

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 $	2008 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,509,845)	(1,216,436)
Interest received		93,390	234,039
Income tax refund received		–	17,469
Other		–	1,252
Net cash used in operating activities	**21**	(1,416,455)	(963,676)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of right to ore bodies		15,000	7,060,000
Payments for purchase of property, plant and equipment		–	(1,934)
Payments for exploration expenditure		(52,871)	(65,998)
Payments for investments		(640,344)	–
Payments for right to farm-in		–	(5,469,727)
Loans to other entities		–	(2,150,000)
Net cash used in investing activities		(678,215)	(627,659)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity securities		6,667,526	907,475
Payments for costs of raising equity		(10,862)	(74,201)
Net cash provided by financing activities		6,656,664	833,274
NET INCREASE/(DECREASE) IN CASH HELD		4,561,994	(758,061)
CASH AT THE BEGINNING OF FINANCIAL YEAR		2,139,520	2,897,581
CASH AT THE END OF FINANCIAL YEAR	**8**	**6,701,514**	**2,139,520**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

International Goldfields Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated. The financial report of International Goldfields Limited complies with all International Financial Reporting Standards (IFRS) in their entirety.

The financial report has been prepared on an accruals basis and is based on the historical cost convention, as modified for selected financial assets for which the fair value basis of accounting has been applied.

(a) Property, plant and equipment

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

Property, plant and equipment

Plant and equipment are measured on the cost basis. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. Refer to Note 1(c).

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

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

Class of fixed asset	Depn rate
Computer equipment	33%

Gains and proceeds on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

(b) Financial instruments

Recognition and derecognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below. Financial instruments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. They are measured initially at fair value and subsequently at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the categories. They are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(b) Financial instruments continued

Impairment of financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the categories. They are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Financial liabilities
Non-derivative financial liabilities are recognised initially at fair value and subsequently at amortised cost, comprising original debt less principal payments and amortisation.

(c) Impairment of assets

Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(d) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(e) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of GST except:

– where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(f) Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure is recorded at historical costs on an area of interest basis. Expenditure on acquisition of an area of interest is carried forward where rights to tenure of the area of interest are current and:

(i) it is expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or

(ii) exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Accumulated costs in respect of areas of interest which are abandoned, are written off in full against profit in the year in which the decision to abandon the area is made.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Projects are advanced to development status when it is expected that further expenditure can be recouped through sale or successful development and exploitation of the area of interest.

International Goldfields is applying AASB 6 *Exploration for and Evaluation of Mineral Resources* which is equivalent to IFRS6. The carrying value of exploration and evaluation expenditure is historical cost less accumulated amortisation less impairment.

(g) Earnings per share

(i) Basic earnings per share ("EPS") is calculated by dividing the net profit or loss attributable to members for the reporting period, after excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares of the Company, adjusted for any bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(h) Revenue

Revenues are recognised as fair value of the consideration received or receivable net of the amount of goods and services tax paid to the taxation authority. Revenue is recognised for the major business activities as follows:

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest

Interest revenue is recognised on a time proportional basis using the effective interest method.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(i) Cash and cash equivalents

For cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with banks or financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(j) Joint venture entities

A joint venture entity is an entity in which the Company holds a long-term interest and which is jointly controlled by the Company and one or more other venturers. Decisions regarding the financial and operating policies essential to the activities, economic performance and financial position of that venture require the consent of each of the venturers that together jointly control the entity.

The Company has certain contractual arrangements with other participants to engage in joint activities where all significant matters of operating and financial policy are determined by the participants such that the operation itself has no significant independence to pursue its own commercial strategy. These contractual arrangements do not create a joint venture entity due to the fact that the policies are those of the participants, not a separate entity carrying on a trade or a business of its own.

The financial statements of the Company include its share of the assets, liabilities and cash flows in such joint venture operations, measured in accordance with the terms of each arrangement, which is usually pro-rata to the Company interest in the joint venture operations.

(k) Contributed equity

Contributed equity is recognised at the fair value of the consideration received by the Company, less any capital raising costs in relation to the issue.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchases consideration.

(l) Share-based payments

The fair value of shares and options granted are recognised as an expense or the fair value of the asset acquired with a corresponding increase in equity. The fair value is measured at grant date taking into account market performance conditions only, and will be spread over the vesting period during which the holder becomes unconditionally entitled to the options. The fair value of the options is measured using the Black-Scholes model.

Upon exercise of options, the balance of the share-based payments reserve relating to those options is transferred to the redeemed option reserve and the proceeds received, net of any directly attributable transaction costs are credited to share capital.

(m) Non-current assets held-for-sale and discontinued operations

Non-current assets are classified as held-for-sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of de-recognition.

Non-current assets are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale continue to be recognised.

Non-current assets classified as held-for-sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(m) Non-current assets held-for-sale and discontinued operations continued

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately on the face of the income statement.

(n) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale ASX listed securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example trading and available-for-sale unlisted securities) are carried at cost.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(o) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(p) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

(q) Critical accounting estimates and significant judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economics data, obtained both externally and within the Company.

Key estimates – impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amounts of the asset are determined.

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

Exploration and evaluation expenditure

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided certain conditions listed in Note 1(f) are met. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed the recoverable amount. These calculations and reviews require the use of assumptions and judgement. The related carrying amounts are disclosed in Note 14.

The value of the Company's interest in exploration expenditure is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Company's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

	2009 $	2008 $
2. REVENUE		
Revenue from continuing operations		
– Interest received/receivable	107,796	390,980
– Option Fee	925,000	–
– Unrealised foreign exchange gain	64,457	1,252
	1,097,253	392,232
Other income from discontinued operations		
– Net gain on sale of mining tenements	14,880	3,026,002
	14,880	3,026,002

	NOTE	2009 $	2008 $

3. EXPENSES

Expenses from continuing operations			
Depreciation of non-current assets			
– computer equipment		633	59
Total depreciation		633	59
Expenses from discontinued operations			
Loss on sale of right to ore bodies	7	–	496,894
Written off exploration expenditure	7	698,561	622,209

4. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	2009 $	2008 $
Short term employee benefits	564,500	458,000
Post-employment benefits	–	–
Share-based payments	–	–
	564,500	458,000

(b) Shareholdings

Number of shares held by Directors and other Key Management Personnel:

2009	Balance 01.07.08	Balance held on Appointment	Net Change Other	Balance 30.06.09	Balance held nominally
Antony Sage	1,555,691	–	–	1,555,691	23,864
Timothy Turner	161,819	–	–	161,819	161,819
Mark Gwynne	–	–	–	–	–
Michael Povey	–	–	–	–	–
Jane Flegg	–	–	–	–	–
	1,717,510	–	–	1,717,510	185,683

2008	Balance 01.07.07	Balance held on Appointment	Net Change Other	Balance 30.06.08	Balance Held nominally
Antony Sage	1,727,443	–	(171,752)	1,555,691	23,864
Timothy Turner	161,819	–	–	161,819	161,819
Michael Povey	–	–	–	–	–
Jane Flegg	–	–	–	–	–
	1,889,262	–	(171,752)	1,717,510	185,683

4. KEY MANAGEMENT PERSONNEL DISCLOSURES continued

(c) Option holdings

Number of 20 cent options that expired on 31 December 2008 held by Directors and Executives:

2009	Balance 01.07.08	Exercised	Expired	Balance 30.06.09	Total Vested	Total Exercisable
Antony Sage	1,500,000	–	(1,500,000)	–	–	–
Timothy Turner	500,000	–	(500,000)	–	–	–
Mark Gwynne	–	–	–	–	–	–
Michael Povey	–	–	–	–	–	–
Jane Flegg	–	–	–	–	–	–
	2,000,000	–	(2,000,000)	–	–	–

2008	Balance 01.07.07	Net Change Other	Balance 30.06.08	Total Vested	Total Exercisable
Antony Sage	1,500,000	–	1,500,000	1,500,000	1,500,000
Timothy Turner	500,000	–	500,000	500,000	500,000
Michael Povey	–	–	–	–	–
Jane Flegg	–	–	–	–	–
	2,000,000	–	2,000,000	2,000,000	2,000,000

(d) Loans to key management personnel

There have been no loans made to key management personnel.

(e) Other transactions with key management personnel

Refer to Note 25 for details on other transactions with key management personnel.

(f) Share-based compensation

Options issued as part of remuneration for the period ended 30 June 2009

During the year ended 30 June 2009 and 30 June 2008, no options or other share-based payments were issued to directors as part of their remuneration.

	2009 $	2008 $
5. AUDITORS' REMUNERATION		
Remuneration of the auditor for:		
– Auditing or reviewing the financial report	44,595	30,251
– Other services	–	–
Total remuneration for assurance services	**44,595**	**30,251**

	2009 $	2008 $

6. INCOME TAX

(a) The components of income tax expense comprise.

Current tax	–	–
Deferred tax	–	–
	–	–

(b) The prima facie tax on profit/(loss) from continuing activities before income tax is reconciled to the income tax as follows:

The prima facie tax on profit/(loss) from continuing activities before income tax is reconciled to the income tax as follows:	(1,270,938)	1,538,123
Prima facie tax (benefit) on profit/(loss) from ordinary activities before income tax at 30%	(381,282)	461,437
Add/(less)		
Tax effect of		
– Foreign exploration expenditure	7,200	1,640,919
– Entertainment	2,625	3,616
– Non deductible Share based payments	220,854	–
– Deferred tax asset attributable to tax losses	150,603	–
– Deferred tax assets utilised	–	(2,105,972)
Income tax attributable to the Company	–	–

(c) The applicable weighted average effective tax rate is as follows: N/A N/A

The applicable weighted average effective tax rate is as follows:	N/A	N/A

(d) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 1(f) occur.

– Exploration expenditure	(588,759)	(588,759)
– Temporary differences	15,270	8,660
Tax losses		
– Operating losses	1,953,913	1,807,521
– Capital losses	–	–
	1,969,183	**1,227,422**

The Company has estimated income tax losses of $19,507,018 (2008: $12,518,575) available to be offset against future taxable income.

7. DISCONTINUED OPERATIONS

(a) Description

On 6th August 2008, the Company received final payment for the E39/0970 tenement. The sale of this tenement is reported in this financial report as a discontinued operation.

The Evanston Project's Affected tenements were written off during the period, as it is deemed unlikely that Southern Cross Goldfields will pursue their option to purchase the tenements. International Goldfields remains the licensee of the tenements, however, further exploration of the tenements is not the Company's main focus.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below. Further information is set out in Note 23 – Segment Information.

	2009 $	2008 $
(b) Financial performance and cash flow information		
Revenue from sale of mining tenements	15,000	5,885,000
Expenses incurred during the life of tenement	(120)	(2,858,998)
Gain on sale of tenements before income tax	14,880	3,026,002
Income tax expense	–	–
Gain on sale of tenements after income tax	14,880	3,026,002
Impairment of exploration expenditure	(698,561)	(622,209)
Profit/(loss) from discontinued operations	**(683,681)**	**2,403,793**
Net cash inflow/(outflow) from operating activities	–	–
Net cash inflow/(outflow) from investing activities	15,000	7,060,000
Net cash inflow/(outflow) from financing activities	–	–
Net increase in cash generated by sale of tenements	**15,000**	**7,060,000**

Refer to Note 10 for information regarding the impairment loss.

8. CASH AND CASH EQUIVALENTS

	2009 $	2008 $
Cash at bank and on hand	5,785,007	1,277,901
Deposits at call	916,507	861,619
	6,701,514	**2,139,520**

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	2009 $	2008 $
Balances as above	6,701,514	2,139,520
Bank overdrafts	–	–
Balances as per cash flow statement	**6,701,514**	**2,139,520**

	2009 $	2008 $

9. TRADE & OTHER RECEIVABLES

Current		
Option Fee	100,000	–
Other debtors	50,512	41,511
	150,512	**41,511**

The other debtors balance is predominantly GST receivable and prepaid expenses. No interest will be charged on the other debtors amounts.

The option fee is due from Nkwe Platinum Limited, in regards to the extension of Nkwe's option to acquire IGC's 15% stake in the Tubatse project. This amount is to be settled in cash.

10. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

Costs carried forward in respect of areas of interest in:		
– Exploration, evaluation and development phases	–	634,444

As per the Conditional Purchase Agreement dated 27 August 2007, the Company has given Southern Cross Goldfields the option to purchase the Evanston Project's Affected tenements for $450,000 and 2.5 million ordinary shares. As at 30 June 2009, this option has not been exercised and the amount of exploration expenditure, that had previously been classified as held-for-sale, has been written off as it is deemed unlikely to occur.

11. SHORT TERM RECEIVABLE

Short term loan	–	2,300,000

A loan of $2.15m plus interest owing to IGC was settled during the year.

12. PROPERTY, PLANT AND EQUIPMENT

Computer equipment		
At cost	1,934	1,934
Accumulated depreciation	(692)	(59)
	1,242	**1,875**

	Computer Equipment $	Total $
Movements in carrying amounts		
Carrying amount at 1 July 2007	–	–
Additions	1,934	1,934
Disposal	–	–
Depreciation	(59)	(59)
Carrying amount at 30 June 2008	**1,875**	**1,875**
Additions	–	–
Disposals	–	–
Depreciation	(633)	(633)
Carrying amount at 30 June 2009	**1,242**	**1,242**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	2009 $	2008 $
13. FINANCIAL ASSETS AVAILABLE-FOR-SALE		
Listed investments, at fair value		
Interest in other corporations	1,086,695	–
Unlisted investments, at cost		
Interest in other corporations	532,141	–
Total available-for-sale financial assets	**1,618,836**	**–**

Available-for-sale financial assets comprise investments in the ordinary share capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

Unlisted investments are traded in inactive markets. They have been measured at cost because their fair value cannot be reliably measured

No assets have been pledged as security.

Risk exposure
Information about the Company's exposure to credit risk, foreign exchange and price risk is provided in Note 19.

14. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	2009 $	2008 $
Non-current		
Costs carried forward in respect of areas of interest in:		
– Exploration, evaluation and development phases	**24,532,307**	**21,346,152**
Costs carried forward in respect of areas of interest in:		
– Exploration and evaluation phases		
Opening balance	21,346,152	16,507,962
Exploration expenditure incurred	3,186,155	5,460,399
Exploration expenditure written off	–	(622,209)
Exploration and evaluation phases	**24,532,307**	**21,346,152**
Exploration and evaluation and development phases	**24,532,307**	**21,346,152**

Included in exploration expenditure incurred is $24,410,355 (2008: $21,248,200) relating to the Company's acquisition of a 15% interest in the Tubatse Project.

At the date of this report, Directors are of the opinion this amount represents fair value over and above book value of the assets acquired.

15. TRADE & OTHER PAYABLES

	2009 $	2008 $
Current		
Unsecured Liabilities		
Trade payables	141,992	105,600
Genorah Cash Call balance due	647,698	–
Shares to be issued	–	37,500
	789,690	**143,100**

	NOTE	2009 $	2008 $

16. CONTRIBUTED EQUITY

152,400,005 Fully Paid Ordinary Shares (2008: 118,199,840)	**(a)**	29,576,962	22,852,800
40,000 Converting Performance Shares (2008: 60,000)	**(b)**	400	600
		29,577,362	**22,853,400**

		2009 Number	2009 $
(a) Fully paid ordinary shares			
Shares issued during 2009:			
From the exercise of options throughout the year		34,200,165	6,705,025
Transaction costs relating to share issues		–	19,137
Ordinary shares issued during 2009		34,200,165	6,724,164
Ordinary shares on issue at 30 June 2009	**(c)**	**152,400,005**	**29,576,962**

		2008 Number	2008 $
Shares issued during 2008:			
From the exercise of options throughout the year		5,466,501	869,975
Transaction costs relating to share issues		–	(107,351)
Ordinary shares issued during 2008		5,466,501	762,624
Ordinary shares on issue at 30 June 2008	**(c)**	**118,199,840**	**22,852,800**
(b) Converting performance shares			
Issued 27 January 2007 to Bodmin Resources Limited for facilitating the right to farm into Genorah Platinum project		60,000	600
Expiry of CPS: first milestone not reached		(20,000)	(200)
Converting performance shares on issue at 30 June 2009	**(d)**	**40,000**	**400**

(c) Ordinary shares participate in dividends and the proceeds on winding up in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(d) The terms of the converting performance shares ("CPS") are as follows:

- 20,000 CPS will convert into 20 million shares and 10 million options (exercisable at 20 cents on or before 30 June 2009) upon Genorah and the Company establishing a JORC compliant (or similar) resource of 25 million contained 3PGE + Au ounces on the project by not later than 12 months from the commencement date of April 2007;
- 20,000 CPS will convert into 20 million shares and 10 million options (exercisable at 20 cents on or before 30 June 2009) upon Genorah and the Company establishing a JORC compliant (or similar) resource of 45 million contained 3PGE + Au ounces on the project by no later than 30 months from the commencement date of April 2007; and
- 20,000 CPS will convert into 20 million shares and 10 million options (exercisable at 20 cents on or before 30 June 2009) upon Genorah and the Company establishing a JORC compliant (or similar) resource of 65 million contained 3PGE + Au ounces on the project by no later than 36 months from the commencement date of April 2007.

16. CONTRIBUTED EQUITY continued

(d) The terns of the converting performance shares continued

None of the above converting performance shares were exercised during the financial period. The first milestone has not been reached and therefore 20,000 CPS were cancelled during the financial period.

The expiry date of the options has elapsed, therefore if the CPS are converted, no options will be issued.

* PGE is an abbreviation for the Platinum Group Element. The platinum group elements include, in this instance, in a decreasing order of abundance of platinum, palladium and rhodium. Au is the chemical symbol for gold. 3PGE + Au is therefore 3 parts of platinum, palladium, rhodium and gold per ounce.

(e) Options

The Company has on issue at year end:

– nil (2008: 60,000,000) options over unissued shares exercisable at 20 cents on or before 30 June 2009

– nil (2008: 2,800,165) options over unissued shares exercisable at 15 cents on or before 30 June 2009

17. RESERVES

Share-based payment reserve		
At beginning of reporting period	7,048,138	7,501,126
Expired options	(3,509,057)	–
Options exercised	(3,539,081)	(452,988)
At reporting date	**–**	**7,048,138**

The share-based payment reserve is used to recognise the fair value of options issued but not exercised.

Redeemed option reserve		
At beginning of reporting period	452,988	–
Option expense	–	–
Options exercised	3,539,081	452,988
At reporting date	**3,992,069**	**452,988**

The redeemed option reserve is used to recognise the fair value of options exercised from the share based payment reserve.

Revaluation reserve		
At beginning of reporting period	–	–
Revaluation during the year	441,095	–
At reporting date	**441,095**	**–**

The revaluation reserve is used to recognise the changes in fair value of available-for-sale investments held.

Total reserves	**4,433,164**	**7,501,126**

	2009 $	2008 $

18. ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial year	(4,034,124)	(5,572,247)
Expired options	3,509,057	–
Expired converting performance shares	200	–
Net profit/(loss) attributable to the members of the entity	(1,270,938)	1,538,123
Accumulated losses at the end of the financial year	**(1,795,805)**	**(4,034,124)**

19. FINANCIAL INSTRUMENTS

(a) Overview

This note presents information about the Company's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Company does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(c) Fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

(d) Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company does not have any significant credit risk exposure to any single counter-party.

(i) Cash and cash equivalents

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

(ii) Trade and other receivables

Trade and other receivables as at the balance sheet date mainly comprise GST and short term loans to be refunded to the Company. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

(iii) Short term receivable

A loan of $2.15m plus interest owing to IGC was settled during the financial year.

The Company have established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables (mainly relate to short term loans) and investments. The management does not expect any counterparty to fail to meet their obligations.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

19. FINANCIAL INSTRUMENTS continued

(d) Credit risk continued

Exposure to Credit Risk
The carrying value of the Company's financial assets represents the maximum credit exposure.
The Company's maximum exposure to credit risk at the reporting date was:

	2009 $	2008 $
Cash at bank and short term deposits	6,701,514	2,139,520
Loans and receivables	150,512	2,341,511
	6,852,026	**4,481,031**

Impairment Losses
None of the Company's other receivables are past due (2008: nil).

(e) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Company does not have any external borrowings.

The following are the contractual maturities of financial liabilities:

2009	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $
Trade and other payables	786,690	647,698	786,690	–	–	–

2008	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $
Trade and other payables	143,100	–	143,100	–	–	–

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

19. FINANCIAL INSTRUMENTS continued

(g) Currency risk

The Company is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company entities, which is primarily the Australian Dollar (AUD). The currency in which these transactions primarily are denominated are United States Dollar (USD). The Company has not entered into any derivative financial instrument to hedge such transactions.

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Equity(i) $	Profit or Loss $
30 June 2009		
USD	57,346	–
30 June 2008		
USD	259,713	–

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant. 10 percent is management's assessment of the possible change in foreign exchange.

(i) The Company has one outstanding joint venture cash call denominated for USD $512,070 (2008: USD $2,500,000)

(h) Interest rate risk

The Company is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The Company does not use derivatives to mitigate these exposures.

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Weighted Average Interest Rate %	2009 $	Weighted Average Interest Rate %	2008 $
Fixed rate instruments				
Financial assets – short term deposits	6.53%	155,481	6.32%	146,000
Financial assets – short term loan		–	14.76%	2,150,000
		155,481		2,296,000
Variable rate instruments				
Financial assets – cash	4.67%	6,546,033	4.73%	1,993,520
		6,546,033		1,993,520

Fair value sensitivity analysis for fixed rate investments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at reporting date would not affect profit or loss.

An increase of 100 basis points in interest rates would have increased the Company's equity by A$1,464 (2008: $30,693). 100 basis points is management's assessment of the possible change in interest rates.

19. FINANCIAL INSTRUMENTS continued

(h) Interest rate risk continued

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008. It is not expected that interest rates will decrease in the foreseeable future.

	Equity $	Profit or Loss $
30 June 2009		
Variable rate instruments	27,147	27,147
30 June 2008		
Variable rate instruments	23,322	23,322

(i) Commodity price risk

The Company operates primarily in the exploration and evaluation phase and accordingly the Company's financial assets and liabilities are subject to minimal commodity price risk.

(j) Price risk on available-for-sale financial assets

The Company is exposed to equity security price risk. This arises from investments held by the Company and classified on the balance sheet as available-for-sale. The Company is not exposed to commodity price risk on its financial instruments.

The Company's listed equity investments are publicly listed on the ASX.

The table below summarises the impact of increases/decreases of these two indexes on the Company's post tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index. 10% is management's assessment of the possible change in price of equity instruments.

	Impact on post-tax loss $	Impact on Equity $
Listed available-for-sale assets		
Global Iron Limited	–	1,800
Nkwe Platinum Limited	–	98,000
Tianshan Goldfields Limited	–	8,870

Equity would further increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

(k) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or sell assets to reduce debt. The Company's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The Company monitors capital on the basis of the gearing ratio, however there are no external borrowings as at balance date.

There were no changes in the Company's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

	2009 $	2008 $

20. EARNINGS/(LOSS) PER SHARE (EPS)

	2009 $	2008 $
(a) Basic earnings/(loss) per share		
Continuing operations	(0.47)	(0.76)
Discontinued operations	(0.55)	2.12
Overall operations	(1.02)	1.36
(b) Diluted earnings/(loss) per share		
Continuing operations	n/a	n/a
Discontinued operations	n/a	1.06
Overall operations	n/a	1.06
(c) Reconciliation of earnings/(loss) used in calculating earnings/(loss) per share		
Basic earnings/(loss) per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings/(loss) per share	(587,257)	(865,670)
Profit/(loss) from discontinued operations	(683,681)	2,403,793
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings/(loss) per share	(1,270,938)	1,538,123

	Number	Number
(d) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	124,344,484	113,219,640
(e) Weighted average number of ordinary shares outstanding during the period used in the calculation of dilutive earnings per share	n/a	186,000,005

Options on issue are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

	NOTE	2009 $	2008 $

21. CASH FLOW INFORMATION

(i) Reconciliation of cash flows from operating activities with profit/(loss) after income tax

Profit/(loss) for the year		(1,270,938)	1,538,123
Non-cash flows in (profit)/loss from ordinary activities:			
Depreciation		633	59
Profit on sale of right to ore body		(14,880)	(3,522,896)
Loss on sale of right to ore body		–	496,894
Written off exploration expenditure		664,376	622,209
Other share-based payment expense		135,000	–
Shares received as income		(925,000)	–
Changes in assets and liabilities:			
(Increase)/decrease in operating receivables and prepayments		(4,538)	(143,650)
(Decrease)/increase in trade and other creditors and accruals		(1,108)	45,585
Net cash (outflows) from operating activities		**(1,416,455)**	**(963,676)**

(ii) Non-cash financing and investing activities

Acquisition of interest in mineral tenements by means of share and option issue		–	–
Acquisition of plant and equipment by means of share issue		–	–
Brokers remunerated by means of share based payment		–	–
		–	**–**

(iii) Finance Facilities

At 30 June 2009 there are no credit facilities available.

22. COMMITMENTS

Remuneration commitments

Commitments for the payment of remuneration under long term contracts in existence at the reporting date but not recognised as liabilities, payable:

Within 1 year		533,500	291,674
Later than 1 year and not later than 5 years		588,500	–
Later than 5 years		–	–
		1,122,000	**291,674**

Refer further to pages 10 & 11 for details of service contracts.

Mineral tenement discretionary commitments

In order to maintain current rights of tenure to mining tenements, the Company has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

Within 1 year		–	–
Later than 1 year and not later than 5 years	(a)	–	2,896,493
Later than 5 years		–	–
		–	**2,896,493**

Joint venture commitments

The Company has no outstanding Australian joint venture or royalty agreements.

23. SEGMENT INFORMATION

The Company operates in the following business and geographical segments.

– Gold exploration in Australia; and

– Platinum exploration in South Africa

	Gold in Australia		Platinum in South Africa		Unallocated		Total	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Other income: net gain on disposal of tenements	14,880	3,026,002	–	–	–	–	14,880	3,026,002
Other income	–	–	989,457	–	107,796	392,232	1,097,253	392,232
Result before income tax from continuing activities	–	–	797,774	(135,236)	(1,385,031)	(730,434)	(587,257)	(865,670)
Result from discontinued operations	(683,681)	2,403,793	–	–	–	–	(683,681)	2,403,793
Assets	–	825,955	24,632,308	21,346,152	8,372,103	4,291,395	33,004,411	26,463,502
Liabilities	–	105,600	647,698	–	141,992	37,500	789,690	143,100
Depreciation expense	–	–	–	–	(633)	(59)	(633)	(59)
Share-based payment expense	–	–	(135,000)	–	–	–	(135,000)	–
Impairment loss	(698,561)	(622,209)	–	–	–	–	(698,561)	(622,209)
Acquisition of non-current assets	–	634,444	24,532,308	21,346,152	1,620,078	1,875	26,152,386	21,982,471

Accounting policies

Segment revenue and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. While most assets can be directly attributed to individual segments, cash has been unallocated as there is no reasonable basis for allocating it across segments. Segments assets and liabilities do not include deferred income taxes.

Intersegment transfers

Segment revenues, expenses and results include transfer between segment. The prices charged on intersegment transactions are the same as those charged for similar goods to external parties at an arm's length. These transfers are eliminated on consolidation.

24. EVENTS SUBSEQUENT TO REPORTING DATE

The JORC-compliant resource on portions of Nooitverwacht 324KT and Eerste Geluk 327KT has upgraded the inferred JORC resource across the Tubatse Project to 45.25Moz 3PGE+AU.

25. RELATED PARTY INFORMATION

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

(a) Transactions with related entities

(i) Remuneration (excluding the reimbursement of costs) received or receivable by the Directors of the Company and aggregate amounts paid to superannuation plans in connection with the retirement of directors are disclosed in the remuneration report on page 8.

(ii) An aggregate amount of $18,135 (2008: $30,962) was paid or payable accrued to Hewitt Turner and Gelevitis, an entity related to Mr Turner, a Director, for the provision of accounting services to the Company.

(iii) On the 16th April 2009, an amount of $87,600 was paid for 1,095,000 fully paid ordinary shares in Tianshan Goldfields Limited, a company that Mr Sage became a director of on 19 February 2009.

(iv) On the 5th May 2009, an amount of $20,716 was paid for 100,000 fully paid ordinary shares in Global Iron Limited, a company that Mr Sage and Mr Turner are directors of.

(v) An aggregate amount of $4,630 was paid or payable to Cape Lambert Iron Ore Limited, an entity which Mr Sage and Mr Turner are Directors of, for the recoupment of occasional expenses incurred by Cape Lambert on behalf of International Goldfields.

	2009 $	2008 $
Amounts payable at year end to related parties		
Hewitt Turner Gelevitis	8,302	–
Mark Gwynne	7,000	–
CRMS	5,000	4,000

26. SHARE-BASED PAYMENTS

The following share based payment arrangements existed at 30 June 2009:

On 27 January 2007, 60,000 converting performance shares were issued to Bodmin Resources Limited for facilitating the Company's right to farm into the Genorah platinum project. 20,000 converting performance shares were cancelled during the year as the first milestone was not met. Details of the terms of the converting performing shares are outlined in Note 16(d).

	2009		2008	
Options granted	**Number of Options No.**	**Weighted Average Exercise Price $**	**Number of Options No.**	**Weighted Average Exercise Price $**
Outstanding at the beginning of the year	67,800,165	0.1979	73,266,666	0.1951
Granted	–	–	–	–
Forfeited	–	–	–	–
Exercised	(34,200,165)	0.1961	(5,466,501)	0.1590
Expired	(33,600,000)	0.1999	–	–
Outstanding and exercisable at year end	**–**	**–**	**67,800,165**	**0.1979**

26. SHARE-BASED PAYMENTS continued

2009 Options

There were 34,200,165 options exercised during the year ended 30 June 2009. These options had a weighted average exercise price of 0.1961 cents at exercise date.

On 31 December 2008, 3,500,000 options expired. On 30 June 2009, 30,100,000 options expired leaving no options on issue at the end of the financial year.

2008 Options

There were 5,466,501 options exercised during the year ended 30 June 2008. These options had a weighted average exercise price of 0.159 cents at exercise date.

The options outstanding at 30 June 2008 had a weighted average exercise price of 0.1979 cents and a weighted average remaining contractual life of 11.5 months. Exercise prices range from 15 cents to 20 cents in respect of options outstanding at 30 June 2008.

27. CHANGES IN ACCOUNTING POLICY

The following Australian Accounting Standards have been issued or amended and are applicable to the Company but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB reference	Title and Affected Standard(s)	Nature of Change	Application date/ Effective date	Impact on Initial Application
AASB 2008-5 (issued July 2008)	AASB 136, Impairment of Assets	Additional disclosure requirements about discounted cash flow assumptions used for the fair value less costs to sell method.	Periods commencing on or after 1 January 2009	There will be no financial impact when these amendments are first adopted because these amendments relate to additional disclosure requirements only.
AASB 8 (Issued Feb 2007)	Operating Segments	Replaces the disclosure requirements of AASB 114: Segment Reporting.	Periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, disclosures required for the operating segments will be significantly different to what is currently reported (business and geographical segment).
AASB 101 (Revised Sep 2007)	Presentation of Financial Statements	Amendments to presentation and naming of the financial statements.	Annual reporting periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.
AASB 2009-2 (Issued April 2009)	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments	Requires additional disclosures about financial instrument fair values and liquidity risk.	Periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various additional disclosures will be required about fair values of financial instruments and the entity's liquidity risk. No comparative disclosures are required in the first year that these amendments are applied.

No other standards, amendments or interpretations are expected to affect the accounting policies of the Company.

28. CONTINGENT LIABILITIES

As at 30 June 2009 the Company has no contingent liabilities (2008: nil).

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the Company's financial position as at 30 June 2009 and of its performance for the year ended on that date.

2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included in pages 7 to 11 of the Directors' report (as part of audited Remuneration Report), for the year ended 30 June 2009, comply with section 300A of the Corporations Act 2001.

4. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors
and is signed for and on behalf of the directors by:

Timothy Turner
Director

Perth, 25 September 2009

INDEPENDENT AUDITOR DECLARATION

TO THE DIRECTORS OF INTERNATIONAL GOLDFIELDS LIMITED

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
PO Box 700
WEST PERTH WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

25 September 2009

The Directors
International Goldfields Limited
PO Box 144
WEST PERTH WA 6872

Dear Sirs

DECLARATION OF INDEPENDENCE BY BRAD McVEIGH TO THE DIRECTORS OF INTERNATIONAL GOLDFIELDS LIMITED

As lead auditor of International Goldfields Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of International Goldfields Limited during the period.

B. McVeigh

Brad McVeigh
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF INTERNATIONAL GOLDFIELDS LIMITED

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
PO Box 700
WEST PERTH WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INTERNATIONAL GOLDFIELDS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of International Goldfields Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

BDO Kendalls

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

(a) the financial report of International Goldfields Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of International Goldfields Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of International Goldfields Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

Brad McVeigh
Director

Dated this 25th day of September 2009
Perth, Western Australia

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

1. Shareholdings

The issued capital of the Company as at 24 September 2009 is 152,400,005 ordinary fully paid shares.

Ordinary Shares	No. of Holders	No. of Shares
1-1,000	500	194,113
1,001-5,000	605	1,553,366
5,001-10,000	252	2,051,336
10,001-100,000	765	27,650,720
100,001 and over	209	120,950,470
	2,331	**152,400,005**
Number holding less than a marketable parcel	838	747,839

2. Top 20 Shareholders as at 24 September 2009

		No. of Shares Held	% Held
1	Cape Lambert Iron Ore Ltd	18,717,529	12.28
2	Mr Christopher Eric Barnes	13,925,000	9.14
3	Gun Capital Management Pty Ltd	4,000,000	2.62
4	Peter Treen Electrical Discounter Pty Ltd <Peter Treens Emp S/F A/C>	3,870,239	2.54
5	Mr Russell Neil Creagh	3,531,105	2.32
6	Mr Russell Neil Creagh	2,618,032	1.72
7	Mrs Tracey Lyn Nielsen	2,001,497	1.31
8	Go Now (WA) Pty Ltd <J Morfesse Super Fund A/C>	2,000,000	1.31
9	Mr Bruce Cedric Armstrong + Mrs Lillian Ross Baillie<Bca Super Fund A/C>	1,780,922	1.17
10	Mr Steven Jan Zielinski + Mrs Karen Lyn Zielinski <Mauvista Park Super A/C>	1,700,000	1.12
11	Antony William Paul Sage <Egas Super Fund A/C>	1,531,827	1.01
12	Citicorp Nominees Pty Limited	1,416,018	0.93
13	Ms Thi Ly Huong Pham	1,250,000	0.82
14	Hkt Au Pty Ltd <Moramba Serv Super Plan A/C>	1,167,934	0.77
15	Miss Hiu Yin Chan	1,102,000	0.72
16	Whitey Tiger Pty Ltd <Wtl A/C>	1,040,300	0.68
17	Murfett Investments Pty Ltd <Njm Super Fund A/C>	1,040,000	0.68
18	Mr Jason Mcdonald	1,000,000	0.66
19	Mr Xuan Khoa Pham	1,000,000	0.66
20	M B M Investments Pty Ltd <Brett Mckeon Family A/C>	962,470	0.63
		65,654,873	**43.08**

3. Substantial Shareholders as at 24 September 2009

		No. of Shares Held	% Held
1	Cape Lambert Iron Ore Ltd	18,717,529	12.28
2	Mr Christopher Eric Barnes	13,925,000	9.14

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (**Best Practice Recommendations**). The Best Practice Recommendations are not mandatory. However, the Company will be required to provide a statement in its future annual reports disclosing the extent to which the Company has followed the Best Practice Recommendations.

The Board of the Company currently has in place a corporate governance policy and are in the process of adopting a more comprehensive Corporate Governance Plan.

Copies of the Company's corporate governance policies are available on the Company's website at *www.internationalgoldfields.com.*

	BEST PRACTICE RECOMMENDATION	COMMENT
1.	**Lay solid foundations for management and oversight**	
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	Satisfied. Board charter available on the Company website.
1.2	Disclose the process for evaluating the performance of senior executives	Not satisfied. The Company has not yet established formal performance review measures for key executives nor has it established a nomination committee given the size and stage of the Company's operations. The full Board will review the performance of key executives.
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	Satisfied. Board charter available on the Company website.
2.	**Structure the board to add value**	
2.1	A majority of the board should be independent directors.	Not satisfied. The Board has considered this and have deemed it to be appropriate for the Company at its early stage of operation
2.2	The chairperson should be an independent director.	Not satisfied. The chairman of the Board is Executive Chairman. The Company does not currently consider it would benefit from a change from the existing approach given the size of the Company.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Not satisfied. The chairman of the Board is the Executive Chairman and will undertake the function of CEO. The Company does not currently consider it would benefit from a change from the existing approach given the size of the Company and early stage of its operations.
2.4	The board should establish a nomination committee.	Not satisfied. The Board considers that given the current size of the board, this function is efficiently achieved with full Board participation. Accordingly, the Board has resolved not to establish a nomination committee at this stage.
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	Not satisfied. The Company has not yet established formal performance review measures for key executives nor has it established a nomination committee given the size and stage of the Company's operations. The full Board will review the performance of key executives.
2.6	Provide the information indicated in Guide to Reporting on Principle 2.	Satisfied.

CORPORATE GOVERNANCE STATEMENT

	BEST PRACTICE RECOMMENDATION	COMMENT
3.	**Promote ethical and responsible decision-making**	
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: (a) the practices necessary to maintain confidence in the company's integrity; and (b) the practices necessary to take into account their legal obligations and the reasonable expectations of stakeholders (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Satisfied. Code of conduct is available on the Company website.
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	Satisfied. Trading in securities policy is available on Company website.
3.3	Provide the information indicated in Guide to Reporting on Principle 3.	Satisfied. Available on Company website.
4.	**Safeguard integrity in financial reporting**	
4.1	The board should establish an audit committee.	Satisfied. An audit committee has been established.
4.2	Structure the audit committee so that it consists of: (a) only non-executive directors; (b) a majority of independent directors; (c) an independent chairperson, who is not chairperson of the board; and (d) at least three members.	Not satisfied. The role of the audit committee is currently being undertaken by two non-executive directors, one of which is an accountant. There are currently no independent directors on the audit committee. The Board notes that ASX Corporate Governance Council recommends a majority of independent directors, the Company does not consider it would benefit from a change from the existing approach given the size of the Company.
4.3	The audit committee should have a formal charter.	Satisfied. Available on the Company website.
4.4	Provide the information indicated in Guide to Reporting on Principle 4.	Satisfied. Refer to Director's report.
5.	**Make timely and balanced disclosure**	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Satisfied. Continuous disclosure policy is available on the Company website.
5.2	Provide the information indicated in Guide to Reporting on Principle 5.	Satisfied. Refer 5.1

	BEST PRACTICE RECOMMENDATION	COMMENT
6.	**Respect the rights of shareholders**	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Satisfied. Communications with shareholders policy is available on the Company website.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Satisfied.
6.3	Provide the information indicated in Guide to Reporting on Principle 6.	Satisfied. Refer 6.1
7.	**Recognise and manage risk**	
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	Satisfied. Risk management program is available on the Company website.
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: (a) the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and (b) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	Due to the size and scale of operations the Company does not have a designated CEO or CFO. The roles are performed by the Board as a whole.
7.3	Provide the information indicated in Guide to Reporting on Principle 7.	Satisfied. Refer 7.1 Not currently applicable. Refer 7.2
8.	**Remunerate fairly and responsibly**	
8.1	The board should establish a remuneration committee.	Not satisfied. The Board considers this recommendation and formed the view that given the number of directors on the Board, this function could be performed just as efficiently with full board participation.
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Details of executive and non-executive remuneration are outlined in the Directors' report.
8.3	Provide the information indicated in Guide to Reporting on Principle 8.3.	Satisfied. The Company has incorporated all information as required.

SCHEDULE OF MINERAL TENEMENTS

Tenement No.	Prospect Area	Percentage
E08/1372	Bali Hi	10%
E77/1074	British Hill	100%
E77/1106	Bungalbin	10%
E77/1037	Evanston	100%
E77/1158	Evanston	100%
E77/1167	Evanston	100%
M77/0394	Evanston	100%
M77/0576	Evanston	100%
M77/0824	Evanston	100%
P77/3413	Evanston	100%

www.internationalgoldfields.com

INTERNATIONAL GOLDFIELDS LIMITED
ABN 76 118 108 615
NOTICE OF ANNUAL GENERAL MEETING

TIME: 11am (WST)

DATE: 24 November 2009

PLACE: Kailis Bros Fish Market and Café Function Centre
101 Oxford Street
Leederville, Western Australia 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.

CONTENTS PAGE

CRITICAL DATES FOR SHAREHOLDERS

Event	**Date**
Cut off for lodging proxy form for Annual General Meeting	11am on 22 November 2009
Snapshot date for eligibility to vote at Annual General Meeting	Opening of Business 23 November 2009
Suspension of IGC Shares from trading on ASX at the opening of trade	24 November 2009
Annual General Meeting	24 November 2009
Completion of acquisition of Eastern Petroleum	1 December 2009
Anticipated date the suspension of trading of Shares is lifted and the relisting of IGC on ASX	8 December 2009

* The dates set out above are indicative only and subject to change

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 11am (WST) on 24 November 2009 at:

Kailis Bros Fish Market and Café Function Centre, 101 Oxford Street, Leederville, Western Australia 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) in person to Computershare Investor Services Pty Limited, Level 2, 45 St George's Terrace Perth, Western Australia 6000;

(b) by post to Computershare Investor Services Pty Ltd, PO Box 242 Melbourne, Victoria 3001or in the self addressed envelope provided; or

(c) by facsimile to Computershare Investor Services Pty Ltd on facsimile number 1800 783 447 (inside Australia), +61 3 9473 2555 (outside Australia),

so that it is received not later than 11 am (WST) on 22 November 2009.

Proxy Forms received later than this time will be invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders will be held at 11am (WST) on 24 November 2009 at Kailis Bros Fish Market and Café Function Centre, 101 Oxford Street, Leederville, Western Australia 6007.

The Explanatory Statement to this Notice of Meeting 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 of the Company at opening of business on 23 November 2009.

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

AGENDA

ORDINARY BUSINESS

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 financial year ended 30 June 2009."*

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – TIMOTHY TURNER

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 Timothy Turner, a Director who retires by rotation, and being eligible, is re-elected as a Director."*

3. RESOLUTION 3 - REAPPOINTMENT 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 13.4 of the Constitution and for all other purposes, Mr Mark Gwynne, a Director who was appointed on 24 April 2009 retires and being eligible, is re-elected as a Director."*

SPECIAL BUSINESS

4. RESOLUTION 4 –SALE OF INTEREST IN TUBATSE PROJECT

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

"That, for the purposes of Listing Rule 11.2 of the ASX Listing Rules and for all other purposes, approval is given for the Company to sell 100% of its right, title and interest in the Tubatse Project on the terms and conditions described in the Explanatory Statement accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons. 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.

5. RESOLUTION 5 – ACQUISITION OF EASTERN PETROLEUM CORPORATION LIMITED

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

"That, for the purposes of ASX Listing Rule 11.1.2, ASX Listing Rule 7.1 and Section 611 (item 7) of the Corporations Act and for all other purposes, approval is given for:

(a) the Directors to allot and issue 675,965,359 Shares and 135,193,072 Options to the parties referred to in the Explanatory Statement in consideration for the acquisition by the Company of all of the fully paid ordinary shares in Eastern Petroleum Corporation Limited; and

(b) the increase in the voting power of the parties referred to in the Explanatory Statement as a result of the issue of Shares under paragraph (a) of this Resolution,

on the terms and conditions set out in the Explanatory Statement."

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by Deloitte Touche Tohmatsu for the purposes of the Shareholder approval required under Section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the acquisition of Eastern Petroleum to the non-associated Shareholders in the Company. The Independent Expert has determined the acquisition of Eastern Petroleum (and issue of the Shares) is fair and reasonable to the non-associated Shareholders of the Company

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any party to the transaction, any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or if 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.

6. RESOLUTION 6 – ISSUE OF SHARES

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

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes approval is given for the Directors to issue Shares to raise up to $30,000,000 on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or if 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 – CHANGE OF NAME OF COMPANY

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

> *"That, subject to the passing of Resolution 5 and completion of the acquisition of Eastern Petroleum Corporation Limited occurring, pursuant to Section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to "International Petroleum Limited".*

8. RESOLUTION 8 – APPOINTMENT OF AUDITOR

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

> *"That, for the purposes of section 327B of the Corporations Act and for all other purposes, approval is given for the Directors to appoint Ernst & Young as auditor of the Company, having been nominated by a Shareholder and consented in writing to act in the capacity of auditor and the Directors be authorised to agree their remuneration."*

9. RESOLUTION 9 – ADOPTION OF EMPLOYEE SHARE OPTION PLAN

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

> *"That, for the purposes of ASX Listing Rule 7.2 (Exception 9) and for all other purposes, the Directors be authorised to adopt the "Company Incentive Option Scheme" (**Scheme**) the terms of which are summarised in the Explanatory Statement, and to issue securities pursuant to the Scheme."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by the Directors of the Company (except those who are ineligible to participate in any employee incentive scheme of the Company) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or if 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: 19 OCTOBER 2009

BY ORDER OF THE BOARD

TONY SAGE
CHAIRMAN
INTERNATIONAL GOLDFIELDS LIMITED

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 11am (WST) on 24 November 2009 at Kailis Bros Fish Market and Café Function Centre, 101 Oxford Street, Leederville, Western Australia 6007

The 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.

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 financial year ended 30 June 2009 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

In accordance with amendments to the Corporations Act the Company is no longer required to provide a hard copy of the Company's annual financial report to Shareholders unless a Shareholder has specifically elected to receive a printed copy. These amendments may result in reducing the Company's printing costs.

Whilst the Company will not provide a hard copy of the Company's annual financial report unless specifically requested to do so, Shareholders may view the Company annual financial report on its website at www.internationalgoldfields.com.

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 financial year ending 30 June 2009.

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

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR

3.1 General

Clause 13.2 of the Constitution requires that if the Company has three or more Directors, one third (or the number nearest one-third) of those Directors must retire at each annual general meeting, 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 Company currently has 3 Directors and accordingly 1 Director must retire.

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

Mr Timothy Turner retires by rotation and seeks re-election. A summary of Mr Timothy Turner is contained in the 2009 Annual Report.

4. RESOLUTION 3 – RE-APPOINTMENT OF DIRECTOR

4.1 General

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to 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 only holds office until the next annual general meeting and is then eligible for re-election.

Mr Mark Gwynne was appointed as a Director on 24 April 2009. A profile of Mr Gwynne was included in the 2009 Annual Report.

Mr Mark Gwynne retires in accordance with clause 13.4 of the Constitution and being eligible, seeks re-election.

5. BACKGROUND TO RESOLUTIONS 4 AND 5

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

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 IGC $100,000 and issued 2.5 million NKWE Shares to IGC (and a subsequent 2.5 million NKWE Shares for an extension of the Option).

NKWE exercised the Option and elected to acquire the Company's interest in the Tubatse Project. The parties agreed on the consideration for the acquisition based on a draft valuation report on the Tubatse Project received by the Company.

On or about 7 October 2009, the Company entered into a formal sale agreement with NKWE (**Asset Sale Agreement**) pursuant to which the Company has agreed to sell, and NKWE has 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 (refer to Resolution 5) (**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 which was paid on or about 7 October 2009;

(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 NKWE a 5% interest to NKWE; and

(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.

(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.

5.2 Overview of the Tubatse Project

In 2006, IGC 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 BEE 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, IGC 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. The Tubatse Project currently has a JORC resource of approximately 3PGE to 45.25Moz (3PGE plus Au) commencing at surface.

The current Mineral Resource statement for the Tubatse Project 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 Explanatory Statement 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 Explanatory Statement.

The information in this Explanatory Statement 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 Geological and Mine Evaluation Computer Services. 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 Explanatory Statement.

5.3 Summary of the Share Sale

As announced to ASX on 10 October 2009, the Company has 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 (**EPCL Shareholders**), pursuant to which the EPCL 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 (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) 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;

  (v) the cancellation of the warrants in the capital of Eastern Petroleum to the sole and absolute satisfaction of the Company;

  (vi) the Company receiving the Second Payment from NKWE in accordance with the Asset Sale Agreement; and

  (vii) the Company completing a placement of Shares to raise $20,000,000 (refer to Resolution 6),

  (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 31 December 2009 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 EPCL Shareholders together with 1 Option for every 5 Shares issued (totalling 135,193,072 Options) (**Consideration Options**);

(c) (**Escrow**): the Consideration Shares and Consideration Options will be escrowed for such time as prescribed by ASX; and

(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.

The EPCL 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 Share Sale Agreement otherwise contains other standard clauses typical for an agreement of this nature.

5.4 Overview of Eastern Petroleum and the Kazakhstan Project

Eastern Petroleum Corporation Limited is a company registered in the United Kingdom.

Eastern Petroleum has a wholly owned subsidiary, North Caspian Petroleum Limited (a private company registered in the United Kingdom) (**NCPL**). 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 32,000km^2 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**).

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**).

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**). 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 work program on the exploration licence. As at 30 June 2009, NCPL had spent approximately US$26 million 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 Programme, each of NCPL and Remas are required to fund their share of exploration and development costs in accordance with their respective participating interests.

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 32,000km^2 and situated on the Chinese border across from the contiguous multibillion barrel oilfield complex of Junggar – Karamay Fields in China.

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 outrcrop adjacent to the block. Geochemical analysis performed on the Jurassic outrcorps proved they contained sufficient organic material to source HCs.

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 HCs 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) study of satellite imagery;

(b) acquisition of 580 line km of magnetic data in the basin;

(c) reprocessing of gravity/magnetic data;

(d) 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) drilling of one exploratory well to 2,487 metres in the southern trough of the South Eastern part of the Alakol Block, with testing due in the second quarter of 2010.

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

US based international oil and gas consulting firm Miller and Lents Ltd, evaluated the prospects and estimated Prospective Reserve volume (gross) on a P10 basis would be between **128.1 MMBO (for the smallest Prospect) and 459.9 MMBO (for the largest Prospect)**.

Summary of the Contract

The Contract (as amended by Amendment Agreements dated 19 January 2006 and 26 June 2006, 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.

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

The monetary value of the minimum work programme for the initial 5 year term of the Contract is US$35,284,000. As indicated above, NCPL had spent approximately US$26 million towards this minimum expenditure as at 30 June 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 June 2010, after which NCPL and Remas will need to seek an extension for a further 2 year period.

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 programme 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 equipment, materials and products produced in Kazakhstan provided that they comply with standards and other requirements by holding tenders in the territory of Kazakhstan in accordance with the procedures set by the Kazakhstan government. Similarly, NCPL and Remas are required to engage Kazakhstan organisations for the carrying out 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 is obliged to use on a priority basis equipment, materials and products produced in Kazakhstan provided that they comply with sanitary standards and other requirements by holding tenders in Kazakhstan.

The Contract also provides that the necessary ecological basis for conducting subsurface use operations is a positive conclusion of the state ecological and sanitary epidemiological expertise and the issuance of a nature use permit by the executive bodies responsible for environmental protection. 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.

Summary of the 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 hold at any times necessary and no less than twice a year;

(e) (**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;

(f) (**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;

(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.

5.5 Indicative Timetable

Subject to the ASX Listing Rules and Corporations Act requirements, the Company anticipates completion of the Asset Sale and Share Sale (together, the **Transactions**) in accordance with the following timetable (which is subject to change by the Company):

Event	**Date**
Receipt of first $1,000,000 under Asset Sale Agreement	7 October 2009
Snapshot date for eligibility to vote at the Annual General Meeting	Opening of Business 23 November 2009
Suspension of trading of Shares on ASX	24 November 2009
Annual General Meeting	24 November 2009
Payment of $9,000,000 under Asset Sale Agreement and transfer of 5% interest	24 November 2009
Placement of up to $30,000,000 completed	24 November 2009
Satisfaction/waiver of all conditions in Share Sale Agreement	24 November 2009
Settlement of Share Sale Agreement	1 December 2009
Prospectus closes (for purposes of recompliance with Chapter 1 of Listing Rules)	2 December 2009
Requotation of Shares on ASX	8 December 2009

5.6 Pro Forma Balance Sheet

An unaudited pro forma balance sheet of the Company following completion of the Share Sale is set out in Appendix A to this Explanatory Statement.

5.7 Impact of Transactions on Capital Structure

The effect of the Transactions (on an undiluted basis) on the capital structure of the Company can be summarised as follows:

Shares	**Number**
Shares on issue as at the date of this Notice	152,400,005
Conversion of 20,000 Converting Performance Shares	20,000,000
Shares to be issued to EPCL Shareholders	675,965,359
Institutional Placement (Resolution 6)	120,000,000[1]
Total Shares	**968,365,364**
Options	
Options on issue	Nil
Options to EPCL Shareholders	135,193,072
Total on completion of Share Sale Agreement	**135,193,072**
Performance Shares	
Converting Performance Shares on issue as at the date of this Notice	40,000
Conversion of Performance Shares	20,000
Total Performance Shares	**20,000**

Notes:

1. Assuming an issue price of $0.25 per Share and assuming full $30 million subscription. If $20million is raised, there will be 928,365,364 Shares in issue.

5.8 Impact of the Transactions on the Company

Settlement of the Asset Sale will result in the Company disposing of its 15% interest in the Tubatse Project. Settlement of the Share Sale will result in the Company acquiring Eastern Petroleum and its interests in the Kazakhstan Project. The proposed Transactions will result in various advantages and disadvantages to the Company which Shareholders should consider prior to exercising their vote.

5.9 Advantages of Transactions

The Directors consider that the key advantages to the Company and non-associated Shareholders of completing the Asset Sale Agreement and Share Sale Agreement are as follows:

(a) by approving the Asset Sale, the Company will no longer be spending money on exploration of the Tubatse Project. Pursuant to the terms of the Asset Sale, NKWE is required to pay all of IGC's expenditures and outgoings on Tubatse Project from execution until the Final Payment is due;

(b) the Company will receive $60,000,000 in consideration for the Asset Sale ($10,000,000 upfront and $50,000,000 at a later time), which will provide adequate funds for the Company's exploration activities on the Kazakhstan project in the near future;

(c) by changing the focus and making this clear, there will be no confusion in the market of the focus of the Company; and

(d) the Share Sale represents a significant opportunity to the Company.

5.10 Disadvantages of Transactions

The Directors consider that the key disadvantages to the Company and non-associated Shareholders of completing the Asset Sale Agreement and the Share Sale Agreement are as follows:

(a) the Company will be changing the nature of its activities to become a company focused on oil and gas exploration which may not be consistent with the objectives of its Shareholders;

(b) there are many risk factors associated with the change in nature of the Company's activities (refer to Section 5.14 for further details);

(c) there is no guarantee the IGC Shares will increase in value; and

(d) there will be a significant dilution of interest of Shareholders (see section 7.6). The exact dilution will depend on the level of capital raising the subject of Resolution 6).

5.11 Directors' interests in the Asset Sale Agreement

No Director holds a relevant interest in any shares in NKWE and will not receive any payment or any benefit of any kind following completion of the Asset Sale Agreement, other than as a Shareholder of the Company.

5.12 Directors' interests in the Share Sale Agreement

No Director holds a relevant interest in any shares in Eastern Petroleum and will not receive any payment or any benefit of any kind following completion of the Asset Sale Agreement, other than as a Shareholder of the Company.

5.13 Use of funds raised from Transactions

The Company intends to apply funds raised from the Asset Sale (being A$10,000,000 in the near future) and up to $30,000,000 pursuant to the Placement as follows:

Use	**Funds**
Fulfilment of Kazakhstan Minimum Work Program	
- 700km of seismic	8,000,000
- Drilling 3 wells	22,000,000
Working Capital, administration expenses and expenses of Transaction	10,000,000
Total	**$40,000,000**[1]

No funds will be raised by the Company as a result of the completion of the Share Sale.

5.14 Risks – Change of Activities

Shareholders should be aware that if the Resolutions are approved, the Company will be changing its activities from an exploration company focused on gold and subsequently platinum, to an oil and gas company which is subject to various risk factors. Based on the information available, a non exhaustive list of risk factors are as follows:

Risks relating to Oil and Gas Project

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:

(a) the discovery and/or acquisition of economically recoverable reserves;

(b) access to adequate capital for project development;

(c) design and construction of efficient development and production infrastructure within capital expenditure budgets;

(d) securing and maintaining title to interests;

(e) obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production; and

(f) 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 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.

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.

Reserves and Resource Estimates

Reserve and resource estimates 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, 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.

Environmental Risks

The Company's activities will be subject to the environmental risks inherent in the oil and gas industry. 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 unforseen 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.

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.

Regulatory

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

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.

Joint Venture Parties, Contractors and Contractual Disputes

The Company by its subsidiary, North Caspian Petroleum Limited is a party to a joint venture in respect of a 50% interest in an oil and gas exploration licence in Alakol Basin in eastern Kazakhstan. The Company is thereby reliant upon its 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.

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.

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.

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.

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.

Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to mineral 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 precious and base metals, 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.

Risks relating to Tubatse Project

Sovereign Risk

The Company has entered into a Farm-In Agreement in respect to the Genorah Platinum Farms in South Africa. 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.

Assuming the Company acquires a 15% interest in the Genorah Platinum Farms, this interest will be 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.

Regulatory and Political Risks

The exploration, development and any future mining of the Genorah Platinum Farms will be subject to 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 IGC 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 IGC 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 IGC 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.

The South African Government intends to provide for imposition of royalties in the Mineral and Petroleum Royalty Bill (which is presently before Parliament in South Africa). The latest draft legislation proposes a royalty of a certain percentage of gross sales. The suggested rate for PGMs are 6% for unrefined products and 3% for refined products. At the date of this Prospectus, the implementation of the Royalty Bill has been postponed until 2009.

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. IGC 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.

The economic viability of a PGM deposit is dependent on a number of factors, not all of which are within the control of IGC. 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.

PGM Price Volatility Risk

PGM prices historically have fluctuated widely and are affected by numerous external factors beyond IGC'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.

Foreign Exchange Risk

The current gold operations of the Company are in Australia and therefore the costs of operations are in Australian dollars. The Genorah Platinum Farms are in South Africa and therefore the majority of the expenses in respect to the exploration and development of the Genorah Platinum Farms will be in South African rand. Platinum is sold throughout the world principally on a US dollar price. The funds raised through the Placement Offer to finance part of the exploration activities are in Australian dollars.

As the Company's financial reports will be presented in Australian dollars, the Company will be exposed to the volatility and fluctuations of the exchange rate between the United States dollar, South African Rand and the Australian dollar. An appreciation of the South African rand against the Australian dollar would increase exploration costs (as well as any future production costs) which are expected to be incurred in South African rand which may adversely impact on IGC's operating results.

Global currencies are affected by a number of factors that are beyond the control of the Company. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors.

General Company Risks

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.

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.

Market Conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. 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.

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.

Investment Speculative

The above list of risk factors ought 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.

5.15 Plans for the Company if one or more of the Transactions do not proceed

If no Transactions proceed to settlement, the Company will continue to explore and develop its interest in the Tubatse Project but will need to either raise significant equity or debt with another party to finance its continued development. Any equity financing is likely to dilute Shareholders' interests in the Company. Further, there is no guarantee the Company would be successful in securing debt finance or on favourable terms.

5.16 Directors Recommendations

The Directors do not have any material interest in the outcome of the Resolutions other than as a result of their interest arising solely in the capacity of Shareholders of the Company.

Each of the Directors intend to vote their Shares in favour of the Resolutions. Based on the information available, all of the Directors consider that the proposed Transactions are in the best interests of the Company and recommend that the Shareholders vote in favour of the Resolutions. The Directors have approved the proposal to put the Resolutions to Shareholders.

6. RESOLUTION 4 – SALE OF INTEREST IN THE TUBATSE PROJECT

6.1 General

Resolution 4 seeks approval from Shareholders for a change to the nature and scale of the activities of the Company by way of the Company selling its 15% interest in the Tubatse Project.

As outlined in Section 5.1 of this Explanatory Statement, the Company and NKWE entered into the Asset Sale Agreement pursuant to which the Company agreed to sell, and NKWE agreed to acquire, 100% of the Company's rights, title and interest in the Tubatse Project.

Detailed descriptions of the Company's interest in the Tubatse Project and the Asset Sale Agreement are outlined in Sections 5.1 and 5.2 of this Explanatory Statement.

6.2 Legal Requirements

Listing Rule 11.2 states that a listed entity that is proposing to make a significant change, either directly or indirectly, by disposing of its main undertaking, must get the approval from Shareholders and comply with any requirements of ASX in relation to the Notice of Meeting. As the Company's interest in the Tubatse Project constitutes the main undertaking of the Company as at the date of this Notice, the Company must seek Shareholder approval pursuant to ASX Listing Rule 11.2 for the proposed Asset Sale.

Accordingly, the Company seeks Shareholder approval for the purposes of ASX Listing Rule 11.2 to allow the Company to dispose of its main undertaking to NKWE in accordance with the terms and conditions of the Asset Sale Agreement.

7. RESOLUTION 5 – ACQUISITION OF EASTERN PETROLEUM CORPORATION LIMITED

7.1 General

Resolution 5 seeks Shareholder approval for the issue of the Consideration Shares and Consideration Options to acquire 100% of the shares in Eastern Petroleum in accordance with:

(a) ASX Listing Rule 11.1.2 for a change in the scale of the activities of the Company;

(b) ASX Listing Rule 7.1 for the issue of the Consideration Shares and Consideration Options in consideration for the acquisition by the Company of 100% of the shares in Eastern Petroleum; and

(c) Item 7 of Section 611 of the Corporations Act for the acquisition of a relevant interest in voting shares of the Company by EPCL Shareholders and their respective associates in circumstances which would otherwise contravene Chapter 6 of the Corporations Act.

7.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the scale of its activities, it must provide full details to ASX as soon as practicable. ASX Listing Rule 11.1.2 provides that, if ASX requires, the entity must get the approval of shareholders and must comply with any requirements of ASX in relation to the notice of meeting.

ASX has advised the Company that given the significant change in the nature and the scale of activities of the Company upon completion of the acquisition of Eastern Petroleum, the Company is required to:

(a) obtain the approval of Shareholders; and

(b) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

For this reason, Resolution 5 seeks Shareholder approval for the Company to change the nature and the scale of its activities under ASX Listing Rule 11.1.

7.3 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that the prior approval of the shareholders of a company is required for an issue of equity securities if the securities will, when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of the 15% threshold is where the issue has the prior approval of shareholders in general meeting.

The effect of Resolution 5 will be to allow the Directors to issue 675,965,359 Shares and 135,193,072 Options during the period of 3 months after the Annual General Meeting (or a longer period if allowed by ASX), without using the Company's 15% placement capacity.

In compliance with the information requirements of ASX Listing Rule 7.3, Shareholders are advised of the following particulars in relation to the proposed issue pursuant to Resolution 5:

(a) the maximum number of securities to be issued pursuant to Resolution 4 is 675,965,359 Shares and 135,193,072 Options;

(b) the Shares and Options will be issued as consideration for the acquisition by the Company of all of the fully paid ordinary shares in the capital of Eastern Petroleum as detailed in Section 5.3 of this Explanatory Statement;

(c) the Consideration Shares and Consideration Options will be allotted and issued to the EPCL Shareholders in proportion to their respective shareholding as set out in Table 1 of Section 7.6 of this Explanatory Memorandum (none of which are related parties of the Company). The Company will issue 4.5 Shares for every 1 Eastern Petroleum Share held and 1 Option for every 5 Shares issued;

(d) the Shares will be issued on the same terms as the existing fully paid ordinary shares in the Company other than the fact the Shares will be escrowed for 12 months from the date of issue and the Options will be issued on the terms set out in Section 7.4 below and will be escrowed for a period of 12 months from the date of issue;

(e) the Shares and Options will be issued for nil consideration as they are being issued as consideration for the acquisition of Eastern Petroleum;

(f) the Shares and Options will be issued on the settlement date of the Share Sale Agreement, and in any event not later than 3 months after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Shares and Options will be allotted on one and the same date; and

(g) no funds will be raised from the issue of the Shares and Options as they are being issued as consideration for the acquisition of Eastern Petroleum.

7.4 Terms of Options

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

(a) 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.

(b) 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.

(c) The amount payable upon exercise of each Option will be $0.25 (**Exercise Price**).

(d) 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.

(e) An 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**).

(f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

(g) 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.

(h) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.

(i) The Company will not apply for quotation of the Options on ASX 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 within 10 Business Days after the date of allotment of those Shares.

(j) 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 ASX Listing Rules at the time of the reconstruction.

(k) 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.

(l) 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.

7.5 Item 7 of Section 611 of the Corporations Act

Section 606(1) of the Corporations Act provides that a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person (**second person**) will be an "associate" of the other person (**first person**) if:

(a) the first person is a body corporate and the second person is:

  (i) a body corporate the first person controls;

  (ii) a body corporate that controls the first person; or

  (iii) a body corporate that is controlled by an entity that controls the first person;

(b) the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and

(c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs.

A person has a relevant interest in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

For the purposes of the Corporations Act, the EPCL Shareholders will be deemed to be associates of each other as at the date of Settlement of the Share Sale. This does not mean they will remain associates after Settlement of the Share Sale Agreement. Additionally, one of the EPCL Shareholders will hold a relevant interest in greater than 20% of the issued capital of the Company as and from settlement of the Share Sale Agreement.

Accordingly, Shareholder approval under Item 7 of Section 611 of the Corporations Act is sought in respect of Resolution 5.

7.6 Impact on level of control by EPCL Shareholders

The effect on voting power in the Company if Resolution 5 is passed is set out in the table set out below (on an undiluted basis). The following table shows voting power in the Company assuming that the Share Sale Agreement proceeds to settlement in accordance with the terms of the Share Sale Agreement (and the Placement has occurred). Please note that settlement of the Asset Sale Agreement will not have any effect on voting power in the Company.

Table 1: Effect of Resolution 5 and Settlement of Share Sale and Placement

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
Security Holder	**No. of Shares Currently Held**	**Current % of Issued Capital**	**No. of Consideration Shares Issued by Resolution 5**	**No. Shares held after settlement of Share Sale**	**% of Co's Issued Capital if Consideration Shares issued**	**No. Shares held after conversion of Consideration Options**	**% of issued capital after conversion all of Considerati on Options**
Safeguard Management Limited	Nil	0%	575,418,420	575,418,420	61.98%	690,502,104	64.92%
Higgins Investment Limited	Nil	0%	40,470,953	40,470,953	4.36%	48,565,144	4.56%
Pershing Keen Nominees Limited	Nil	0%	11,007,900	11,007,900	1.19%	13,209,480	1.24%
Exchange Minerals	Nil	0%	8,998,286	8,998,286	0.97%	10,797,943	1.02%
Canaccord Nominees Limited	Nil	0%	18,000,000	18,000,000	1.94%	21,600,000	2.03%
Lynchwood Nominees Limited	Nil	0%	9,000,000	9,000,000	0.97%	10,800,000	1.02%
Attendus Trust Co	Nil	0%	8,569,800	8,569,800	0.92%	10,283,760	0.97%
New Course Nominees Limited	Nil	0%	4,500,000	4,500,000	0.48%	5,400,000	0.51%
Non-associated	172,400,005	100%	Nil	172,400,005	18. 57%	172,400,005	16.21%
Recipient of Placement	Nil	0%	Nil	80,000,000[1]	8.62%	80,000,000	7.52%
Total	**172,400,005**	**100%**	**675,965,359**	**928,365,364**	**100%**	**1,063,558,436**	**100%**

Notes:

1 Assumes an issue price of $0.25 per Share and assumes $20,000,000 under Placement raised. Actual percentages will vary depending on the amount raised and pricing of the placement the subject of Resolution 6.

The information set out below is required to be provided to Shareholders under the Corporations Act and ASIC Policy Statement 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report annexed to this Explanatory Statement.

7.7 Prescribed Information

(i) *The identity of the person proposing to make the acquisition and their associates:*

For the purposes of preparing this Explanatory Statement, an assumption has been made that all of the EPCL Shareholders are associates of each other as defined in the Corporations Act as at the Settlement of the Share Sale Agreement. This does not mean that the EPCL Shareholders will remain associates in the future (including at the time of conversion of the Consideration Options). Accordingly, the EPCL Shareholders will each hold a relevant interest in all of the Consideration Shares to be issued pursuant to Resolution 5.

(ii) *The maximum extent of the increase in the person's voting power in the Company that would result from the acquisition:*

As at the date of this Notice, none of the EPCL Shareholders (or their associates) have a relevant interest in any securities in the capital of the Company.

As set out in Table 1 in Section 7.6 of this Explanatory Statement, the maximum extent of the increase in the ECPL Shareholders' voting power that would result from the issue of Consideration Shares (and based on the assumption set out below the Table) is collectively 72.81% and individually as set out in Table 1 in Section 7.6 of the Explanatory Statement. The actual voting power will depend on the amount and pricing of the placement the subject of Resolution 6. The EPCL Shareholders are not deemed to be associates of each other upon conversion of the Consideration Options, however Safeguard Management Limited will have a relevant interest in 64.92% upon conversion of their Consideration Options.

(iii) *The voting power that person would have as a result of the acquisition:*

As set out in paragraph (ii) above.

(iv) *The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition:*

The maximum extent of the increase in the voting power of the EPCL Shareholders collectively will be from 0% to 72.81% upon issue of the Consideration Shares (but no conversion of Consideration Options) (based on the assumption set out below the Table) (and in respect of Safeguard Management Limited 64.92% upon conversion of all Consideration Options) and the increase in the voting power of each of the EPCL Shareholders individually will be as set out in Table 1 in Section 7.6 of the Explanatory Statement. The actual voting power will depend on the amount and pricing of the placement the subject of Resolution 6.

(v) *The voting power that each of that person's associates would have as a result of the acquisition:*

As set out in Table 1 in Section 7.6 of this Explanatory Statement, the voting power of the ECPL Shareholders' collectively that would result from the issue of Consideration Shares (and based on the assumption set out below the Table) is 72.81% (and in respect of Safeguard Management Limited 64.92% upon conversion of all Consideration Options) and individually as set out in Table 1 in Section 7.6 of the Explanatory Statement. The actual voting power will depend on the amount and pricing of the placement the subject of Resolution 6.

Note: The above paragraphs assume that:

- the Shares the subject of Resolution 5 and 6 are issued and no additional Shares are issued (whether by the exercise of options in the Company or otherwise);

- no party other than the EPCL Shareholders will increase its voting power as a result of the Share Sale.

The EPCL Shareholders have informed the Company that, as at the date of this Notice of Meeting and on the basis of the facts and information available to it, if Shareholders approve Resolution 5 they:

(a) have no intention of making any significant changes to the business of the Company in a manner that may be detrimental to non-associated Shareholders or otherwise than as disclosed in this Explanatory Statement;

(b) do not intend to redeploy any fixed assets of the Company;

(c) do not have any present intention to inject further capital into the Company;

(d) do not intend to transfer any property between the Company and any of the EPCL Shareholders or any person associated with either of them other than as set out in this Notice;

(e) have 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 non-associated Shareholders;

(f) have no current intentions regarding the future employment of the present employees of the Company; and

(g) have no current intention to change the Board, other than as set out in this Explanatory Statement.

7.8 Interests and Recommendations of Directors

Based on the information available, including that contained in this Explanatory Statement and the Independent Expert's Report, all of the Directors consider that the Share Sale the subject of Resolution 5 is in the best interests of the Company.

Each of the Directors approved the proposal to put Resolution 5 to Shareholders and each of the Directors recommends that Shareholders vote in favour of Resolution 5.

7.9 Role of the Independent Expert

The Independent Expert's Report assesses whether the proposals outlined in Resolution 5 are fair and reasonable to the non-associated Shareholders. The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the Share Sale. This assessment is designed to assist all Shareholders in reaching their voting decision in relation to Resolutions.

Deloitte Touche Tohmatsu has prepared the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in Resolution 5 is fair and reasonable to the non-associated Shareholders of the Company.

The Directors recommend that all Shareholders read the Independent Expert's Report in full.

8. RESOLUTION 6 – ISSUE OF SHARES

8.1 General

Resolution 6 seeks Shareholder approval for the allotment and issue of Shares raising a total of up to $30,000,000 (**Share Placement**).

None of the subscribers pursuant to this issue will be related parties of the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 7.3 above.

The effect of Resolution 7 will be to allow the Directors to issue the Shares pursuant to the Share Placement during the period of 3 months after the Annual General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

8.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Share Placement:

(a) the maximum number of Shares to be issued will be $30,000,000 divided by the issue price referred to in 8.2(c) below;

(b) the Shares will be issued no later than 3 months after the date of the Annual General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;

(c) the issue price of the Shares will be equal to not less than 80% of the volume weighted average trading price of Shares traded on ASX in the 5 days preceding the Meeting;

(d) the identity of the recipients is not yet known although it will be to an institutional investor and no related parties of the Company;

(e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

(f) the Company intends to use the funds raised from the Share Placement towards expenditure referred to in Section 5.13.

9. RESOLUTION 7 – CHANGE OF NAME OF COMPANY

Subject to the passing of Resolutions 4 and 5 and completion of the Share Sale, Resolution 7 seeks a change of name of the Company to International Petroleum Limited.

The Company proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

10. RESOLUTION 8 – APPOINTMENT OF AUDITOR

BDO Kendalls Audit and Assurance (WA) Pty Ltd (**BDO**) has tendered its resignation as auditors of the Company and has advised the Company that it has applied to the ASIC for consent to resign effective from the date of the

Meeting. It is anticipated that BDO's resignation will take effect from the later of that date or the day on which ASIC gives its consent.

The Company proposes, subject to ASIC consenting to the resignation of BDO, to appoint Ernst & Young as the auditor of the Company. In accordance with section 328B of the Corporations Act, the Company has sought and obtained a nomination from a shareholder to appoint Ernst & Young as the Company's auditor. A copy of this nomination is attached to this Explanatory Statement as Annexure A. Ernst & Young has given written consent to act as the Company's auditor in accordance with section 328A(1) of the Corporations Act.

The Company's expectation is that ASIC's consent will be forthcoming prior to the date of the Annual General Meeting.

If Resolution 8 is passed, the appointment of Ernst & Young as the Company's auditor will take effect at the close of this Annual General Meeting or upon receipt of ASIC's consent to the resignation of BDO, whichever is the latter.

11. RESOLUTION 9 – ADOPTION OF EMPLOYEE SHARE OPTION PLAN

Resolution 9 seeks the approval of Shareholders for the adoption of the "Company Incentive Option Scheme" (**Scheme**) to allow the issue of options under the Scheme (**Employee Options**) as an exception to ASX Listing Rule 7.1 in accordance with exception 9(b) of ASX Listing Rule 7.2.

If Resolution 9 is passed, the Company will have the ability to issue Employee Options to eligible participants under the Scheme over a period of 3 years without impacting on the Company's 15% placement capacity under ASX Listing Rule 7.1.

TERMS OF SCHEME

The main terms of the Scheme are summarised below and a full copy of the Scheme is available for inspection at the Company's registered office until the date of the Annual General Meeting.

The Scheme will be administered by the Directors who may grant Employee Options to acquire Shares in the Company to any of the Company's employees (**Employees**).

The key terms and conditions applying to any issue of Employee Options under the Scheme include:

Objectives

The objective of the Scheme is to assist in the recruitment, reward, retention and motivation of employees of the Company.

Consideration

Each Employee Option issued under the Scheme (**Employee Option**) will be issued free of charge.

Exercise Price

The exercise price for Employee Options granted under the Scheme will be fixed by the Board prior to the grant of the Employee Option.

Exercise Restrictions

The options granted under the Scheme may be subject to such other restrictions on exercise as may be fixed by the Directors prior to grant of the Employee Options including, without limitation, length of service by the employee and threshold prices at which Shares are traded on the ASX. Any restrictions so imposed by the Directors must be set out on the Employee Option certificate.

Participation in Dividends, Rights Issues and Bonus Issues

The Employee Options granted under the Scheme do not give any right to participate in dividends or rights issues until Shares are allotted pursuant to the exercise of the relevant Employee Option. The number of Shares issued on the exercise of Employee Options will be adjusted for bonus issues made prior to the exercise of the Employee Options.

Eligibility

The Directors may invite full or part time employees to participate in the Scheme and receive Employee Options. An employee may receive the Employee Options or nominate a relative or associate to receive the Employee Options.

Employees do not possess any rights to participate in the Plan, as participation is solely determined by the Board. Directors are not eligible to participate in the Scheme.

Term of Employee Options

The Employee Options granted under the Scheme have a term specified on the face of each certificate.

Subdivision or Consolidation

If the Company, after having granted any Employee Option, reduces its issued Share capital or subdivides or consolidates its Shares, the number of the Shares issued to the option holder on exercise of an Employee Option will be reduced, subdivided or consolidated, as the case may be, in accordance with the ASX Listing Rules.

Limitation on offers

If the Company makes an offer under the Scheme where:

(a) the total number of Shares to be received on exercise of Options the subject of that offer exceeds the limit set out in ASIC Class Order 03/184; or

(b) the Offer does not otherwise comply with the terms and conditions set out in ASIC Class Order 03/184,

the Company must comply with Chapter 6D of the Corporations Act at the time of that Offer.

12. ENQUIRIES

Shareholders are required 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.

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 agreement between the Company and NKWE as summarised in Section 5.1.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

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 ASX declares is not a business day.

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

Consideration Options means the options issued in consideration for the acquisition of all of the issued capital in Eastern Petroleum.

Consideration Shares means Shares issued in consideration for the acquisition of all the issued capital in Eastern Petroleum.

Constitution means the Company's constitution.

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 Ministry of Energy and Mineral Resources of the Republic of Kazakhstan, Remas and NCPL dated 13 June 2005 as amended.

Converting Performance Shares means the converting performance shares on issue in the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Eastern Petroleum means Eastern Petroleum Corporation Limited.

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

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

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

Independent Expert's Report means the Independent Expert's Report prepared by Deloitte Touche Tohmatsu annexed to this Notice Meeting as Appendix B.

Kazakhstan Project means the blocks covering approximately $32,000km^2$ in the Alakol and Balkhash sedimentary basins in eastern and south-eastern Kazakhstan and the subject of the Contract.

Option means an option to acquire a Share on the terms and conditions set out in Section 7.4 of this Explanatory Statement.

NCPL means North Caspian Petroleum Limited (a private company registered in the United Kingdom).

NKWE means NKWE Platinum Limited.

Notice of Meeting or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement.

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.

Share Sale means the sale the subject of the Share Sale Agreement.

Share Sale Agreement means the agreement between the Company and the Shareholders of Eastern Petroleum as summarised in Section 5.3.

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 as observed in Perth, Western Australia.

Deloitte.

APPENDIX A – IGC UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

IGCs Unaudited Pro Forma Consolidated Statement of Financial Position as at 30 June 2009

The table below sets out the adjustments to arrive at the IGC Unaudited Pro Forma Consolidated Statement of Financial Position as at 30 June 2009. The IGC 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.

Basis of Preparation

The IGC Unaudited Pro Forma Consolidated Statement of Financial Position as at 30 June 2009 has been prepared, as disclosed in the table below, by combining the Statement of Financial Position of IGC at 30 June 2009 with the Pro forma Unaudited Statement of Financial Position of EPCL at December 2008, and includes Pro forma Adjustments as disclosed in Notes 2 to 6 below. The IGC Unaudited Pro Forma Consolidated Statement of Financial Position as at 30 June 2009 has been prepared in accordance with the recognition and measurements requirements of Australian Accounting Standards, except in respect to the Pro forma adjustments.

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

The audited consolidated financial statements of EPCL as at 31 December 2008 were prepared in accordance with EPCL's stated accounting policies determined in accordance with UK Generally Accepted Accounting Principles ("UK GAAP") and the EPCL 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 Pro forma Unaudited Statement of Financial Position of EPCL at 31 December 2008.

Management has taken the view that no significant transactions (except those reflected as pro forma adjustments as set out in the notes below) have occurred to EPCL since 31 December 2008 or IGC since 30 June 2009.

Deloitte.

APPENDIX A – IGC UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

Summarised Statements of Financial Position as at 30 June 2009

	Audited IGC 30 June 2009 $'000	Pro forma Unaudited EPCL 31 December 2008 $'000 (1)	Pro forma Adjustments $'000	Notes	Pro forma consolidated IGC Unaudited 30 June 2009 $'000
Current Assets					
Cash and cash equivalents	6,701	579	40,000	**2,4**	47,280
Trade and other receivables	151	1,573	-		1,724
Total Current Assets	6,852	2,152	40,000		49,004
Non Current Assets					
Exploration and evaluation asset	24,532	48,983	13,275	**2,5**	86,790
Property plant and equipment	1	53	-		54
Other financial assets	1,619	-	-		1,619
Total Non Current Assets	26,152	49,036	13,275		100,796
Total Assets	33,004	51,188	53,275		137,467
Current Liabilities					
Trade and other payables	790	4,285	-		5,075
Current tax liability	-	-	1,560	**3**	1,560
Total Current Liabilities	790	4,285	1,560		6,635
Non Current Liabilities					
Provisions	-	332	-		332
Deferred tax liability	-	-	11,342	**5**	11,342
Total Non Current Liabilities	-	332	11,342		11,674
Total Liabilities	790	4,617	12,902		18,309
Net Assets	32,214	46,571	40,373		119,158
Equity					
Issued Capital	29,577	185,690	40,702	**4,5**	255,969
Reserves	4,433	(125,081)	(4,433)	**5**	(125,081)
Accumulated losses	(1,796)	(14,038)	4,104	**3,5**	(11,730)
Total Equity	32,214	46,571	40,373		119,158

Notes:

1. <u>Restatement of the EPCL pro forma unaudited statement of financial position in accordance with Australian Accounting Standards and other pro forma adjustments</u>

   The audited 31 December 2008 consolidated financial statements of EPCL were prepared in accordance with the stated accounting policies 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 information.

Deloitte.

APPENDIX A – IGC UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

The following pro forma adjustments have been made to arrive at the Pro forma Unaudited Statement of Financial Position of EPCL at 31 December 2008.

Account Balance	Audited USD ($'000)	Pro forma Adjustments USD ($'000)	Notes	Pro forma Adjusted USD ($'000)	Pro forma AUD ($'000) (c)
Current Assets					
Cash	470			470	579
Debtors	1,276			1,276	1,573
	1,746			1,746	2,152
Non-Current Assets					
Exploration and evaluation asset	30,845	8,900	(a)	39,745	48,983
Property, plant and equipment	43			43	53
	30,888			39,788	49,036
Total Assets	32,634			41,534	51,188
Current Liabilities					
Creditors	3,475			3,475	4,285
Borrowings	10,806	(10,806)	(a),(b)	-	-
	14,281			3,475	4,285
Non-Current Liabilities					
Provisions	270			270	332
	270			270	332
Total Liabilities	14,551			3,745	4,617
Net Assets	18,083			37,789	46,571
Equity					
Issued Capital	130,963	19,706	(a),(b)	150,669	185,690
Foreign currency translation reserve	26			26	31
Reserves	(101,516)			(101,516)	(125,112)
Accumulated losses	(11,390)			(11,390)	(14,038)
Total Equity	18,083			37,789	46,571

a. Additional borrowings of US$8,900,000 were made from Safeguard Management Limited subsequent to 31 December 2008 to fund exploration and evaluation. The pro forma adjustment assumes these funds have been fully expended on exploration and evaluation.

b. Borrowings of US$10,806,522 at 31 December 2008, together with the additional borrowings subsequent to 31 December 2008 of US$8,900,000 were replaced with a new series of US$ non interest bearing convertible loan notes. Each US$1 of the replacement convertible loan notes has a warrant to subscribe for one Ordinary share at 50 pence a share. As part of the conditions precedent of Share Sale Transaction the convertible loan notes are required to be converted to shares in EPCL. Accordingly, for the purposes of the IGC

Unaudited Pro Forma Consolidated Statement of Financial Position, the entire carrying amount of the liability has been reclassified from liabilities to equity.

c. 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 30 June 2009 closing foreign exchange rate of 0.8114 from the Reserve Bank of Australia.

2. Sale of Assets to NKWE

On 7 October 2009, IGC 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 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 million deposit (refundable only if shareholder approval is not received) and $9 million payment on shareholder approval of the transaction by IGC shareholders
- Tranche 2 – remaining 10% interest transferred on payment of a further $50 million when either a Mining Right Grant is obtained or Xstrata South Africa obtaining an interest in the Tubatse Project land.

Section 5.1 of the Notice of Annual General Meeting dated on or about 16 October 2009 summarises the material terms of this sale agreement.

For the purposes of the IGC Unaudited Pro Forma Consolidated Statement of Financial Position as at 30 June 2009, the $10.0 million expected to be received in respect of the sale of IGC's 5% interest in the Tubatse Project has been recognised as a reduction in the carrying amount of the exploration and evaluation asset. 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. Accordingly the remaining exploration and evaluation asset will be carried forward at cost representing IGC's 10% retained interest in the Tubatse Project (see also consolidation adjustment in Note 5 below).

3. Tax Payable in respect of the Asset Sale

It is assumed that IGC does not have a permanent establishment in South Africa and the sale of the Tubatse Project is not otherwise taxed in South Africa. The sale has therefore been assumed to be subject to tax in Australia and the balancing adjustment provisions under Division 40 of the Tax Act and on this basis is subject to a tax rate of 30%.

Tax payable in respect of the Asset Sale of $1.56 million is recognised as a pro forma adjustment and calculated as follows:

	$'000
Taxable proceeds on disposal	10,000
Less: tax deduction for exploration and evaluation expenditure and other expenditure incurred in the 30 June 2009 year	4,800
	5,200
Tax at 30%	1,560

APPENDIX A – IGC UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

4. Sale Placement

IGC will raise up to $30 million through a placement of 120,000,000 common shares at $0.25. 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 million.

5. Purchase of Shares in EPCL (Share Sale)

For the purposes of the IGC Unaudited Pro Forma Consolidated Statement of Financial Position as at 30 June 2009, EPCL is considered the accounting acquirer and the business combination is recognised as a 'reverse acquisition' of IGC (the accounting acquiree). This results in the assets and liabilities of IGC being fair valued. A summary of the reverse acquisition is as follows:

	$'000
Total consideration transferred(1)	**70,279**
Fair value of assets and liabilities acquired:	
Current assets(2)	46,852
Property, plant & equipment	1
Exploration and evaluation asset(3)	37,807
Other financial assets	1,619
Current liabilities	(790)
Current tax liabilities(Note 3 above)	(1,560)
Deferred tax liabilities(4)	(11,342)
Total fair value of assets and liabilities acquired	**72,587**
Bargain purchase gain	**(2,308)**

(1) This represents the fair value of IGC shares on issue (152,400,004) and the shares to be issued from the Share Placement (120,000,000) estimated based on the 15 October 2009 mid price of $0.258.

(2) The current asset balance includes the proceeds from the share placement, (Note 4 above). The share placement is a conditional 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.

(3) The exploration and evaluation asset represents IGC's 10% retained interest in the Tubatse Project. The fair value of this asset has been assumed to be the sales price agreed to in the IGC / NKWE Asset Sale of $50 million. No adjustment to the fair value has been made in respect of outgoings and expenditure paid by NKWE in respect of IGC costs for the purposes of the pro forma adjustment. The $50 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.

(4) In preparing the IGC Unaudited Pro Forma Consolidated Statement of Financial Position it has been assumed that the only balances 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 to IGC to meet the requirements of the continuity of ownership test and same business test in the Australian tax law.

6. Transaction Costs

Transaction costs are assumed to be nil.

Deloitte.

International Goldfields Limited

Independent expert's report

19 October 2009

Deloitte.

Deloitte Corporate Finance Pty Limited
ACN 003 833 127
AFSL 241457

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX: 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (0)
www.deloitte.com.au

Financial Services Guide

19 October 2009

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use any of the general financial product advice provided by Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance, we, us or our) the holder of Australian Financial Services Licence (AFSL) No. 241457. The contents of this FSG include:

- who we are and how we can be contacted
- what services we are authorised to provide under our AFSL
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide
- details of any potential conflicts of interest
- details of our dispute resolution systems and how you can access them.

Information about us

We have been engaged by International Goldfields Limited to give general financial product advice in the form of a report to be provided to you in connection with the proposed issue of 675,965,359 shares and 135,193,072 options to Eastern Petroleum Corporation Limited as consideration for acquiring all of the fully paid ordinary shares in Eastern Petroleum Corporation Limited. You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are required to give you an FSG by law because our report is being provided to you. You may contact us using the details located above.

Deloitte Corporate Finance is ultimately owned by the Australian partnership of Deloitte Touche Tohmatsu. The Australian partnership of Deloitte Touche Tohmatsu and its related entities provide services primarily in the areas of audit, tax, consulting, and financial advisory services. Our directors may be partners in the Australian partnership of Deloitte Touche Tohmatsu.

The Australian partnership of Deloitte Touche Tohmatsu is a member of Deloitte Touche Tohmatsu (a Swiss Verein). As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other, related names. Services are provided by the member firms or their subsidiaries and affiliates and not by the Deloitte Touche Tohmatsu Verein.

The general financial product advice in our report is provided by Deloitte Corporate Finance and not by the Australian partnership of Deloitte Touche Tohmatsu, its related entities, or the Deloitte Touche Tohmatsu Verein.

Associations and relationships

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the Australian partnership of Deloitte Touche Tohmatsu (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to retail and wholesale clients:

- provide general financial product advice in respect of:
  - debentures, stocks or bonds to be issued or proposed to be issued by a government
  - interests in managed investment schemes including investor directed portfolio services
  - securities
- deal in a financial product by arranging for another person to apply for, acquire, vary or dispose of financial products in respect of:

- debentures, stocks or bonds issued or to be issued by a government
- interests in managed investment schemes including investor directed portfolio services
- securities.

Information about the general financial product advice we provide

The financial product advice provided in our report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant offer document provided by the issuer of the financial product. The purpose of the offer document is to help you make an informed decision about the acquisition of a financial product.

How are we and our employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services.

Fee arrangements are agreed with the party or parties who actually engage us, and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us.

Our fee is Australian dollars (AUD)140,000 (exclusive of GST and technical expert's fees) and will also be disclosed in the relevant offer document prepared by the issuer of the financial product. Deloitte Corporate Finance, its directors and officers, any related bodies corporate or associates and their directors and officers, do not receive any commissions or other benefits, except for the fees rendered to the party or parties who actually engage us.

All employees receive a salary. Our employees are eligible for annual salary increases and bonuses based on overall performance but do not receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing addressed to:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
E-mail: complaints@deloitte.com.au
Fax (02) 9255 8678

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry.

Deloitte Corporate Finance Pty Limited
ACN 003 833 127
AFSL 241457

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX: 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (0)
www.deloitte.com.au

The Directors
International Goldfields Limited
18 Oxford Close
Leederville WA 6007

19 October 2009

Dear Sirs

Independent expert's report

Introduction

On 7 October 2009 International Goldfields Limited (International Goldfields) announced that it had entered into a share purchase agreement with United Kingdom (UK) based company Eastern Petroleum Corporation Limited (Eastern Petroleum) and each of the shareholders of Eastern Petroleum (Eastern Petroleum Shareholders) pursuant to which the Eastern Petroleum Shareholders will sell and International Goldfields will acquire all of the fully paid ordinary shares of Eastern Petroleum (the Share Sale).

As consideration for the Share Sale, International Goldfields will issue:

- 4.5 shares for each Eastern Petroleum share, or a total of 675,965,359 shares (Consideration Shares)
- 0.9 options for each Eastern Petroleum share, or a total of 135,193,072 options, with an exercise price of AUD0.25 (Consideration Options)

to Eastern Petroleum Shareholders (the Proposed Transaction). These issues will result in the Eastern Petroleum Shareholders owning approximately 73% of the expanded capital of International Goldfields or approximately 76% on a fully diluted basis. The Consideration Options are plain vanilla American call options with an exercise price of AUD0.25 and an expiry date of 30 June 2012. The Consideration Shares and the Consideration Options have an escrow period of 12 months from the date of issue. International Goldfields is also finalising an institutional placement to raise up to AUD30 million.

Eastern Petroleum, through its wholly owned subsidiary, North Caspian Petroleum Limited (NCPL), owns and operates a 50% interest in a contract for the exploration of hydrocarbon resources in the Alakol Basin licence block (Alakol Basin Licence Block) in Eastern Kazakhstan. The Alakol Basin Licence Block almost entirely covers the Alakol Basin, a major undeveloped oil basin covering 32,000 square kilometres (km^2) in eastern Kazakhstan near the border with the People's Republic of China (China).

Purpose of the report

The directors of International Goldfields (the Directors) have requested that Deloitte Corporate Finance prepare an independent expert's report advising whether, in our opinion, the Proposed Transaction is fair and reasonable to the non-associated shareholders of International Goldfields (the Non-Associated Shareholders).

We understand that this independent expert's report is required pursuant to Section 611 of the Corporations Act 2001 in order to assist the Non-Associated Shareholders in their decision to accept or reject the Proposed Transaction.

We have prepared this report having regard to Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 (RG 111) in relation to the content of expert's reports and ASIC Regulatory Guide 112 (RG 112) in respect of the independence of experts.

This report is to be included in the explanatory statement (Explanatory Statement) accompanying the notice of annual general meeting (the Notice of Meeting) where shareholder approval will be sought for the Proposed Transaction. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose.

Basis of evaluation

In order to assess whether the Proposed Transaction is fair and reasonable to the Non Associated Shareholders we have:

- assessed whether the Proposed Transaction is fair by estimating the fair market value of a share in International Goldfields on a control basis prior to the Proposed Transaction and comparing that value with the value of a share in International Goldfields on a minority basis after the Proposed Transaction
- assessed the reasonableness of the Proposed Transaction by considering the other advantages and disadvantages of the Proposed Transaction.

Summary and conclusion

In our opinion the Proposed Transaction is fair and reasonable. In arriving at this opinion, we have had regard to the following factors:

The Proposed Transaction is fair

Set out in the table below is a comparison of our assessment of the fair market value of a share in International Goldfields on a control basis prior to the Proposed Transaction with our assessment of the fair market value of a share in International Goldfields on a minority basis after the Proposed Transaction.

Table 1: Evaluation of fairness

	Low (AUD)	High (AUD)
Estimated fair market value of a share in International Goldfields on a control basis prior to the Proposed Transaction (Section 9)	0.22	0.25
Estimated fair market value of a share in International Goldfields on a minority basis after the Proposed Transaction (Section 10)	0.25	0.30

Source: Deloitte analysis

The valuation of a share in International Goldfields after the Proposed Transaction has been performed on a minority interest basis because International Goldfields' shareholders who vote in favour of the Proposed Transaction will collectively become minority holders of shares in International Goldfields after the Proposed Transaction.

Our estimate of the value of a share in International Goldfields on a minority basis after the Proposed Transaction is above the fair market value of a share in International Goldfields on a control basis prior to the Proposed Transaction.

Accordingly it is our opinion that the Proposed Transaction is fair.

Valuation of International Goldfields prior to the Proposed Transaction

As International Goldfields has announced an agreement to sell its main asset, being a 15% interest in the Tubatse platinum project (the Tubatse Project) in South Africa (the Asset Sale), we have valued a share in International Goldfields prior to the Proposed Transaction on a net assets on a going concern basis based on the 30 June 2009 audited financial statements and the Asset Sale agreement, adjusted to reflect the fair market values of International Goldfields' assets and liabilities. The fair market value of a share in International Goldfields on a control basis prior to the Proposed Transaction derived using this method is AUD0.22 to AUD0.25.

Valuation of International Goldfields after the Proposed Transaction

We have estimated the fair market value of a share in International Goldfields on a minority basis after the Proposed Transaction using the sum of the parts methodology by aggregating the value of International Goldfields and the value of Eastern Petroleum.

The value of the Alakol Basin License Block and, therefore, International Goldfields after the Proposed Transaction is subject to a high degree of uncertainty and is dependent on a wide variety of factors including:

- a successful exploration campaign
- the subsequent discovery of sufficient commercial hydrocarbon resources
- making a commercially viable discovery prior to the expiry of the contract for the exploration of hydrocarbon resources in the Alakol Basin Licence Block
- obtaining sufficient funding for development drilling.

The Alakol Basin Licence Block is located in an unexplored region of east Kazakhstan and is at a very early stage. There are a wide range of potential outcomes, with a high probability of no commercially viable discovery being made.

We have estimated the value of Eastern Petroleum using the net assets on a going concern basis method. We have estimated the fair market value of Eastern Petroleum's main asset, a 50% interest in the Alakol Basin Licence Block, using the discounted cash flow method, which estimates the value of the Alakol Basin Licence Block by discounting its estimated future cash flows to their present value.

The discounted cash flow method requires the determination of an appropriate discount rate and the projection of future cash flows. We selected a real after tax discount rate in the range of 13% to 15% to discount the estimated future cash flows of the Alakol Basin Licence Block to their present value. A detailed financial model (the Model) formed the basis of our estimated future cash flows, and was based on:

- prospective resources and probabilities of geological success as at 1 April 2009 assessed by Miller and Lents Limited (Miller and Lents) in its reports, Evaluation of Prospects and Leads Alakol Basin Kazakhstan dated 17 August 2009 (the Miller and Lents Report) and Competent Person's Report dated 27 July 2009 (Miller and Lents CPR)
- operating and capital cost assumptions. In order to assess the reasonableness of the operating and capital cost assumptions underpinning the Model, Deloitte engaged Resource Investment Strategy Consultants Pty Limited (RISC) to review these assumptions.

The discounted cash flow valuation of the Alakol Basin Licence Block is sensitive to the discount rate, start date, oil price, volume and cost assumptions and produces a very wide range of values.

In addition, we considered an industry rule of thumb, namely the enterprise value (EV) per barrel of prospective resources. Our assessment of the implied range of EV per barrel of prospective resources for the Alakol Basin Licence Block was compared to EV per barrel of prospective resources for comparable companies and recent comparable transactions in Kazakhstan.

The Proposed Transaction is reasonable

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Transaction is reasonable. We have also considered the following factors in assessing the reasonableness of the Proposed Transaction:

Change in risk profile and exposure to the petroleum sector

The Proposed Transaction offers the Non-Associated Shareholders the opportunity to change from exposure to platinum to exposure to petroleum. Crude oil is a global commodity, which is traded internationally on highly liquid spot markets. With crude oil prices currently in the vicinity of United States dollar (USD)75 per barrel, demand for crude oil continues to be strong, creating attractive investment opportunities in the sector.

Previously International Goldfields held gold and more recently platinum exploration assets in Australia and South Africa. These commodities have a very different risk profile to an exploration stage oil asset in Kazakhstan. The Proposed Transaction exposes the Non-Associated Shareholders to the petroleum sector in Kazakhstan and its political and country risks.

Early stage asset located in unexplored basin

The Alakol Basin Licence Block is an early stage asset with prospective resources in the form of prospects and leads. Prospective resources are estimated to be ‘potentially recoverable’ from undiscovered accumulations. Substantial additional work will be required to further define the resources.

The Proposed Transaction offers the Non-Associated Shareholders the opportunity to invest in a highly speculative asset, which has the potential of significant upside if a commercial hydrocarbon discovery is made. Exploration assets are by their nature high risk and it is inherently difficult to predict outcomes with any degree of certainty. There is a risk that exploration drilling being carried out as part of the minimum work program (MWP) under the contract for the exploration of hydrocarbon resources will not result in the discovery of a commercially viable hydrocarbon deposit and that the contract will expire on termination of the initial exploration period on 13 June 2010 or following one or both of the extension periods, which are for two years each. Miller and Lents estimate that if all five prospects are drilled, there is a 63.6 % chance that all five wells will be dry holes.

The Alakol Basin Licence 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 offering no comparative data for probabilities of geological success and typical finding costs. The Proposed Transaction exposes the Non-Associated Shareholders to a very early stage, high risk asset located in an unexplored region of Kazakhstan.

The speculative nature of the investment is reflected in the wide range obtained from our discounted cash flow valuation, which is sensitive to the discount rate, start date, oil price, volume and cost assumptions.

Foregoing the opportunity to receive cash distribution

By proceeding with the Proposed Transaction, Non-Associated Shareholders are foregoing the opportunity to receive a cash distribution following the sale of International Goldfields' main asset, a 15% interest in the Tubatse Project in South Africa under the Asset Sale. The Proposed Transaction may deliver substantial upside or may result in cash reserves being depleted to finance the MWP and further development, without resulting in a commercial discovery.

Non-Associated Shareholders are receiving a premium to our assessed value

The consideration being received by International Goldfields shareholders under the Proposed Transaction is greater than our assessed value of International Goldfields on a control basis prior to the Proposed Transaction. The consideration therefore includes a control premium.

Consideration Shares and Consideration Options will be in escrow for 12 months

The Consideration Shares and Consideration Options will be in escrow for a period of 12 months from the date of issue. The effect of this will be to reduce the liquidity of International Goldfields after the Proposed Transaction.

Diluted participation in future growth of International Goldfields

Non-Associated Shareholders will have their exposure to cash in International Goldfields diluted as their interest in International Goldfields will reduce from 100% to 19%, or 16% on a fully diluted basis. The Non-Associated Shareholders will represent a minority in the expanded company with less influence and control over the future direction of the company. The enlarged company will also have a controlling shareholder, Safeguard Management Ltd (Safeguard), with an interest of 62%, or 65% on a fully diluted basis. While the Consideration Shares and Consideration Options held by Safeguard will be in escrow for a period of 12 months from the date of issue, the presence of a majority shareholder may reduce the opportunity for shareholders to receive a control premium in the future.

Opinion

In our opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders. An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her particular circumstances. If in doubt the shareholder should consult an independent adviser.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

Stephen Reid	**Nicki Ivory**
Director	Director
Deloitte Corporate Finance Pty Limited	Deloitte Corporate Finance Pty Limited

Note: All amounts stated in this report are AUD unless otherwise stated, and may be subject to rounding.

Contents

1 Terms of the Transaction

1.1 Summary

On 7 October 2009 International Goldfields announced that it had entered into an agreement with UK company Eastern Petroleum and each of the Eastern Petroleum Shareholders, pursuant to which the Eastern Petroleum Shareholders will sell and International Goldfields will acquire all of the fully paid ordinary shares of Eastern Petroleum.

International Goldfields will issue 4.5 shares for each Eastern Petroleum share, or a total of 675,965,359 Consideration Shares, and 0.9 options for each Eastern Petroleum share, or a total of 135,193,072 Consideration Options, to Eastern Petroleum Shareholders. This will result in the Eastern Petroleum Shareholders owning approximately 73% of the capital of International Goldfields or approximately 76% on a fully diluted basis. The Options are plain vanilla American call options with an escrow period of 12 months from the date of issue, an exercise price of AUD0.25 and an expiry date of 30 June 2012.

Eastern Petroleum, through its wholly owned subsidiary, NCPL, owns and operates a 50% interest in the Alakol Basin Licence Block.

1.2 Key conditions of the Proposed Transaction

Settlement of the Proposed Transaction is subject to and conditional upon:

- International Goldfields completing financial and legal due diligence on Eastern Petroleum and its subsidiaries, to the sole and absolute satisfaction of International Goldfields
- Eastern Petroleum completing financial and legal due diligence on International Goldfields, to the sole and absolute satisfaction of Eastern Petroleum
- International Goldfields obtaining all necessary shareholder approvals required by the Corporations Act 2001 (Corporations Act) and the Australian Securities Exchange Limited (ASX) Listing Rules (ASX Listing Rules) in relation to the Proposed Transaction
- International Goldfields receiving conditional approval to be requoted on the ASX and for the Consideration Shares to be admitted to the ASX
- no government or governmental, supranational or state agency or regulatory body or trade union or works council instituting any action or investigation to prohibit or challenge the Proposed Transaction
- no restrictions being imposed on Mr Frank Timis becoming a director of International Goldfields
- each of the Eastern Petroleum convertible note holders (Convertible Note Holders) converting their 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
- the cancellation of the warrants and all options in the capital of Eastern Petroleum
- receipt of the second payment of AUD9 million from NKWE Platinum Limited (NKWE) in accordance with the asset sale agreement, pursuant to which International Goldfields agrees to sell and NKWE agrees to purchase International Goldfields' 15% interest in the Tubatse Project (Asset Sale Agreement)
- Mr Frank Timis entering into an Executive Services agreement with International Goldfields on terms acceptable to International Goldfields
- International Goldfields completing a placement of shares to raise AUD20 million.

2 Scope of the report

2.1 Purpose of the report

An issue of shares by a company to an allottee that will increase the allottee's relevant interest in the company to over 20% is prohibited under section 606 of the Corporations Act. However, there is an exception to this prohibition where an acquisition is approved by shareholders at a general meeting, in accordance with item 7 of section 611 of the Corporations Act.

Following the Proposed Transaction, Eastern Petroleum Shareholders will hold approximately 73% of the voting power in International Goldfields or approximately 76% on a fully diluted basis. Of these shareholders, Safeguard will hold 62% or 65% on a fully diluted basis of the voting power in International Goldfields. An independent expert's report is therefore required under Section 611.

The independent expert's report is required for the purpose of providing the Non-Associated Shareholders with an objective and disinterested view as to whether the Proposed Transaction is fair and reasonable and to provide them with sufficient information to make an informed decision as to whether to vote in favour of the Proposed Transaction.

The Proposed Transaction is effectively a reverse takeover of International Goldfields (refer to the proforma balance sheet in Appendix A of the Notice of Meeting).

This report is to be included in the Explanatory Statement accompanying the Notice of Meeting. It will be sent to International Goldfields' shareholders and has been prepared for the exclusive purpose of assisting Non-Associated Shareholders in their consideration of the Proposed Transaction. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose.

2.2 Basis of evaluation

2.2.1 Regulation

In our determination as to whether the Proposed Transaction is fair and reasonable, we have had regard to common market practice and to RG 111 regarding the content of expert's reports. The Regulatory Guide prescribes standards of best practice in the preparation of independent expert's reports pursuant to, inter alia, Section 640.

2.2.1.1 ASIC Regulatory Guide 111

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for transactions under Chapters 5, 6 and 6A of the Corporations Act, in relation to:

- takeover bids
- schemes of arrangement
- compulsory acquisitions or buy-outs
- acquisitions approved by security holders under item 7 of s611
- selective capital reductions
- related party transactions
- transactions with persons in a position of influence
- demergers and demutualisations of financial institutions
- buy-backs.

RG 111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of s611, a selective capital reduction or selective buy back under Ch 2J.

In respect of control transactions, under RG 111 an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the securities subject to the takeover offer. The comparison must be made assuming 100% ownership of the target company (i.e. including a control premium)
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, security holders should accept the takeover offer, in the absence of any higher bids before the close of the offer.

To assess whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have adopted the tests of whether the Proposed Transaction is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in RG 111.

2.2.2 Fairness

RG 111 defines an issue of shares under item 7 of section 611 of the Corporations Act as being fair if the value of the shares being acquired is equal to or greater than the value of the shares being issued. The comparison must be made assuming 100% ownership of the target company.

Accordingly we have assessed whether the Proposed Transaction is fair by estimating the fair market value of a share in International Goldfields on a control basis prior to the Proposed Transaction and comparing that value with the value of a share in International Goldfields on a minority basis after the Proposed Transaction.

International Goldfields' shares prior to and after the Proposed Transaction have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of a share in International Goldfields prior to and after the Proposed Transaction has not been premised on the existence of a special purchaser.

2.2.3 Reasonableness

RG 111 considers an offer in respect of a control transaction, to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

To assess the reasonableness of the Proposed Transaction we considered the following other significant factors in addition to determining whether the Proposed Transaction is fair:

- change in risk profile and exposure to the petroleum sector being offered to the Non-Associated Shareholders
- opportunity to invest in a highly speculative asset, which has the potential of significant upside if a commercial hydrocarbon discovery is made
- foregoing the opportunity to receive a cash distribution
- the Non-Associated Shareholders are receiving a control premium
- the reduced liquidity of International Goldfields after the Proposed Transaction due to the 12 month escrow period for the Consideration Shares and Consideration Options
- diluted participation in the future growth of International Goldfields.

2.2.4 Individual circumstances

We have evaluated the Proposed Transaction for Non-Associated Shareholders as a whole and have not considered the effect of the Proposed Transaction on the particular circumstances of individual shareholders. Due to their particular circumstances, individual shareholders may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, shareholders may reach different conclusions to ours on whether the Proposed Transaction is fair and reasonable. If in doubt shareholders should consult an independent adviser.

2.2.5 Limitations and reliance on information

The opinion of Deloitte is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. This report should be read in conjunction with the declarations outlined in Appendix 6.

We would specifically draw to the attention of Non-Associated Shareholders that recent volatility in capital markets and the current economic outlook has created significant uncertainty with respect to the valuation of assets. Recognising these factors, we consider that our opinions may be more susceptible to change than would normally be the case.

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited (APESB).

Our procedures and enquiries do not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board.

3 The oil industry

The oil and gas industry consists of two principal segments. The upstream segment explores for, produces and processes crude oil, natural gas and natural gas liquids and the downstream segment refines these outputs into fuels, lubricants and petrochemical products. Upstream oil and gas companies are often referred to as exploration and production companies.

The 50% interest in the Alakol Basin Licence Block being valued in this report falls into the upstream segment. Accordingly, in this section we have presented an analysis of the international crude oil market and the factors affecting it. We have also presented an overview of the oil industry in Kazakhstan.

3.1 International crude oil market

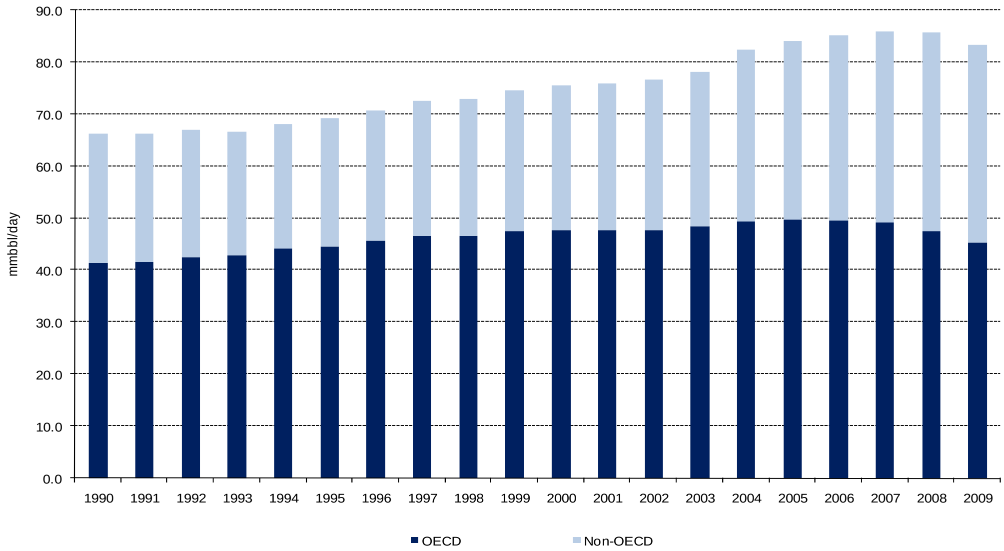
The quality of crude oil produced from a reservoir is primarily determined by its hydrocarbon content, density and the sulphur content. While the quality of crude oil varies from field to field, the refining industry has adapted its input capability sufficiently to deal with a range of qualities. The diversity of this input capability combined with a low transportation cost for crude oil transported in large tankers has resulted in the development of substantial inter-continental trade in crude oil. Consequently, the price for crude oil is determined by worldwide demand and supply.

3.2 Crude oil demand

The demand for crude oil is dependent on the demand for other goods and services which require oil related products as inputs. Transportation, in particular road and air transportation, is the principal source of oil demand, constituting approximately 90%[1] of petroleum demand. Accordingly, the most important products made from crude oil are petrol and diesel. Other applications of oil derived products include the operation of stationary industrial equipment, including power stations, heating and road building.

Annual world demand for crude oil from 1990 to 2009 (in millions of barrels of oil per day) split between Organisation for Economic Cooperation and Development (OECD) countries and non-OECD countries is summarised in the following graph.

Figure 1: Global oil demand 1990 - 2009



Source: International Energy Agency

---

[1] IBISWorld Pty Ltd

The demand for petroleum products, and therefore crude oil, is linked to overall levels of activity in the economy. IBISWorld Pty Ltd (IBIS) cites regression analysis studies undertaken that indicate that the level of real gross domestic product (GDP) can explain just under 90% of the demand for petrol and approximately 98% of the demand for diesel.

The weak economy of the early 1990s resulted in stagnant growth in demand for oil. The revival of economic growth in the member countries of the OECD and rapid industrialisation in Asia since the mid 1990s led to an increase in world demand for crude oil.

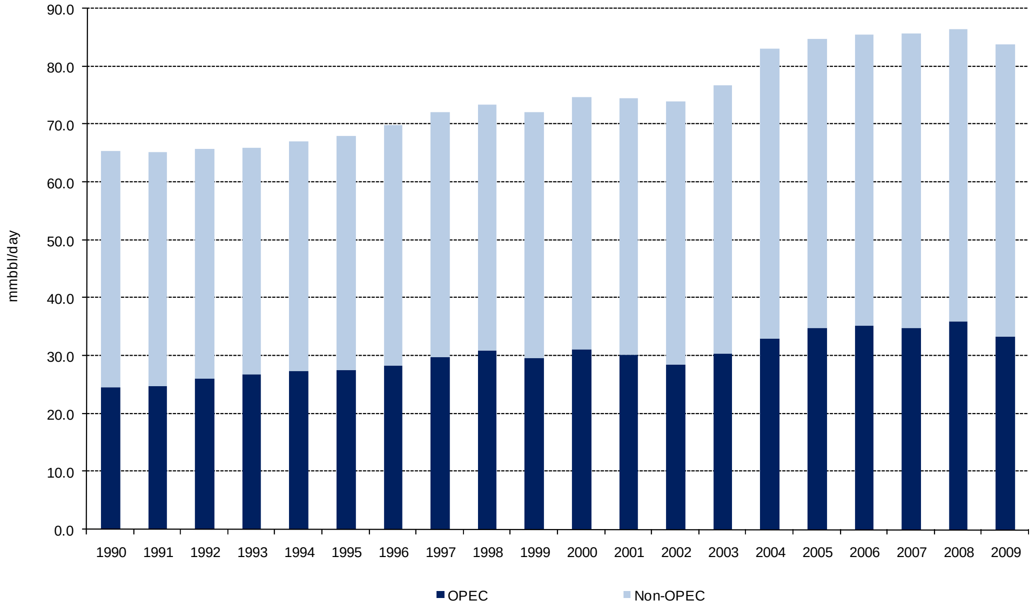
Due to the impact of the global financial crisis, demand for crude oil reduced in late 2008 and early 2009 and currently remains subdued.

3.3 Crude oil supply

The world's crude oil supply system can be viewed as having two suppliers: the primarily state-owned producers located in countries that are members of the Organisation of Petroleum Exporting Countries (OPEC) and the mainly privately-owned producers located in non-OPEC countries. OPEC is an inter-governmental association established to represent the interests of the crude oil exporting countries.

Despite holding over 78% of the current world oil reserves, OPEC production is expected to account for only 40%[2] of crude oil production in 2009, as demonstrated in the following diagram.

Figure 2: Global oil supply 1990 - 2009



Source: International Energy Agency

The non-OPEC countries comprise the member states of the OECD, the countries of the former Soviet Union and the rest of the world.

The reason for the disparity between OPEC's percentage of reserves and production is its role in restricting crude oil production. As part of its mandate, OPEC sets a production quota for each of the member states. History has shown that certain members of OPEC comply with the quota system and others do not, though in recent years there has been an unprecedented level of discipline among member countries in quota compliance.

[2] International Energy Agency – Oil Market Report June 2009

The role of OPEC influences the crude oil market in a number of ways. Firstly, OPEC to a large extent supports crude oil prices in the medium term. Although currently stating that there is no target price range for crude oil prices, OPEC has in the past indicated a target price range and typically varies the output of the member countries to support the target price.

Secondly, in the short term, crude oil prices can be volatile as OPEC's supply remains relatively constant despite short term changes in demand.

Thirdly, the major oil companies, that own most of the world's transportation, refining and marketing systems, do not have an equity interest in OPEC originated crude oil. For this reason, integrated companies tend to add value to their own oil in the downstream segment before calling on OPEC production. History has shown that as the call on OPEC crude increases to near the capacity of its members to deliver, prices tend to rise.

3.4 Crude oil pricing

There are approximately 160 different types of internationally traded crude oil (known as markers), which vary in terms of characteristics, quality and market penetration. Crude oil is generally priced relative to a number of key benchmarks or markers. The main criteria for marker crude is for it to be sold in sufficient volumes to provide liquidity (i.e. many buyers and sellers) in the physical market as well as having similar physical qualities of alternative crudes.

The predominant global crude oil markers used today include:

- West Texas Intermediate (WTI)
- Asia Pacific Pricing Index (APPI) Tapis
- Brent
- OPEC Basket Price.

While the type and quality of potential oil resources located in the Alakol Basin are currently unknown, it is likely that Brent would be the relevant marker. Each of the markers is discussed below.

In addition, we have considered the importer refinery acquisition cost (IRAC), which shows the average cost of imported oil into the United States of America (US) and the New York Mercantile Exchange (NYMEX) Futures Price. Whilst these are not markers, they are representative of the oil price and commonly referred to by market participants.

3.4.1 WTI

WTI crude oil is of very high quality and is excellent for refining. WTI is generally described as a light, sweet crude oil. This combination of characteristics, combined with its location, makes it an ideal crude oil to be refined in the US, the largest gasoline-consuming country in the world. Although the production of WTI crude oil is on the decline, it is still the major benchmark of crude oil in the Americas.

WTI is traded on NYMEX. On average, WTI has historically been priced at a premium of approximately USD 3 per barrel to the OPEC Basket price and a discount of approximately USD 1 per barrel to the Brent price, although on a daily basis the pricing relationships between these can vary greatly.

3.4.2 APPI Tapis

In Asia, the pricing mechanism is based on an independent panel approach where producers, refiners and traders are asked for information on actual trades and where there have been none, their best estimate. Any estimates that are wildly high or low are discarded and the quoted price is then an average of views on the market price for APPI Tapis. The paper trade in APPI Tapis is limited to approximately six months into the future, which allows a meaningful comparison to be made when making decisions to buy APPI Tapis, Brent or Oman/Dubai linked crude, but prevents its use as a long term risk management tool.

3.4.3 Brent

Brent crude is sourced from the North Sea and is generally used as a benchmark to price European, African and Middle Eastern oil that is imported into North America. Brent is a light and sweet form of crude and is a widely used marker for global oil sales.

3.4.4 OPEC Basket Price

The OPEC Basket Price is a weighted average of the oil produced by OPEC member countries, and is used as a reference point for movements in the global oil price.

The OPEC Basket Price includes Saharan Blend (Algeria), Girassol (Angola), Oriente (Ecuador), Iran Heavy (Islamic Republic of Iran), Basra Light (Iraq), Kuwait Export (Kuwait), Es Sider (Libya), Bonny Light (Nigeria), Qatar Marine (Qatar), Arab Light (Saudi Arabia), Murban (UAE) and Merey (Venezuela).

3.4.5 IRAC

The Energy Information Administration (EIA) uses the IRAC, which although not a marker, is used in the EIA's projections.

IRAC is a volume-weighted average price of all crude oils imported into the US over a specified period. The US imports more types of crude oil than any other country, and consequently, it may be regarded as the average for all published crude oil prices.

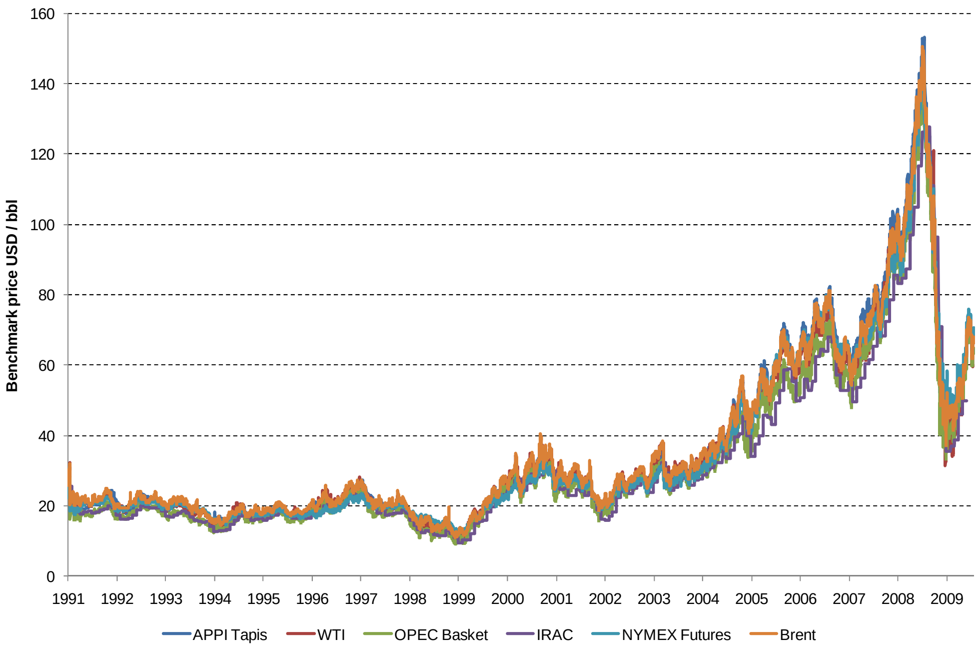
The IRAC is used by EIA as the world oil price in all of its projection publications, including the Short-Term Energy Outlook, released monthly, as well as the Annual Energy Outlook and International Energy Outlook, both of which are released annually and provide an annual projection of prices for approximately 20 years.

3.4.6 NYMEX Futures Price

The NYMEX Futures Price for crude oil represents (on a per barrel basis) the market determined value of a futures contract to either buy or sell 1,000 barrels of WTI at a specified time. The NYMEX market provides important price information to buyers and sellers of crude oil in the US (and around the world), making WTI the benchmark for many different crude oils, especially in the US.

Generally, these benchmarks move in concert with each other, though on occasion demand differentials for various types of crude create a pricing disparity. The historical movement between the benchmark prices mentioned above between January 1991 and October 2009, is shown in the figure below.

Figure 3: Crude Oil Benchmarks



Source: Bloomberg

3.5 Measurement of reserves

Oil reserves are typically quoted as proved (1P or P90), proved and probable (2P or P50) or proved, probable and possible (3P or P10) with proved reserves having the highest confidence and possible reserves having the least confidence.

The following table provides a summary of the definitions of each of these classifications.

Table 1: Reserve definitions

Probability of recovery	Classification	Definition
90%	Proved	Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations. Proved reserves can be categorized as developed or undeveloped.
50%	Probable	Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable.
10%	Possible	Possible reserves are those unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves.

Source: Society of Petroleum Engineers

The requirements for 2P or P50 certification are quite stringent, typically requiring established market demand or a contract in place with a third party in order to demonstrate the commerciality of reserves. Accordingly, in addition to the above classifications a further definition arises, being a 'contingent resource'. Contingent resources are 'potentially recoverable', however, due to the lack of a sales contract and/or required infrastructure and/or other conditions or uncertainties, do not satisfy the requirements for certification.

Prospective resources, such as those in the Alakol Basin License Block, are estimated to be 'potentially recoverable' from undiscovered accumulations. This classification is used during the early exploration phase, where development plans are significantly less defined. Prospective resources can be further classified as prospects or leads, which are defined in the table below.

Table 2: Prospective resource definitions

Classification	Definition
Prospect	A potential accumulation that is sufficiently well defined to represent a viable drilling target
Lead	Potential area where one or more accumulations are currently poorly defined and require more data acquisition and/or evaluation in order to be classified as a prospect

Source: Society of Petroleum Engineers

3.6 Kazakhstan oil 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.

Kazakhstan's main oil producing region is the Precaspian Basin, an offshore area in the Caspian Sea, which includes the major Tengiz and Kashagan oil fields and a large number of smaller fields. According to Deloitte's Petroleum Services Group, Kazakhstan produced on average 1.55 million barrels of crude oil and 2.91 billion cubic feet of natural gas per day in 2008. Consumption for the same period averaged 229,000 barrels of crude oil and 1.98 billion cubic feet of natural gas per day.

3.6.1 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 significance.

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.

3.6.1.1 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.

3.6.1.2 Tax Regime

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

- signature and commercial discovery bonuses
- rent tax on exports of crude oil and condensates of between 0% and 32%
- 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%
- 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
- excess profits tax of between 0 and 60%
- 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 laws of Kazakhstan.

3.6.1.3 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:

- abolish the existing stabilisation regime which relates to the protection of a party's rights under legislation
- require disputes between subsoil users to be settled by local courts and not international arbitration
- ban any new production sharing contracts
- no longer require the Government's pre-emptive right and consent requirement if:
    - shares are sold in a listed company
    - subsoil use rights are transferred to a wholly owned subsidiary
    - subsoil use rights are transferred between 100% affiliates.

4 Profile of Eastern Petroleum

Eastern Petroleum is a privately owned company incorporated in the UK which, via its wholly owned subsidiary NCPL, owns and operates a 50% interest in the Alakol Basin Licence Block in eastern Kazakhstan. Remas Corporation LLP (Remas), a privately owned Kazakh company holds the remaining 50% interest in the Alakol Basin License Block.

4.1 Company history

An overview of Eastern Petroleum's company history is provided in the figure below.

Figure 4: Company history

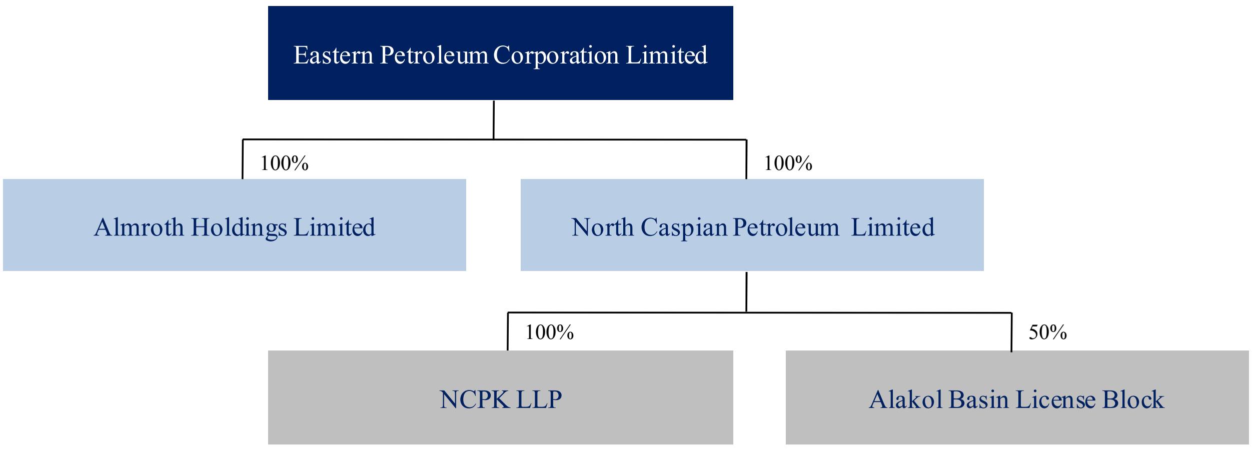
2005	• NCPL acquires a 50% interest in the Alakol Basin License Block from Remas
2006	• NCPL's acquisition of a 50% interest in the Alakol Basin License Block is approved by the Kazakhstan Government
	• NCPL signs a Joint Operating Agreement with Remas
2007	• Eastern Petroleum was incorporated as Minmar (840) Limited (Minmar)
	• Minmar changes its name to Eastern Petroleum
	• Kazakhstan Government waives its pre-emption rights over the Alakol Basin License Block
2009	• Drilling of the first exploration well commenced in August 2009, with testing and appraisal due in the second quarter of 2010

Source: Eastern Petroleum

4.2 Legal structure

The figure below sets out Eastern Petroleum's group structure.

Figure 5: Eastern Petroleum group structure



Source: Eastern Petroleum

At the date of this report Almroth Holdings Limited is dormant and NCPK LLP is the entity being used to employ local staff in Kazakhstan.

4.3 Alakol Basin License Block

The Alakol Basin Licence Block almost entirely covers the Alakol Basin, a major undeveloped oil basin covering 32,865 km^2 in eastern Kazakhstan near the border with China. The location of the Alakol Basin License Block is shown in the figure below.

Figure 6: Alakol Basin License Block location

Source: Deloitte Petroview

NCPL acquired a 50% interest in the Sub Surface Use Contract (SSUC) for the Alakol Basin License Block from Remas on 14 December 2005.

Each of NCPL and Remas hold a 50% participating interest pursuant to contract No. 1766 for the exploration of hydrocarbon resources in the Alakol Basin within the blocks in East Kazakhstan and Almaty Oblasts of the Republic of Kazakhstan between the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan, Remas and NCPL dated 13 June 2005 as amended (the Contract). The Contract specifies a MWP which requires minimum expenditure on the exploration licence of US$35 million during the initial five year period expiring on 13 June 2010. Pursuant to the terms of a joint operating agreement (JOA) between NCPL and Remas dated 12 April 2006, NCPL has agreed to solely fund the MWP of USD35 million via a five year operating and exploration program. After expiry of the initial five year period, NCPL and Remas are required to fund their respective share of exploration and development costs.

Other key terms of the JOA include:

- NCPL has a 50% participating interest in the SSUC for the Alakol Basin License Block and is the designated operator
- NCPL is obligated to prepare budgets and plans, finance and perform all requirements under the MWP
- the terms of a sole risk agreement, in the event a party relinquishes its rights under the JOA
- if prior to fulfilling the MWP a commercial discovery of hydrocarbons is made and one of the parties is unable to finance its share of the MWP, the other party will have the right to obtain an additional 30% participating interest in the SSUC
- if the MWP is extended and one of the parties is unable to finance its share of the costs, the other party will have the right to obtain an additional 20% participating interest in the SSUC

- if the MWP is extended and a commercial discovery of hydrocarbons is made and one of the parties is unable to finance its share of the MWP, the other party will have the right to obtain an additional 10% participating interest in the SSUC
- the pre-emptive right of the State of Kazakhstan to acquire the rights under the SSUC, should a party to the JOA seek to transfer its participating interest in the SSUC to another party
- the right of a party to assign an interest to a 100% affiliate.

On 23 October 2007, the Kazakh Government waived the right to acquire a 30% interest in Eastern Petroleum, triggered by the corporate restructuring of NCPL and Eastern Petroleum, through the exchange of 100% of shares in NCPL for shares in Eastern Petroleum.

4.3.1 MWP

The MWP requirements, as set out in the JOA, for the period 2006 to 2010 are detailed in the table below.

Table 2: MWP Activities

Activity (USD 000's)	2006	2007	2008	2009	2010	Total
Seismic data acquisition, processing and interpretation	1,087	4,388	1,242	2,283	-	**9,000**
Topographic surveying and mapping	15	-	-	15	-	**30**
Geological exploration designing	15	50	-	-	-	**65**
Processing and interpretation of existing data	1,800	-	-	-	-	**1,800**
Exploration drilling	-	-	3,250	6,496	6,059	**15,805**
Well logging, testing and sampling	-	-	828	1,088	1,111	**3,027**
Laboratory studies including geochemical analysis	32	-	200	200	-	**432**
Reconnaissance geological survey and geologic sampling	180	161	101	308	-	**750**
Other	1,027	549	1,176	1,285	338	**4,375**
Total	**4,156**	**5,148**	**6,797**	**11,675**	**7,508**	**35,284**

Source: JOA

As at 30 June 2009, Eastern Petroleum had spent USD26.1m out of the requisite USD35.3m under the MWP.

Eastern Petroleum intends to spend the following over the next two years, which will include satisfying its expenditure obligations under the MWP.

Table 3: Projected expenditure to 30 June 2011

Projected expenditure (USD 000's)	30 June 2010	30 June 2011	Total
Operator and supervisors wages	900	900	**1,800**
Field operators wages	900	900	**1,800**
Seismic acquisition costs	7,000	-	**7,000**
Exploration drilling costs	12,000	12,000	**24,000**
Project administration and overhead costs	1,200	1,200	**2,400**
Total	**22,000**	**15,000**	**37,000**

Source: International Goldfields

4.3.2 Geology

The Alakol Basin is an unexplored region and the subsurface geology is not known. Information regarding the subsurface geology will become available as exploration drilling activities are undertaken in the area.

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

- study of satellite imagery
- acquisition of 580 line km of magnetic data
- reprocessing of gravity/magnetic data
- acquisition and processing of 1,360km of 2D seismic
- field geological mapping, geological sampling and analysis for source rock and oil typing
- drilling of one exploratory well to 2,487 metres in the southern trough of the South Eastern part of the Alakol Basin Licence Block, with testing and appraisal due in the second quarter of 2010.

This information has been used by Eastern Petroleum to determine a number of prospects and leads within the Alakol Basin License Block. The unrisked prospective resource volumes and probabilities of geological success for each of the prospects and leads as determined by Miller and Lents in the Miller and Lents CPR are shown in the table below.

Table 4: Unrisked prospective resource volumes and probabilities of geological success

	P90 MMBO (Unrisked)	P50 MMBO (Unrisked)	P10 MMBO (Unrisked)	Probability of geological success %
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

Source: Miller and Lents CPR

4.4 Directors and Management

Eastern Petroleum's directors and key management personnel include:

Table 5: Directors and management

Name	Title
Frank Timis	Executive Chairman
Saule Marabayeva	Chief Operating Officer
David Grannell	Non Executive Director
Lord Truscott of St James's	Non Executive Director
Mark Ashurst	Chief Financial Officer
Antonio Mozetic	Exploration Director

Source: Eastern Petroleum

4.5 Capital structure and shareholders

As at the date of this report Eastern Petroleum had the following securities on issue:

- 130,479,218 ordinary shares
- convertible loan note (CLN) agreements issued to Safeguard being series D issued on 2 July 2008 and amended on 10 August 2009 in the principal amount of USD10 million and series E issued on 10 August 2009 in the principal amount of USD10 million currently drawn to USD9,735,306, convertible into one ordinary share in Eastern Petroleum for each USD1 of principal amount. All of the CLNs will be converted prior to the settlement of the Proposed Transaction
- 8 million warrants exercisable at Great Britain Pound (GBP)0.50 in the event that an initial public offering of Eastern Petroleum is undertaken. These warrants will be cancelled as part of the Share Sale
- 26,652,298 options to a variety of employees and other parties. These options will be cancelled as part of the Share Sale.

A summary of Eastern Petroleum's shareholders as at 7 October 2009 is provided in the table below.

Table 6: Eastern Petroleum shareholders

Shareholders	Number of shares	CLN	Fully diluted number of shares	% of total shares on issue
Safeguard Management Limited	108,135,454	19,735,306	127,870,760	85.1
Higgins Investments Limited	8,993,545	-	8,993,545	6.0
Canaccord Nominees Limited	4,000,000	-	4,000,000	2.7
Pershing Keen Nominees Limited	2,446,200	-	2,446,200	1.6
Lynchwood Nominees Limited	2,000,000	-	2,000,000	1.3
Exchange Minerals	1,999,619	-	1,999,619	1.3
Attendus Trust Company AG	1,904,400	-	1,904,400	1.3
New Course Nominees Limited	1,000,000	-	1,000,000	0.7
Total	**130,479,218**	**19,735,306**	**150,214,524**	**100.0**

Source: Eastern Petroleum

Safeguard is controlled by Frank Timis who is the Executive Chairman of Eastern Petroleum.

Recent subscriptions for shares in Eastern Petroleum have transacted at GBP0.50 (February 2008) and GBP1.00 (September 2009) per share.

4.6 Financial performance

The audited consolidated financial performance for the years ended 31 December 2007 and 31 December 2008 of Eastern Petroleum are summarised in the table below.

Table 7: Financial performance

	Dec 2007 Audited (USD'000)	Dec 2008 Audited (USD'000)
Trading revenue	-	-
EBITDA	**(4,842)**	**(4,398)**
Depreciation and amortisation	-	-
EBIT	**(4,842)**	**(4,398)**
Net interest revenue	9	36
Profit (Loss) before tax	**(4,833)**	**(4,362)**

Source: Eastern Petroleum audited accounts for years ended 31 December 2007 and 2008

4.7 Financial position

The audited consolidated balance sheet for Eastern Petroleum as at 31 December 2007 and 31 December 2008 are summarised in the table below.

Table 8: Balance sheet

	Dec 2007 Audited (USD'000)	Dec 2008 Audited (USD'000)
Cash	556	470
Receivables	744	1,276
Total current assets	**1,300**	**1,746**
Property, plant and equipment	40	43
Intangibles	18,224	30,845
Total non-current assets	**18,264**	**30,888**
Payables	24,603	14,282
Total current liabilities	**24,603**	**14,282**
Provisions	245	270
Total non-current liabilities	**245**	**270**
Net assets	**(5,283)**	**18,082**

Source: Eastern Petroleum audited accounts for years ended 31 December 2007 and 2008

Intangible assets of USD30.8 million relate to exploration and development costs incurred in relation to the Alakol Basin License Block.

Payables include unsecured convertible loan notes of USD8.8 million and a shareholders loan of USD2 million, which were subsequently terminated on 10 August 2009 and replaced with a non-interest bearing unsecured convertible loan note issued with a warrant to subscribe for shares. These convertible loan notes all convert into shares as part of the Share Sale.

5 Profile of International Goldfields

International Goldfields is an ASX listed exploration company originally focused on gold and subsequently platinum. International Goldfields had previously divested its interests in various gold projects.

International Goldfields acquired its stake in the Tubatse Project as part of a farm-in agreement with Genorah Resources Pty Ltd (Genorah Resources) pursuant to which International Goldfields earned a 15% interest by spending USD10 million on exploration over a three year period that commenced in April 2007. On 9 June 2009 International Goldfields announced an agreement with NKWE for the divestment of its 15% stake in the Tubatse Project and on 7 & 8 October 2009 announced finalisation of the sale agreement.

5.1 Company history

An overview of International Goldfields's company history is provided in the figure below.

Figure 7: Company history

2006

- International Goldfields is listed on the ASX raising AUD5 million
- Commences exploration program and site development at the Mount Ida project
- Undertakes a AUD3 million share placement and signs a farm-in agreement with Genorah Resources for a 15% interest in the Tubatse Project

2007

- Agrees to sell the mine and camp infrastructure and the rights to mine associated with the Mt Ida project to Monarch Gold Mining Company (Monarch)
- Agrees to sell the Evanston gold project and its interests in the British Hill, Jackson and Clampton North projects to Polaris Metals NL
- Agrees to sell its remaining stake in the Mt Ida gold project to Monarch

2008

- International Goldfields and its joint venture partners announce an initial inferred resource of 12.4 million ounces of platinum at the Tubatse Project
- International Goldfields and its joint venture partners announce an increased inferred resource estimate of 20.4 million ounces of platinum at the Tubatse Project
- Signs an option agreement with NKWE regarding the sale of its 15% interest in the Tubatse Project

2009

- International Goldfields announces proposed merger with NKWE, however International Goldfields subsequently agrees to sell its 15% interest in the Tubatse Project to NKWE

Source: International Goldfields company announcements

5.2 Asset Sale

On 6 August 2008, International Goldfields and NKWE entered into an option agreement (Option Agreement), pursuant to which International Goldfields agreed to grant to NKWE an option to acquire all the shares in International Goldfields or purchase 100% of the rights, title and interest of International Goldfields in the Tubatse Project (being a 15% participating interest) on the terms and conditions set out in the Option Agreement (NKWE Option). The Tubatse Project comprises of three farms (Hoepakrantz, Nooitverwacht and Eerste Geluk), which form part of a larger project, which comprises of five properties (collectively the Hoepakrantz, Nooitverwacht, Eerste Geluk, Garatouw and De Kom farms) situated on the eastern limb of South Africa's Bushveld Complex (the Flagship Project).

NKWE exercised the NKWE Option and elected to acquire 100% of the rights, title and interest of International Goldfields in the Tubatse Project. On 9 June 2009, International Goldfields announced it had entered into the Asset Sale Agreement.

The consideration of AUD60 million will be paid to International Goldfields as follows:

- a deposit of AUD1 million which was received on 7 October 2009 (Deposit)
- AUD9 million within five business days of International Goldfields obtaining shareholder approval for the sale of its 15% interest in the Tubatse Project (Second Payment)
- AUD50 million within 30 days of the earlier of:
  - the granting of mining rights for the Tubatse Project and
  - Xstrata South Africa (Xstrata) exercising its option with NKWE to acquire a 50% interest in the land the subject of the Flagship Project (including the Tubatse Project) (Final Payment).

Following receipt of the Second Payment, International Goldfields will assign a 5% interest in the Tubatse Project to NKWE. The remaining 10% interest will be transferred to NKWE on receipt of the Final Payment. If the Final Payment is not received, International Goldfields retains its 10% interest in the Tubatse Project and the AUD10 million paid by NKWE for 5% of the Tubatse Project.

Between the date of the Asset Sale Agreement and the requirement to pay the Final Payment of AUD50 million, NKWE will satisfy all outgoings and expenditure payable by International Goldfields in respect of the Tubatse Project. NKWE is not entitled to any refund of these costs if the Final Payment is not made.

5.3 Directors and Management

International Goldfields's directors and key management personnel include:

Table 9: Directors and management

Name	Title
Anthony Sage	Executive Chairman
Mark Gwynne	Executive Director
Timothy Turner	Non Executive Director
Jane Flegg	Company Secretary

Source: International Goldfields

5.4 Capital structure and shareholders

As at 30 June 2009 International Goldfields had the following securities on issue:

- 152,400,005 ordinary shares
- 40,000 converting performance shares (CPS) issued to Bodmin Resources Limited (Bodmin Resources), which convert into shares upon achievement of Joint Ore Reserves Committee (JORC) milestones relating to the Tubatse Project. 20,000 CPS convert into 20 million shares upon establishing a JORC compliant resource for the Tubatse Project of 45 million ounces within 30 months of the commencement date of April 2007 and a further 20,000 CPS convert into 20 million shares upon establishing a JORC compliant resource of 65 million ounces within 36 months of the commencement date of April 2007. A JORC compliant resource of 45.25 million ounces was announced on 31 July 2009.

A summary of International Goldfields's top 5 shareholders as at 24 September 2009 is provided in the table below.

Table 10: Top 5 shareholders

Shareholders	Number of shares	% of total shares on issue
Cape Lambert Iron Ore Limited	18,717,529	12.28
Christopher Barnes	13,925,000	9.14
Russell Creagh	6,149,137	4.04
Gun Capital Management Pty Limited	4,000,000	2.62
Peter Treen Electrical Discounter Pty Limited	3,870,239	2.54
Sub Total	**46,661,905**	**30.62**

Source: International Goldfields

The top 5 shareholders account for 30.62% of International Goldfields's issued share capital as at 24 September 2009.

5.5 Share price performance

A summary of International Goldfields's share price performance is provided in the table below.

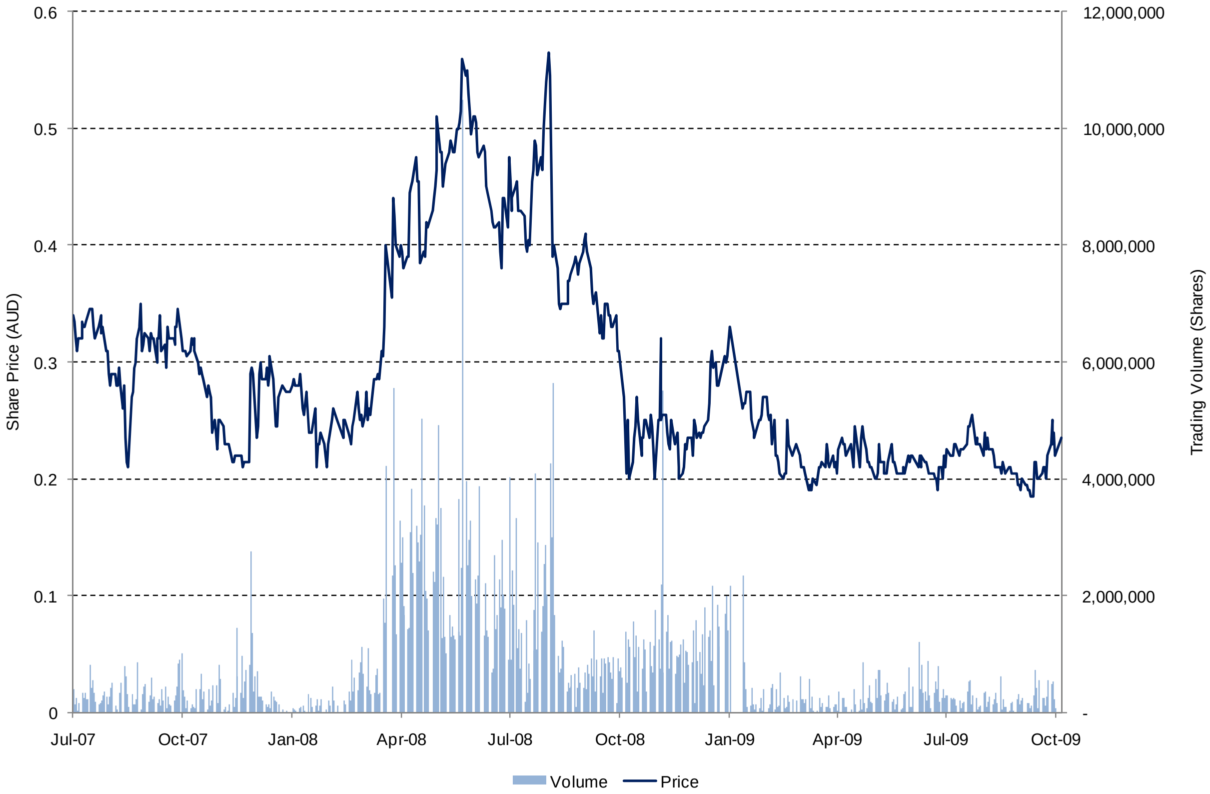
Table 11: International Goldfields quarterly share price information

Quarter end date	High (AUD)	Low (AUD)	Last Trade (AUD)	Volume (million)
30 June 2007	0.39	0.28	0.34	37.66
30 September 2007	0.35	0.21	0.35	19.70
31 December 2007	0.32	0.21	0.28	22.89
31 March 2008	0.44	0.21	0.39	37.57
30 June 2008	0.56	0.38	0.42	150.12
30 September 2008	0.57	0.31	0.31	81.96
31 December 2008	0.32	0.20	0.31	73.23
31 March 2009	0.33	0.19	0.21	14.86
30 June 2009	0.25	0.19	0.20	18.65
30 September 2009	0.26	0.19	0.23	14.40

Source: Bloomberg

The International Goldfields share price has been volatile over the past two year period. These share price movements and trading volumes are presented graphically in the figure below.

Figure 8: International Goldfields share price and trading volume on the ASX



Source: Bloomberg

During the period 1 January 2009 to 6 October 2009, 33% of International Goldfields's total issued capital was traded.

5.6 Financial position

The audited statements of financial position for International Goldfields as at 30 June 2007, 30 June 2008 and 30 June 2009 are summarised in the table below.

Table 12: Financial position

	30 Jun 07 Audited (AUD'000)	30 Jun 08 Audited (AUD'000)	30 Jun 09 Audited (AUD'000)
Cash	2,898	2,140	6,702
Receivables	1,425	42	151
Non-current assets held for sale	3,412	634	-
Short term loan	-	2,300	-
Total current assets	**7,735**	**5,115**	**6,852**
Investments	-	-	1,619
Property, plant and equipment	-	2	1
Exploration, evaluation and development expenditure	16,508	21,346	24,532
Total non-current assets	**16,508**	**21,348**	**26,152**
Payables	223	143	790
Total current liabilities	**223**	**143**	**790**
Net assets	**24,020**	**26,320**	**32,215**

Source: International Goldfields Annual Report 2007, 2008 and 2009

Cash increased to AUD6.7 million in the year to 30 June 2009 following the exercise of options during the year. Investments of AUD1.6 million relate to investments in Latin Gold Limited, Tianshan Goldfields Limited, NKWE Platinum Limited and Global Iron Limited.

6 Valuation methodology

6.1 Overview

In order to determine whether the Proposed Transaction as a whole is fair to the Non-Associated Shareholders, we have considered common market practice and the valuation methodologies recommended by RG 111. We have considered each component of the Proposed Transaction separately, comprising:

- the fair market value a share in International Goldfields prior to the Proposed Transaction
- the fair market value a share in International Goldfields after the Proposed Transaction, where the value of International Goldfields after the Proposed Transaction includes the value of Eastern Petroleum and is adjusted for the dilution effect of the Consideration Options.

For the purpose of our opinion fair market value is defined as the amount at which the shares would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell. We have not considered special value in this assessment.

The methodologies considered for each of the share valuations and the Consideration Options valuation are discussed in further detail below.

6.2 Valuation of Eastern Petroleum and International Goldfields

To estimate the fair market value of Eastern Petroleum and International Goldfields we have considered common market practice and the valuation methodologies recommended by RG 111. These are discussed below.

6.2.1 Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent share trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

6.2.2 Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

6.2.3 Asset based methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.

6.2.4 Selection of valuation methodologies

We are of the opinion that the most appropriate methodology to value Eastern Petroleum is the net assets on a going concern basis method. Eastern Petroleum's main asset is a 50% interest in the Alakol Basin Licence Block held via its wholly owned subsidiary, NCPL. We are of the opinion that the most appropriate methodology to value the 50% interest in the Alakol Basin Licence Block is the discounted cash flow method due to the following factors:

- there are long term cash flow forecasts for the Alakol Basin Licence Block
- the Alakol Basin Licence Block has a finite life and thus it is not possible to use a capitalisation of maintainable earnings approach
- the Alakol Basin Licence Block is an early stage exploration asset
- significant capital expenditure will be required in the near future.

We engaged RISC to assess the reasonableness of the operating and capital cost assumptions used in the cashflow forecasts.

In addition, we have also considered an industry rule of thumb to provide additional evidence of the fair market value of the Alakol Basin Licence Block. An EV per unit of resource of similar assets observed in the market is generally considered appropriate evidence of the value of exploration-stage hydrocarbon assets that have a defined resource estimate. We assessed the implied EV per barrel of prospective resources to value the Alakol Basin Licence Block as prospective resource estimates are available.

Due to the fact that International Goldfields has announced the Asset Sale, we are of the opinion that the most appropriate methodology to value International Goldfields is the net assets on a going concern basis method. We also considered International Goldfields' share trading since the announcement of the Asset Sale on 9 June 2009 to provide additional evidence of the value of a share in International Goldfields.

We are of the opinion that the most appropriate methodology to value a share in International Goldfields after the Proposed Transaction is the sum of the parts methodology, which combines the values of Eastern Petroleum and International Goldfields and adjusts for the dilution effect of the Consideration Options.

6.3 Valuation of the Consideration Options

We have assessed the value of the Consideration Options having regard to our assessment of the fair market value of a share in International Goldfields on a minority basis after the Proposed Transaction.

A number of pricing models are available for the valuation of options. Broadly, they may be characterised as either closed form solutions or numerical approaches. Closed form solutions are usually less flexible than numerical approaches and do not allow for all of the features associated with some instruments. We discuss below some of the key option pricing models, namely the Black-Scholes model, the Binomial option pricing model and the Monte Carlo Simulation.

6.3.1 Black-Scholes model

The Black-Scholes model is typically used to value "plain vanilla" European options over stock. It is also used to value American options in the circumstances where the value of holding the call option at a given time is greater than the net present value of cash flows that would be generated by immediate exercise.

The advantage of this approach is that it allows for the full distribution of share price outcomes whilst being computationally efficient however, it can only be used in a narrow range of circumstances.

6.3.2 Binomial option pricing model

Share based payment awards often involve complicated option structures. These option structures may involve the possibility of exercise prior to the expiry of the option or alternatively, a performance hurdle. Analytic approaches may not be available for these complicated option structures, hence it is necessary to use a computational technique such as the binomial option pricing model.

The binomial option pricing model can be used to value American call and put options and European option contracts. It is based on approximating stock price movements over time using a discrete binomial model. The binomial option pricing model is implemented by defining the upper and lower values of the stock over discrete periods of time. This may be undertaken by reference to a variety of assumptions about the stock value movements. Under the assumption of no dividends, the binomial option pricing model approximates to the Black-Scholes model.

6.3.3 Monte Carlo simulation

Monte Carlo simulation involves the use of a computer model to represent the operation of a complex financial system. A characteristic of the Monte Carlo simulation is the generation of a large number of random samples from a specified probability distribution or distributions to represent the role of risk in the system.

Monte Carlo simulates the path of the stock price according to a probability distribution assumption. After a large number of simulations, the arithmetic average of the outcomes, discounted to the pricing date, is calculated to represent the option value. Monte Carlo simulation is an approach that can accommodate complex exercise conditions. In particular, it can be used when the portion of options exercised depends on some function of the whole path followed by the stock price, rather than just its value at expiry. Monte Carlo simulation is also used to analyse options where the exercise condition is dependent on outcomes associated with other factors or other market prices as well as the stock price.

6.3.4 Selected valuation methodology

According to paragraph 57 of RG 111, the most commonly used methodologies for valuing unlisted or thinly traded options are the binomial option pricing model and the Black-Scholes Model. RG 111 also states that in selecting an approach, an expert should assess whether the assumptions used in the methodology are appropriate for the options being valued. In line with RG 111, we have estimated the fair market value of the Consideration Options using the Black-Scholes model. We have adjusted the Black-Scholes model to account for the dilution effect of the Consideration Options.

Monte Carlo simulation may be used to analyse options where the exercise condition is dependent on outcomes primarily associated with market prices. As the Consideration Options are not dependent on market associated outcomes, and are not publicly traded, we are of the opinion that the adoption of such a methodology is not appropriate.

7 Future cash flows for the Alakol Basin Licence Block

7.1 Financial model

Miller and Lents has prepared long term, real, pre-tax annual cash flow forecasts up to the year ending 31 December 2028 and estimated remaining production in USD for the Alakol Basin Licence Block. These forecasts formed the basis of the Model.

Miller and Lents was instructed by Eastern Petroleum to prepare an evaluation of the prospects and leads in the Alakol Basin Licence Block as of 1 April 2009. Miller and Lents estimated prospective resource volumes and probabilities of geological success and relied on cost estimates, oil prices and discount rates provided by Eastern Petroleum. Miller and Lents was remunerated by Eastern Petroleum on a fixed fee basis. RISC was engaged by Deloitte to assess the reasonableness of the operating and capital cost assumptions adopted by Miller and Lents. RISC was remunerated by International Goldfields on a fixed rate basis.

The Model calculates the present value of the Alakol Basin Licence Block as the Swanson Mean of the present values for the P90, P50 and P10 estimates of prospective resources, where P50 resources include P90 resources and P10 resources include P50 and P90 resources. The Swanson Mean takes 30% of the present value of the P90 resource plus 40% of the present value of the P50 resource (which includes the P90 resource) plus 30% of the present value of the P10 resource (which includes the P90 and P50 resources). The probabilities of geological success are then applied to each of the prospects and leads and the dry hole costs times the probabilities of geological failure are deducted.

Deloitte has made adjustments to the cash flows in the Model where it was considered appropriate. These adjustments included, but were not limited to production start dates, tax, costs, oil pricing, exchange rates and discount rates.

We have valued Eastern Petroleum's 50% interest in the Alakol Basin Licence Block based on the inputs provided by Miller and Lents and RISC and our assessment of production start dates, tax, oil prices, exchange rates and discount rate.

We have undertaken an analysis of the cash flow projections in the Model which included:

- analysing the reasonableness of assumptions such as production profile, capital expenditure and operating costs
- holding discussions with Miller and Lents and Eastern Petroleum management regarding the preparation of the projections and their views regarding the assumptions on which the projections are based.

Our work did not constitute an audit or review of the projections in accordance with the Auditing and Assurance Standards Board (AUASB) Standards and accordingly we do not express any opinion as to the reliability of the projections or the reasonableness of the underlying assumptions. However, nothing has come to our attention as a result of our analysis that suggests that the assumptions on which the projections are based have not been prepared on a reasonable basis.

Since projections relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the projections. Accordingly, actual results are likely to be different from those projected because events and circumstances frequently do not occur as expected, and those differences may be material.

7.2 Key assumptions

This main assumptions underpinning the Model include:

- production volumes (Section 7.2.1)
- oil prices (Section 7.2.2)
- capital expenditure (Section 7.2.3)
- operating costs (Section 7.2.4)
- tax (Section 7.2.5).

All figures from the Model are quoted on a 100% basis in USD unless stated otherwise.

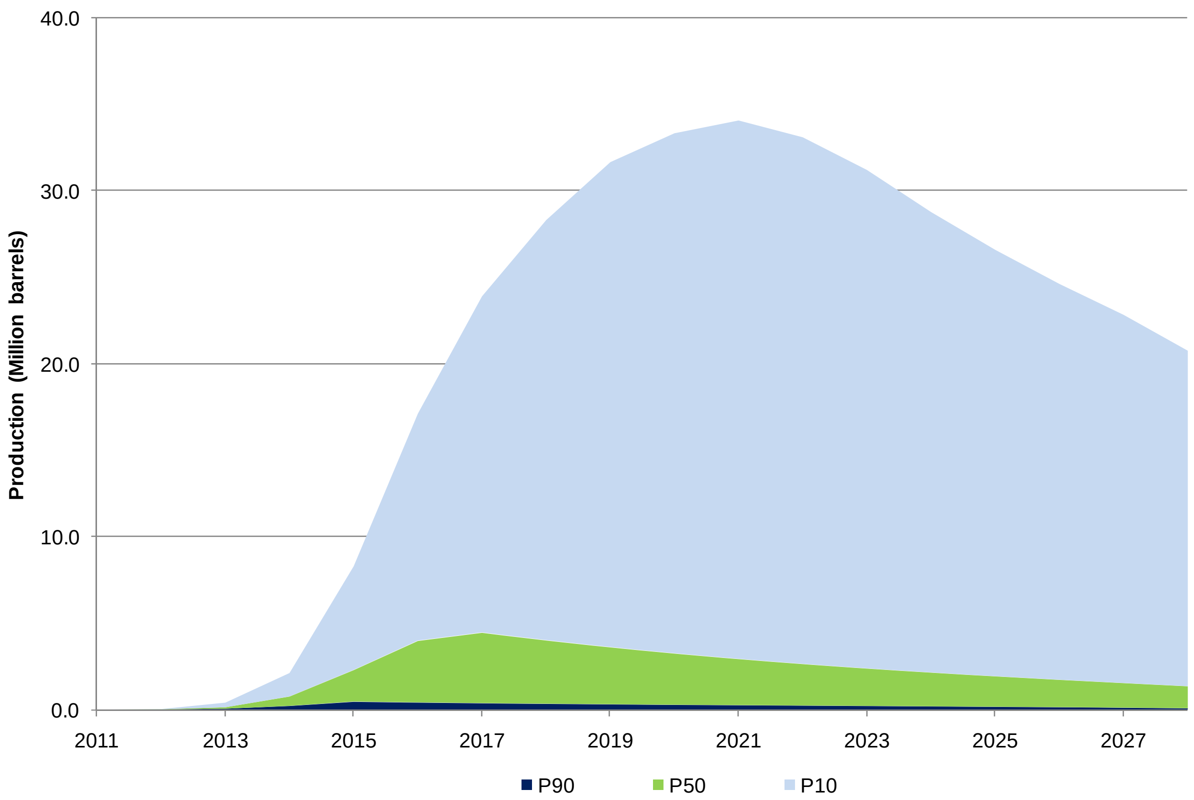
7.2.1 Production

The Model is based on prospective resources of 52.6 million barrels of oil (MMBO) P90, 586.1 MMBO P50 and 6,899.3 MMBO P10 and probabilities of geological success range from 4.5% to 8.9%.

The Miller and Lents Report assumed that production commenced in July 2010 for Prospects H and K and January 2011 for the remaining prospects and leads. We have delayed the start of production by two years to July 2012 for Prospects H and K and to January 2013 for the remaining prospects and leads.

The following figure illustrates the total risked saleable production of crude oil over the life of the Model.

Figure 9: Annual risked production



Source: Model

Under the P10 and P50 production cases there are remaining prospective resources of 141 MMBO and 6 MMBO respectively in 2028. These remaining prospective resources are treated as a terminal value in the Model.

7.2.2 Oil prices

Oil from the Alakol Basin Licence Block will be sold on a spot cargo basis to local and international oil refineries. In considering an appropriate price to apply to the future sales of oil, we have had regard to the following:

- WTI and Brent crude oil prices
- IRAC reported by the EIA
- NYMEX futures prices
- other publicly available industry estimates and commentary, including but not limited to industry research and brokers estimates

The consensus broker forecasts and futures price for Brent crude oil, along with the historical Brent crude oil spot prices are shown in the figure below.

Figure 10: Oil price forecasts

Source: Model

Based on the above, we have adopted a real crude oil pricing assumption of USD65 to USD85 per barrel for export volumes over the life of the Model.

Most oil production contracts in Kazakhstan have an export quota requiring a certain portion of produced hydrocarbons to be sold domestically and generally at a lower price than on the world market. Local prices vary seasonally but are approximately 55% of world prices. There are currently three refineries in Kazakhstan, one refines Russian supplied oil, one refines Chinese supplied oil and the third refines oil from the Atyrau region near the Caspian Sea, which takes production from that area of Kazakhstan. Given the location of the Alakol Basin Licence Block in the eastern part of Kazakhstan, which is not near any main centres of population or refineries, it is not clear whether oil produced from the Alakol Basin Licence Block will be required to be sold into the domestic market especially given its proximity to the Chinese pipeline. However, we understand that Eastern Petroleum could be required to supply up to 10% of production to the domestic market.

Based on our export real crude oil pricing assumption of USD65 to USD85 per barrel, we have adopted a pricing assumption of USD36 to USD47 per barrel for domestic sales over the life of the Model.

7.2.3 Capital expenditure

Capital expenditure comprises:

- exploration drilling and completion costs, as adjusted by RISC, of USD6 million per well for Leads A and M and USD5.1 million for the other prospects and leads. Leads A and M are more expensive due to their location
- development drilling and completion costs, as adjusted by RISC, of USD4.2 million per well for Leads A and M and USD3.5 million for the other prospects and leads
- infrastructure costs, which include gathering systems, process facilities, utilities, power generation, roads, storage and export pipeline tie-in. RISC increased the infrastructure cost assumptions from those adopted in the Miller and Lents Report.

The total capital expenditure costs under each of the P10, P50 and P90 production cases along with the number of wells drilled over the life of the Model are shown in the table below.

Table 13: Total capital expenditure costs and number of wells drilled

Capital expenditure costs (USDm)	P90	P50	P10
Exploration drilling and completion	113.0	131.0	268.7
Development drilling and completion	568.6	3,506.7	20,771.7
Infrastructure	198.6	535.9	1,789.0
Total capital expenditure	**880.2**	**4,173.6**	**22,829.4**
Number of wells drilled	179	972	5,620

Source: Model

The Model includes the projected expenditure to be incurred by Eastern Petroleum in meeting the expenditure requirements of the MWP.

The Model does not include any redevelopment or site restoration costs. The present value of these costs is considered to be immaterial given the projected life of the Alakol Basin License Block.

7.2.4 Operating costs

The Model assumes operating expenses of USD15,000 per well per month plus USD2 per barrel of oil produced.

7.2.5 Tax

The Model assumes the following tax is paid:

- rent tax on exports of crude oil levied on a progressive sliding scale linked to world prices at rates ranging between 0% and 32%
- mineral extraction tax on crude oil levied on a sliding scale linked to the volume produced in each calendar year at rates ranging between 7% and 20%. If crude oil is sold on the domestic market the mineral extraction tax rate may be reduced by 50%
- corporate income tax at the prevailing rate, which is currently 20.0% and reduces to 17.5% with effect from 1 January 2010 and 15.0% from 1 January 2011
- excess profits tax levied on an incremental sliding scale linked to the ratio of the contractor's aggregate annual income to allowable deductions for the tax period at rates ranging between 0% and 60%
- 5% dividend withholding tax.

8 Valuation of Eastern Petroleum

8.1 Valuation of Eastern Petroleum

Deloitte has estimated the fair market value of Eastern Petroleum on a control basis to be in the range of USD225 million to USD275 million or AUD250 million to AUD306 million based on an AUD/USD exchange rate of 0.90.We estimated the fair market value of Eastern Petroleum's 50% interest in the Alakol Basin Licence Block before the Proposed Transaction using the discounted cash flow methodology. We have cross checked our valuation to an industry rule of thumb, namely EV per barrel of prospective resource.

These are discussed in Sections 8.2 and Section 8.3 respectively.

8.2 Alakol Basin License Block

The discounted cash flow method estimates market value by discounting an asset's future cash flows to their net present value. To value Eastern Petroleum's 50% interest in the Alakol Basin Licence Block using the discounted cash flow method requires the determination of the following:

- future cash flows
- an estimate of the terminal value
- an appropriate discount rate to be applied to the cash flows
- the value of any surplus assets
- the level of net debt outstanding.

Our considerations on each of these factors are presented below.

8.2.1 Future cash flows

The future cash flows relied on for the purpose of the valuation have been described in Section 7.

8.2.2 Terminal value

The terminal value estimates the value of the ongoing cash flows after the forecast period to 31 December 2028. We have estimated the terminal value based on the remaining resources at 31 December 2028 and the associated exploration, development, infrastructure and operating costs. We have discounted the terminal value cash flows to present value at our assessed discount rate range.

8.2.3 Discount rate

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected a real after tax discount rate in the range of 13% to 15% to discount the future cash flows of the Alakol Basin Licence Block to their present value.

In selecting this range we considered the following:

- the required rates of returns on listed companies in a similar business operating in Kazakhstan
- the specific business and financing risks of the Alakol Basin Licence Block including the challenges associated with such an extensive drilling campaign within a short time period and the inherent difficulty in estimating costs and production in a basin where there has been no previous exploration or production activity
- the indicative rates of returns required by suppliers of venture capital
- the country and political risk in Kazakhstan.

A detailed consideration of these matters is provided in Appendix 2.

8.2.4 Valuation: discounted cash flow method

Our range of values for Eastern Petroleum's 50% interest in the Alakol Basin Licence Block is summarised in the tables below.

Table 14: Sensitivity to changes in oil price assumptions (USDm)

Oil price (USD / barrel)	Discount rate 12.0%	13.0%	14.0%	15.0%	16.0%
65	285.0	248.6	217.0	189.3	165.2
70	315.5	276.1	241.8	211.8	185.6
75	348.0	305.2	267.9	235.3	206.8
80	379.4	333.4	293.3	258.2	227.5
85	410.0	361.0	318.2	280.7	247.9

Source: Deloitte analysis

The value of Eastern Petroleum's 50% interest in the Alakol Basin Licence Block using a long term oil price assumption of USD75 per barrel but applying a range of discount rates and increasing the exploration and development drilling and completion costs and infrastructure costs by 50% is summarised in the table below.

Table 15: Sensitivity to changes in capital cost assumptions (USDm)

Capital expenditure costs	Discount rate 12.0%	13.0%	14.0%	15.0%	16.0%
Base	348.0	305.2	267.9	235.3	206.8
+50%	295.3	255.0	220.1	189.8	163.3

Source: Deloitte analysis

The value of Eastern Petroleum's 50% interest in the Alakol Basin Licence Block using a long term oil price assumption of USD75 per barrel but applying a range of discount rates and incorporating a 2 year delay to production from our base case assumption of a start date in July 2012 for Prospects H and K and January 2013 for the remaining prospects and leads is summarised in the table below.

Table 16: Sensitivity to a delay in production (USDm)

Delay to production	Discount rate 12.0%	13.0%	14.0%	15.0%	16.0%
Base	348.0	305.2	267.9	235.3	206.8
2 years	272.3	233.5	200.3	171.8	147.2

Source: Deloitte analysis

As can be seen from the above analyses there is a very wide potential range for the value of Eastern Petroleum's 50% interest in the Alakol Basin Licence Block. Based on all of the above, we have selected a value of USD225 million to USD275 million for Eastern Petroleum's 50% interest in the Alakol Basin Licence Block.

8.3 Valuation cross check: EV per barrel of prospective resources

The implied EV per barrel of risked and unrisked P50 and Swanson Mean prospective resources for Eastern Petroleum's 50% interest in the Alakol Basin Licence Block based on our value range of USD225 million to USD275 million is summarised in the table below.

Table 17: Implied EV per barrel summary

Implied EV per barrel of a 50% interest (USD per barrel)	P50 Risked 41 MMBO	P50 Unrisked 586 MMBO	Swanson Mean Risked 158 MMBO	Swanson Mean Unrisked 2,320 MMBO
Low value of USD225 million	10.98	0.77	2.85	0.19
High value of USD275 million	13.41	0.94	3.48	0.24

Source: Deloitte analysis

The risked volumes have been calculated using the probabilities of geological success provided in the Miller and Lents Report.

We have compared the EV per barrel of prospective resources implied by our valuation of Eastern Petroleum's 50% interest in the Alakol Basin Licence Block to the EV per barrel of prospective resources implied from share market prices of comparable listed companies and prices achieved in mergers and acquisitions of comparable companies and the acquisition of comparable assets. These are discussed separately below.

The share market valuation of listed companies provides evidence of an appropriate EV per barrel of prospective resources for Eastern Petroleum's 50% interest in the Alakol Basin Licence Block. The share price of a listed company represents the market value of a minority interest in that company.

We have compiled multiples of EV per barrel of prospective resources and 2P reserves implied by share trading in companies comparable to Eastern Petroleum. These companies, together with the implied EV per barrel of prospective resources or 2P reserves, are summarised in the following table.

Table 18: EV per barrel of prospective resources or 2P reserves for comparable companies

Company	Country	Status	EV USDm	USD / boe
2P reserves				
BMB Munai Inc	United States	E&P	101	4.3
Victoria Oil and Gas Plc	United Kingdom	E&P	88	6.3
Tethys Petroleum Ltd	Cayman Islands	E&P	67	5.7
Caspian Energy Inc	Canada	Exploration	23	6.6
Average 2P reserves			***70***	***5.7***
Prospective resources				
Max Petroleum Plc	United Kingdom	Exploration	207	0.4[2]
Petrolinvest SA	Poland	Integrated	396	0.9[2]
ROXI Petroleum Plc	United Kingdom	E&P	160	4.1
Jupiter Energy Ltd	Australia	Exploration	25	1.2
Average prospective resources			***197***	***1.6***
High			**396**	**6.6**
Low			**23**	**0.4**
Average			**133**	**3.7**

Source: Bloomberg

Note: 1. E&P: Exploration and Production

2. Based on company disclosed risk adjusted resource estimates

Specific details regarding the above companies are provided at Appendix 3.

The price achieved in mergers or acquisitions of comparable companies and the acquisition of comparable assets also provides evidence of an appropriate EV per barrel of prospective resources for Eastern Petroleum's 50% interest in the Alakol Basin Licence Block. The acquisition price of a company represents the market value of a controlling interest in that company. The difference between the market value of a controlling interest and a minority interest is referred to as the premium for control.

We compiled multiples of EV per barrel of prospective resources or 2P reserves implied by transactions involving companies and assets comparable to Eastern Petroleum's 50% interest in the Alakol Basin Licence Block. These companies and assets, together with the implied EV per barrel of prospective resources or 2P reserves, are summarised in the following table.

Table 19: EV per barrel of prospective resources or 2P reserves – mergers and acquisitions

Company/Asset	Acquirer	Effective date	Interest acquired (%)	Consideration (USDm)	Mmboe (100%)	USD / boe
2P reserves						
North West Zhetybai	Jupiter Energy Ltd	1 Sep 08	100.0	17	4.5	3.8
Caspian Investments	Mittal Investments	23 Apr 07	50.0	1,140	270.0	8.4
Petrokazakhstan Inc	Kazmunaigas	18 Jul 06	33.0	1,300	549.8	7.2
Petrokazakhstan Inc	CNPC International	26 Oct 05	100.0	3,932	549.8	7.2
Arman oil field	Nelson Resources Ltd	30 Jan 05	50.0	11	9.2	2.4
Karakuduk oil field	Nelson Resources Ltd	30 Jan 05	40.0	36	63.0	1.4
Average 2P reserves				***1,073***	***241.1***	***5.1***
Prospective resources						
Capital Energy SA	Petrolinvest SA	6 Nov 08	100.0	126	67.5	1.9
Kashagan Project	Kazmunaigas	31 Oct 08	8.5	1,780	13,000.0	1.6
EmbayugNeft	Petrolinvest SA	30 Sep 08	50.0	71	37.5	3.8
Block 31	Jupiter Energy Limited	25 Jun 08	100.0	10	21.0	0.5
Astrahanskiy	Max Petroleum Plc	12 Jan 06	100.0	46	560.0[1]	0.1
Average prospective resources				***407***	***2,737.2***	***1.6***
High				**3,932**	**13,000.0**	**8.4**
Low				**10**	**4.5**	**0.1**
Average				**770**	**1,375.7**	**3.5**

Source: Mergermarket, Deloitte analysis

Notes: 1. Based on company disclosed risk adjusted resource estimate

Specific details regarding the above comparable transactions are provided at Appendix 4.

General comments regarding the EV per barrel of prospective resources or 2P reserves of the above companies and transactions are listed below:

- enterprise values for the comparable companies were calculated by summing the total of the net borrowings at each company's most recent reporting date and the market capitalisation at 7 October 2009. Prospective resources and 2P reserves were taken from the most recent company record
- enterprise values for the comparable transactions were calculated by summing the total of the net borrowings at each company's most recent reporting date prior to the transaction date and the market capitalisation at the transaction date. Prospective resources were taken from the most recent company record prior to the transaction
- higher values per barrel are observed for 2P reserves compared to prospective resources due to the greater level of certainty surrounding 2P reserve estimates. As the Alakol Basin License Block has a prospective resource estimate, we have placed more reliance on comparable companies and transactions with prospective resources. The average EV per barrel of prospective resources for comparable companies on a minority interest basis and for comparable transactions on a control basis is USD1.60
- a number of the comparable companies and transactions also have producing assets, which attract higher values than exploration assets. We have placed more reliance on companies and transactions with just exploration assets when considering an appropriate EV per barrel of prospective resource for Eastern Petroleum's 50% interest in the Alakol Basin Licence Block
- the Kazakhstani operations of the comparable companies and transactions are all focussed on projects in the proven oil producing region of western Kazakhstan. It is expected that lower values would apply in the Alakol Basin License Block located in eastern Kazakhstan, where limited exploration activities have been conducted.

In assessing the reasonableness of the implied multiples derived from our valuation of Eastern Petroleum's 50% interest in the Alakol Basin Licence compared with the above transaction and comparable company multiples, we have also considered the following:

- the stage of development of the target companies or comparable companies
- the nature of the resource estimates, whether they are 2P or prospective
- the location of the relevant resources
- the timing of the transaction
- whether a minority, controlling or significant influence stake was acquired in the comparable transactions.

The above analysis produces a very wide range of multiples. In addition, apart from two comparable companies (Max Petroleum Plc (Max Petroleum) and Petrolinvest SA (Petrolinvest)) and one transaction (the Astrahanskiy transaction), it is not clear whether the remaining prospective resource volume estimates for the comparable companies and transactions are risked or unrisked. On that basis we have compared the implied EV per barrel of prospective resources based on unrisked P50 for the Alakol Basin Licence Block to the range of 2P reserve multiples for the comparable companies and transactions.

In our opinion, the resource multiple implied by our valuation of Eastern Petroleum's 50% interest in the Alakol Basin Licence of USD0.77 to USD0.94 based on mean unrisked P50 resources of 586 MMBO is not inconsistent with the above transaction and comparable company trading multiples.

8.4 Surplus assets and net debt/(cash)

Eastern Petroleum does not have any material surplus assets or net debt/(cash).

8.5 Number of shares on issue

We have adjusted the number of shares on issue of 130,479,218 to take into consideration the CLNs on issue to Safeguard that will be converted prior to the settlement of the Proposed Transaction. The total shares outstanding will therefore be 150,214,524 on settlement of the Proposed Transaction.

8.6 Valuation summary

A summary of our assessed control value of Eastern Petroleum is shown in the table below:

Table 20: Assessed control value of Eastern Petroleum

	Low	High
Enterprise value - Alakol Basin Licence Block (50%) (USD'000)	225,000	275,000
Equity value (USD'000) - control	**225,000**	**275,000**
Exchange rate	0.90	0.90
Equity value (AUD'000) - control	**250,000**	**305,556**

Source: Deloitte analysis

9 Valuation of International Goldfields before the Proposed Transaction

Deloitte has estimated the fair market value of an International Goldfields share on a control basis before the Proposed Transaction to be in the range of AUD0.22 to AUD0.25.

We estimated the fair market value of International Goldfields before the Proposed Transaction using the net assets on a going concern basis method. This is discussed below.

9.1 The net assets on a going concern method

The value derived using the net assets on a going concern method is determined by estimating the fair market value of the assets and liabilities.

A summary of our estimates of the fair market value of assets and liabilities as at 7 October 2009 is presented in the following table.

Table 21: Fair market value of International Goldfields' assets and liabilities

		30 Jun 09 Audited (AUD'000)	Fair market value (AUD'000)	
			Low	High
Cash	Section 9.1.1	6,702	7,402[1]	7,402[1]
Receivables	Section 9.1.1	151	30,491[2]	34,594[2]
Total current assets		**6,852**	**37,893**	**41,996**
Investments	Section 9.1.2	1,619	1,204	1,204
Property, plant and equipment		1	-	-
Exploration, evaluation and development expenditure		24,532	-	-
Total non-current assets		**26,152**	**1,204**	**1,204**
Payables		790	790	790
Total current liabilities		**790**	**790**	**790**
Net assets		**32,215**	**38,307**	**42,410**

Source: International Goldfields Annual Report 2007 and 2008

Note 1: Includes the Deposit of AUD1 million (less tax) received on 7 October 2009

Note 2: If the Final Payment is not received and International Goldfields' retains a 10% interest in the Tubatse Project, then this portion of the value will be classified under exploration, evaluation and development expenditure

Based on the net assets on a going concern method, we have selected a control value of AUD38 million to AUD42 million for International Goldfields prior to the Proposed Transaction.

9.1.1 Receivables

Under the terms of the Asset Sale Agreement International Goldfields will sell its rights, title and interest in the Tubatse Project to NKWE for AUD60 million.

The consideration of AUD60 million will be paid to International Goldfields as follows:

- a Deposit of AUD1 million which was received on 7 October 2009
- a Second Payment of AUD9 million within five business days of International Goldfields obtaining shareholder approval for the sale of its 15% interest in the Tubatse Project
- a Final Payment of AUD50 million within 30 days of the earlier of:
  - the granting of mining rights for the Tubatse Project and
  - Xstrata exercising its option with NKWE to acquire a 50% interest in the land the subject of the Flagship Project (including the Tubatse Project).

Following receipt of the Second Payment, International Goldfields will assign a 5% interest in the Tubatse Project to NKWE. The remaining 10% interest will be transferred to NKWE on receipt of the Final Payment. If the Final Payment is not received, International Goldfields retains its 10% interest in the Tubatse Project and the AUD10 million paid by NKWE, while NKWE retains the initial 5% interest assigned. Between the date of the Asset Sale Agreement and the requirement to pay the Final Payment of AUD50 million, NKWE will satisfy all outgoings and expenditure payable by International Goldfields in respect of the Tubatse Project. Following exercise of its option, Xstrata will fund the total development cost of the Flagship Project. International Goldfields' management are of the opinion that there is a high probability that conditions for the Final Payment will be met.

We have calculated the net present value of the net proceeds using a discount rate of 8% and reflecting management's estimate of the potential tax liability on the sale and the probability of International Goldfields receiving the Final Payment, which we have assessed at between 50% and 100%. Considering all of the above, our assessed value of the net Asset Sale proceeds is between AUD31 million and AUD35 million.

9.1.2 Investments

Investments relate to shares held in Latin Gold Limited, Tianshan Goldfields Limited, NKWE Platinum Limited and Global Iron Limited. We have marked the investments to market as at 7 October 2009 as shown in the following table.

Table 22: Investments

	Shares ('000)	Share Price (AUD)	Value (AUD'000)
Latin Gold Limited	1,315,555	0.03	39,467
Tianshan Goldfields Limited	1,095,000	0.08	87,600
Nkwe Platinum Limited	4,000,000	0.27	1,060,000
Global Iron Limited	100,000	0.17	17,000
Total investments			**1,204,067**

Source: International Goldfields, Bloomberg

9.1.3 CPS

Of the 40,000 CPS on issue to Bodmin Resources, 20,000 CPS convert into 20 million shares upon establishing a JORC compliant resource for the Tubatse Project of 45 million ounces within 30 months of the commencement date of April 2007 and a further 20,000 CPS convert into 20 million shares upon establishing a JORC compliant resource of 65 million ounces within 36 months of the commencement date of April 2007. A JORC compliant resource of 45.25 million ounces was announced on 31 July 2009 and hence 20,000 CPS will convert into 20 million shares.

We have valued the remaining 20,000 CPS at zero on the basis that management have advised that the probability of establishing a JORC compliant resource of 65 million ounces on or before April 2010 is extremely low.

9.2 Number of shares outstanding

We have adjusted the number of shares outstanding of 152,400,005 at 7 October 2009 to take into consideration the CPS on issue to Bodmin Resources that will convert into shares. The total shares outstanding including the 20,000 CPS, which convert into 20 million ordinary shares, is 172,400,005.

9.3 Valuation summary

Our assessed value of a share in International Goldfields on a control basis prior to the Proposed Transaction is shown in the table below.

Table 23: Control value of International Goldfields prior to the Proposed Transaction

	Low value	High value
Equity value (AUDm)	**38.3**	**42.4**
Number of shares	172,400,005	172,400,005
Equity value per share (AUD)	**0.22**	**0.25**

9.4 Cross check - Analysis of recent share trading

The market can be expected to provide an objective assessment of the fair market value of a listed entity, where the market is well informed and liquid. Market prices incorporate the influence of all publicly known information relevant to the value of an entity's securities.

We believe that it is reasonable to assume that the share price of International Goldfield's after the initial 9 June 2009 Asset Sale announcement represents an objective assessment of the value of International Goldfield's shares. Since 9 June 2009, 14% of International Goldfield's shares have been traded, which indicates a reasonable degree of liquidity.

International Goldfield's share price has ranged from AUD0.19 to AUD0.26 since 9 June 2009 and was trading at AUD0.22 on 2 October 2009, the last trading day prior to the announcement of the Share Sale. The volume weighted average price (VWAP) between 9 June 2009 and 2 October 2009 is AUD0.22.

Share prices from market trading do not reflect the market value for control of a company as they are for portfolio holdings. Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values.

Our valuation range for International Goldfield's of AUD0.22 to AUD0.25 on a control basis implies a control premium of 0% to 14% over the VWAP between 9 June 2009 and 2 October 2009. International Goldfields' assets will comprise predominantly of cash and receivables following the sale of its interest in the Tubatse Project. We are of the opinion that companies with assets of this nature would not generally attract a substantial control premium.

10 Value of International Goldfields after the Proposed Transaction

We have estimated the fair market value of a share in International Goldfields after the Proposed Transaction to be in the range of AUD0.25 to AUD0.30. This valuation has been performed on a minority interest basis because International Goldfields' shareholders who vote in favour of the Proposed Transaction will collectively become minority holders of shares in International Goldfields after the Proposed Transaction.

We are of the opinion that the most appropriate methodology to value a share in International Goldfields after the Proposed Transaction is the sum of the parts methodology, which incorporates the value of International Goldfields and Eastern Petroleum prior to the Proposed Transaction and also adjusts for the cost and dilution effect of the Consideration Options.

10.1 Valuation summary

Our valuation of International Goldfields after the Proposed Transaction is shown in the table below.

Table 24: Fair market value of International Goldfields after the Proposed Transaction

	Low value	High value
Value of International Goldfields - control (AUDm)	38.3	42.4
Value of Eastern Petroleum - control (AUDm)	250.0	305.6
Value of the Consideration Options being issued (AUDm)	(15.5)	(20.8)
Institutional placement (AUDm)	20.0	20.0
Value - control (AUDm)	**292.8**	**347.1**
Minority interest discount	20%	20%
Value of International Goldfields after the Proposed Transaction – minority (AUDm)	**234.3**	**277.7**
Number of shares	928,365,364	928,365,364
Value per share of International Goldfields after the Proposed Transaction – minority (AUD)	**0.25**	**0.30**

Source: Deloitte analysis

10.2 Minority interest discount

The values derived in section 8 and section 9 for Eastern Petroleum and International Goldfields respectively are control values. The difference between the market value of a controlling interest and a minority interest is referred to as the premium for control. Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values. A minority interest discount is the inverse of a premium for control (*minority interest discount = 1-[1/(1+control premium)]*) and generally ranges between 15% and 30%.

The owner of a controlling interest has the ability to do many things that the owner of a minority interest does not. These include:

- control the cash flows of the company, such as dividends, capital expenditure and compensation for directors
- determine the strategy and policy of the company
- make acquisitions, or divest operations
- control the composition of the board of directors.

International Goldfields' shareholders who vote in favour of the Proposed Transaction will collectively become minority shareholders in International Goldfields after the Proposed Transaction and hence we have applied a minority interest discount to the value of International Goldfields after the Proposed Transaction.

The following factors have been taken into consideration in determining an appropriate minority interest discount for International Goldfields after the Proposed Transaction:

- International Goldfields after the Proposed Transaction will have a majority shareholder, Safeguard, with a shareholding of 62% or 65% on a fully diluted basis
- Eastern Petroleum shareholders in total will own approximately 73% of International Goldfields after the Proposed Transaction or approximately 76% on a fully diluted basis
- the control premium paid in the mergers and acquisitions of comparable companies and assets. The only transaction identified by us for which sufficient information was available to observe a control premium was in relation to the acquisition by CNPC International Limited (CNPC) of Petrokazakhstan Inc. (Petrokazakhstan), where a control premium of 21.57% was paid. This implies a minority interest discount of 17.7%.

The level of discount that should be applied to the value of a controlling interest in order to derive the value of a minority interest is somewhat subjective. Based on these considerations, we believe that a minority interest discount of 20% is appropriate for International Goldfields after the Proposed Transaction.

10.3 Institutional placement

We have assumed that AUD20 million will be raised in the institutional placement in accordance with the conditions precedent of the Share Sale, although resolution 6 of the Notice of Meeting seeks approval for the issue of shares to raise up to AUD30 million. We have adopted an issue price of AUD0.25, which approximates the 5 day volume weighted average price up to 16 October 2009.

10.4 Number of shares outstanding

The 928,365,364 shares in International Goldfields after the Proposed Transaction comprises of:

- 172,400,005 existing International Goldfields shares
- issue of 675,965,359 new shares on the basis of 4.5 International Goldfields shares for each Eastern Petroleum share
- issue of 80,000,000 shares in the institutional placement to raise AUD20 million.

10.5 Value of the Consideration Options

10.5.1 Overview

As part of the Proposed Transaction a total of 135,193,072 Consideration Options will be issued to Eastern Petroleum Shareholders. The Consideration Options are plain vanilla American call options as they can be exercised at any time between the vesting date and the expiry date and have an escrow period of 12 months from the date of issue. We have selected a Black-Scholes option pricing model to value the Consideration Options. We have adjusted the Black-Scholes model to account for the dilution effect of the Consideration Options.

Our valuation of the Consideration Options is based on our assessment of the fair market value of a share in International Goldfields after the Proposed Transaction having regard to the following:

- the fact that the Consideration Options are unlisted

- dilution effect of the Consideration Options being exercised

Furthermore in estimating the fair market value of the Consideration Options using the Black-Scholes model, we have taken into account the following:

- the exercise price of the Consideration Options
- the dividends expected on the shares
- the expected volatility of the share price
- the life of the Consideration Options
- the risk free interest rate for the life of the Consideration Options
- any required marketability discount.

10.5.2 Valuation inputs

We have applied the following inputs to value the Consideration Options using an adjusted Black-Scholes model:

Table 25: Option valuation inputs

Input	Parameter used	Rationale
Spot price	AUD0.27 - AUD0.32	Minority interest value per share of International Goldfields after the Proposed Transaction excluding the effect of the Consideration Options (refer Table 26)
Effective exercise price	AUD0.25	Per the terms of the proposed Consideration Option issue
Dividend yield	0%	Based on current and expected dividend payout by International Goldfields for the coming three years
Share price volatility	110% to 130%	Based on the two year annualised weekly volatility of comparable companies
Expected life	2.7 years	Time from grant date to expiry date
Risk free rate	4.6%	2 and 3 year Australian government bond rate
Grant date	7 October 2009	Per the terms of the proposed Consideration Option issue
Vesting date	7 October 2009	Per the terms of the proposed Consideration Option issue
Expiry date	30 June 2012	Per the terms of the proposed Consideration Option issue
Number of options	135,193,072	Per the terms of the proposed Consideration Option issue
Dilution effect	13%	Number of shares on issue as a proportion of the fully diluted number of shares (928,365,364 / 1,063,558,436)
Discount for lack of marketability	20%	The Consideration Options are unlisted and only transferable in limited circumstances

Source: International Goldfields

Our considerations regarding each of these inputs are set out below.

10.5.2.1 Spot price

The decision to exercise the Consideration Options in exchange for ordinary equity capital will largely depend on the price of the underlying shares. In our view, this price should be based on our assessment of the fair market value per International Goldfields share after the Proposed Transaction. We have assumed a spot price range of AUD0.27 to AUD0.32 which is our minority interest value per share of International Goldfields after the Proposed Transaction, excluding the effect of the Consideration Options, as shown in the table below.

Table 26: Minority interest value per share of International Goldfields after the Proposed Transaction excluding the effect of the Consideration Options

	Low value	High value
Value of International Goldfields - control (AUDm)	38.3	42.4
Value of Eastern Petroleum - control (AUDm)	250.0	305.6
Institutional placement	20.0	20.0
Value - control (AUDm)	**308.3**	**368.0**
Minority interest discount	20%	20%
Value – minority (AUDm)	**246.6**	**294.4**
Number of shares	928,365,364	928,365,364
Value per share of International Goldfields after the Proposed Transaction – minority (AUD)	**0.27**	**0.32**

Source: Deloitte analysis

10.5.2.2 Exercise price

The exercise price for the Consideration Options is AUD0.25.

10.5.2.3 Dividend yield

We have adopted a dividend yield assumption of 0% based on the fact that International Goldfields has not paid dividends in the recent past and is considered unlikely to pay dividends in the near future.

10.5.2.4 Share price volatility

We have adopted a volatility measure of 110% to 130%. In selecting this range we have considered the following:

- the two year annualised weekly volatilities for companies holding assets comparable to the Alakol Basin License Block as at 7 October 2009
- the historical trend in the three month, one year and two year annualised weekly volatilities for the companies holding assets comparable to the Alakol Basin License Block
- recently, as a result of the global financial crisis, volatility of traded stocks has substantially increased, at least in the short term.

The volatility measure is assumed to be constant over the life of the Consideration Options.

10.5.2.5 Expected life

The expected life of the Consideration Options is assumed to be equal to the time from the grant date of the Consideration Options to their expiry, being a period of 2.7 years.

10.5.2.6 Risk free interest rate

The nominal risk free rate of 4.6% incorporated in our calculation is based on a rate that approximates the life of the Consideration Options. Accordingly, we have considered the 2 and 3 year Australian Treasury bond rates sourced from Bloomberg as at 7 October 2009 of 4.4% and 4.8% respectively.

10.5.2.7 Discount for lack of marketability

The Black-Scholes option valuation model assumes that there is a liquid market for the Consideration Options. We have applied a discount for lack of marketability to reflect that the Consideration Options will not be listed and will be transferable only in limited circumstances. In practice, and from a review of restricted stock studies, discounts for lack of marketability range between 10% and 40%. A discount for lack of marketability of 20% was selected to value the Consideration Options.

10.5.2.8 Dilution effect

We have adjusted the value per option obtained from the Black Scholes model for the dilution effect of the Consideration Options. Following exercise of the Consideration Options, the number of ordinary shares will increase from 928,365,364 to 1,063,558,436, a 13% dilution.

10.5.3 Valuation summary

Based on the above assumptions and methodology, the value of the Consideration Options is between AUD15.5 million and AUD20.8 million as outlined in the table below.

Table 27: Valuation summary

	Low	High
Fair market value per Consideration Option (before marketability discount)	0.14	0.19
Marketability discount	20%	20%
Fair market value per Consideration Option (after marketability discount)	**0.11**	**0.15**
Number of Consideration Options	135,193,072	135,193,072
Total value of the Consideration Options (AUDm)	**15.5**	**20.8**

Source: Deloitte analysis

11 Evaluation and conclusion

In order to assess whether the Proposed Transaction is fair and reasonable to the Non Associated Shareholders we have:

- assessed whether the Proposed Transaction is fair by estimating the fair market value of a share in International Goldfields on a control basis prior to the Proposed Transaction and comparing that value with the value of a share in International Goldfields on a minority basis after the Proposed Transaction
- assessed the reasonableness of the Proposed Transaction by considering the other advantages and disadvantages of the Proposed Transaction.

11.1 Fairness

RG 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities being the subject of the offer. Set out in the table below is a comparison of our assessment of the fair market value of a share in International Goldfields on a control basis prior to the Proposed Transaction with our assessment of the fair market value of a share in International Goldfields on a minority basis after the Proposed Transaction.

Table 28: Evaluation of fairness

	Low (AUD)	High (AUD)
Estimated fair market value of a share in International Goldfields on a control basis prior to the Proposed Transaction (Section 9)	0.22	0.25
Estimated fair market value of a share in International Goldfields on a minority basis after the Proposed Transaction (Section 10)	0.25	0.30

Source: Deloitte analysis

The valuation of a share in International Goldfields after the Proposed Transaction has been performed on a minority interest basis because International Goldfields' shareholders who vote in favour of the Proposed Transaction will collectively become minority holders of shares in International Goldfields after the Proposed Transaction.

Our estimate of the value of a share in International Goldfields on a minority basis after the Proposed Transaction is above the fair market value of a share in International Goldfields on a control basis prior to the Proposed Transaction.

Accordingly it is our opinion that the Proposed Transaction is fair.

11.2 Reasonableness

In accordance with RG 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Transaction is reasonable. We have also considered the following factors in assessing the reasonableness of the Proposed Transaction:

Change in risk profile and exposure to the petroleum sector

The Proposed Transaction offers the Non-Associated Shareholders the opportunity to change from exposure to platinum to exposure to petroleum. Crude oil is a global commodity, which is traded internationally on highly liquid spot markets. With crude oil prices currently in the vicinity of USD75 per barrel, demand for crude oil continues to be strong, creating attractive investment opportunities in the sector.

Previously International Goldfields held gold and more recently platinum exploration assets in Australia and South Africa. These commodities have a very different risk profile to an exploration stage oil asset in Kazakhstan. The Proposed Transaction exposes the Non-Associated Shareholders to the petroleum sector in Kazakhstan and its political and country risks.

Early stage asset located in unexplored basin

The Alakol Basin Licence Block is an early stage asset with prospective resources in the form of prospects and leads. Prospective resources are estimated to be ‘potentially recoverable’ from undiscovered accumulations. Substantial additional work will be required to further define the resources.

The Proposed Transaction offers the Non-Associated Shareholders the opportunity to invest in a highly speculative asset, which has the potential of significant upside if a commercial hydrocarbon discovery is made. Exploration assets are by their nature high risk and it is inherently difficult to predict outcomes with any degree of certainty. There is a risk that exploration drilling being carried out as part of the MWP under the contract for the exploration of hydrocarbon resources will not result in the discovery of a commercially viable hydrocarbon deposit and that the contract will expire on termination of the initial exploration period on 13 June 2010 or following one or both of the extension periods, which are for two years each. Miller and Lents estimate that if all five prospects are drilled, there is a 63.6 % chance that all five wells will be dry holes.

The Alakol Basin Licence 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 offering no comparative data for probabilities of geological success and typical finding costs. The Proposed Transaction exposes the Non-Associated Shareholders to a very early stage, high risk asset located in an unexplored region of Kazakhstan.

The speculative nature of the investment is reflected in the wide range obtained from our discounted cash flow valuation, which is sensitive to the discount rate, start date, oil price, volume and cost assumptions.

Foregoing the opportunity to receive cash distribution

By proceeding with the Proposed Transaction, Non-Associated Shareholders are foregoing the opportunity to receive a cash distribution following the sale of International Goldfields’ main asset, a 15% interest in the Tubatse Project in South Africa under the Asset Sale. The Proposed Transaction may deliver substantial upside or may result in cash reserves being depleted to finance the MWP and further development, without resulting in a commercial discovery.

Non-Associated Shareholders are receiving a premium to our assessed value

The consideration being received by International Goldfields shareholders under the Proposed Transaction is greater than our assessed value of International Goldfields on a control basis prior to the Proposed Transaction. The consideration therefore includes a control premium.

Consideration Shares and Consideration Options will be in escrow for 12 months

The Consideration Shares and Consideration Options will be in escrow for a period of 12 months from the date of issue. The effect of this will be to reduce the liquidity of International Goldfields after the Proposed Transaction.

Diluted participation in future growth of International Goldfields

Non-Associated Shareholders will have their exposure to cash in International Goldfields diluted as their interest in International Goldfields will reduce from 100% to 19%, or 16% on a fully diluted basis. The Non-Associated Shareholders will represent a minority in the expanded company with less influence and control over the future direction of the company. The enlarged company will also have a controlling shareholder, Safeguard, with an interest of 62%, or 65% on a fully diluted basis. While the Consideration Shares and Consideration Options held by Safeguard will be in escrow for a period of 12 months from the date of issue, the presence of a majority shareholder may reduce the opportunity for shareholders to receive a control premium in the future.

Opinion

In our opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders. An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her particular circumstances. If in doubt the shareholder should consult an independent adviser.

Appendix 1: Glossary

Reference	Definition
ADE	Aksaz, Dolinnoe and Emir
AFSL	Australian Financial Services Licence
AGSM	Australian Graduate School of Management
AIM	Alternative Investment Market
Alakol Basin Licence Block	Alakol Basin licence block in Eastern Kazakhstan
APESB	Accounting Professional and Ethical Standards Board Limited
APPI	Asia Pacific Pricing Index
ASIC	Australian Securities and Investments Commission
Asset Sale	The sale of International Goldfields' 15% participating interest in the Tubatse Project to NKWE
Asset Sale Agreement	An agreement in which International Goldfields agrees to sell and NKWE agrees to purchase International Goldfields' 15% interest in the Tubatse Project
ASX	Australian Securities Exchange Limited
ASX Listing Rules	Australian Securities Exchange Limited's Listing Rules
AUASB	Auditing and Assurance Standards Board
AUD	Australian dollars
β	Beta estimate
BMB Munai	BMB Munai Inc
Bodmin Resources	Bodmin Resources Limited
Capital Energy	Capital Energy SA
CAPM	Capital Asset Pricing Model
Caspian Energy	Caspian Energy Inc
Caspian Investments	Caspian Investments Resources Ltd
China	People's Republic of China
CLN	Convertible loan note
CNPC	CNPC International Limited
Consideration Options	Options in International Goldfields offered under the Share Sale
Consideration Shares	Shares in International Goldfields offered under the Share Sale
Contract	The contract for hydrocarbon exploration in the Alakol Basin Licence Block
Convertible Note Holders	The convertible note holders of Eastern Petroleum
Corporations Act	Corporations Act 2001
CPS	Converting performance shares
Damodaran	Aswath Damodaran
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
Deposit	A deposit of AUD1 million which was received on 7 October 2009 pursuant to the Asset Sale Agreement
Directors	The directors of International Goldfields
Eastern Petroleum	Eastern Petroleum Corporation Limited
Eastern Petroleum Shareholders	The shareholders of Eastern Petroleum
EIA	Energy Information Administration

Reference	Definition
EIU	Economist Intelligence Unit
EMRP	Equity market risk premium
EV	Enterprise value
Explanatory Statement	The explanatory statement accompanying the notice of general meeting
Final Payment	Payment of AUD50 million pursuant to the Asset Sale Agreement which is payable within 30 days of the earlier of the granting of mining rights for the Tubatse Project and Xstrata exercising its option with NKWE to acquire a 50% interest in the Flagship Project (including the Tubatse Project)
Flagship Project	the Hoepakrantz, Nooitverwacht, Eerste Geluk, Garatouw and De Kom farms situated on the eastern limb of South Africa's Bushveld Complex
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
GBP	Great Britain Pound
GDP	Gross domestic product
Genorah Resources	Genorah Resources Pty Ltd
IBIS	IBISWorld Pty Ltd
International Goldfields	International Goldfields Limited
IRAC	Importer refinery acquisition cost
JOA	Joint operating agreement
JORC	Joint Ore Reserves Committee
Jupiter Energy	Jupiter Energy Limited
K_d	Cost of debt capital
K_e	Cost of equity capital
km^2	Square kilometres
Max Petroleum	Max Petroleum Plc
Miller and Lents	Miller and Lents Limited
Miller and Lents CPR	Competent Person's Report prepared by Miller and Lents dated 27 July 2009
Miller and Lents Report	Report by Miller and Lents titled Evaluation of Prospects and Leads Alakol Basin Kazakhstan dated 17 August 2009
Minmar	Minmar (840) Limited
Mittal Investments	Mittal Investments SARL
MMBO	Million barrels of oil
Model	Detailed financial model estimating future cash flows of the Alakol Basin Licence Block
Morningstar	Morningstar Inc
Monarch	Monarch Gold Mining Company
MWP	Minimum work program
NCPL	North Caspian Petroleum Limited
Nelson Resources	Nelson Resources Limited
NKWE	NKWE Platinum Limited
Non-Associated Shareholders	Non-associated shareholders of International Goldfields
Notice of Meeting	Notice of general meeting
NYMEX	New York Mercantile Exchange
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of Petroleum Exporting Countries
NKWE Option	NKWE's option to acquire all the shares in International Goldfields or

Reference	Definition
	purchase 100% of the rights, title and interest of International Goldfields in the Tubatse Project (being a 15% participating interest)
Option Agreement	Agreement between International Goldfields and NKWE granting NKWE an option to acquire all the shares in International Goldfields or purchase 100% of the rights, title and interest of International Goldfields in the Tubatse Project (being a 15% participating interest)
P10	Proved or 1P reserves
P50	Probable or 2P reserves
P90	Possible or 3P reserves
Petrokazakhstan	Petrokazakhstan Inc.
Petrolinvest	Petrolinvest SA
Proposed Transaction	International Goldfields will issue 4.5 shares and 0.9 options for every one Eastern Petroleum share to Eastern Petroleum Shareholders
Remas	Remas Corporation LLP
R_f	Risk free rate
RG 111	ASIC Regulatory Guide 111
RG 112	ASIC Regulatory Guide 112
RISC	Resource Investment Strategy Consultants Pty Limited
ROXI Petroleum	ROXI Petroleum Plc
Safeguard	Safeguard Management Ltd
Second Payment	Payment of AUD9 million pursuant to the Asset Sale Agreement which is payable within five business days of International Goldfields obtaining shareholder approval for the sale of its 15% interest in the Tubatse Project
Share Sale	Agreement pursuant to which Eastern Petroleum Shareholders will sell and International Goldfields will acquire all of the fully paid ordinary shares of Eastern Petroleum
SSUC	Sub Surface Use Contract
Tethys Petroleum	Tethys Petroleum Ltd
Tubatse Project	Tubatse platinum project
UK	United Kingdom
US	United States of America
USD	United States dollar
Victoria Oil and Gas	Victoria Oil and Gas Plc
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital
WTI	West Texas Intermediate
Xstrata	Xstrata South Africa

Appendix 2: Discount rate

The discount rate used to equate the future cash flows to their present value reflects the risk adjusted rate of return demanded by a hypothetical investor for the asset or business being valued.

Selecting an appropriate discount rate is a matter of judgement having regard to relevant available market pricing data and the risks and circumstances specific to the asset or business being valued.

Whilst the discount rate is in practice normally estimated based on a fundamental ground up analysis using one of the available models for estimating the cost of capital (such as the Capital Asset Pricing Model (CAPM)), market participants often use less precise methods for determining the cost of capital such as hurdle rates or target internal rates of return and often do not distinguish between investment type or region or vary over economic cycles.

Since our definition of fair market value is premised on the estimated value that a knowledgeable willing buyer would attribute to the asset or business, our selection of an appropriate discount rate needs to consider that buyers incorporate other alternatives to the typical CAPM approach in estimating the cost of capital.

For ungeared cash flows, discount rates are determined based on the cost of an entity's debt and equity weighted by the proportion of debt and equity used. This is commonly referred to as the weighted average cost of capital (WACC).

The WACC can be derived using the following formula:

The components of the formula are:

$$\boxed{WACC = \left(\frac{E}{V} * K_e\right) + \left(\frac{D}{V} * K_d (1 - t_c)\right)}$$

K_e	=	cost of equity capital
K_d	=	cost of debt
t_c	=	corporate tax rate
E/V	=	proportion of enterprise funded by equity
D/V	=	proportion of enterprise funded by debt

The adjustment of K_d by (1- t_c) reflects the tax deductibility of interest payments on debt funding. The corporate tax rate has been assumed to be 40%, the effective tax rate in the Model.

International derived discount rate

While the Alakol Basin License Block is located in Kazakhstan, the cash flow projections including revenues, operational expenditure and capital expenditure are predominantly denominated in USD. Accordingly, we have calculated a US denominated discount rate, specifically the use of a US risk-free rate and equity market risk premium. The other discount rate variables such as beta and capital structure are derived from an analysis of comparable companies operating in Kazakhstan. The tax rate is assumed to be the effective tax rate in the Model for the Alakol Basin Licence Block.

Cost of equity capital (K_e)

The cost of equity, K_e, is the rate of return that investors require to make an equity investment in a firm.

We have used the CAPM to estimate the K_e for the Alakol Basin License Block. CAPM calculates the minimum rate of return that the company must earn on the equity-financed portion of its capital to leave the market price of its shares unchanged. The CAPM is the most widely accepted and used methodology for determining the cost of equity capital.

The cost of equity capital under CAPM is determined using the following formula:

$$\boxed{K_e = R_f + \beta(R_m - R_f) + a}$$

The components of the formula are:

K_e	=	required return on equity
R_f	=	the risk free rate of return
R_m	=	the expected return on the market portfolio
β	=	beta, the systematic risk of a stock
α	=	specific company risk premium

Each of the components in the above equation is discussed below.

Risk free rate (R_f)

The risk free rate compensates the investor for the time value of money and the expected inflation rate over the investment period. The frequently adopted proxy for the risk free rate is the long-term government bond rate.

In determining Rf we have taken the trailing 5 day average for the 30-year US Government bond rate on 7 October 2009 of 4.07%. We have selected the US Government bond rate as a proxy for the risk free rate due to the projected cash flows of the Alakol Basin License Block being denominated in USD. The 30-year bond rate is a widely used and accepted benchmark for the risk free rate. This rate represents a nominal rate and thus includes inflation**.**

Equity market risk premium (EMRP)

The EMRP ($R_m - R_f$) represents the risk associated with holding a market portfolio of investments, that is, the excess return a shareholder can expect to receive for the uncertainty of investing in equities as opposed to investing in a risk free alternative. The size of the EMRP is dictated by the risk aversion of investors – the lower (higher) an investor's risk aversion, the smaller (larger) the equity risk premium.

The EMRP is not readily observable in the market and therefore represents an estimate based on available data. There are generally two main approaches used to estimate the EMRP, the historical approach and the prospective approach, neither of which is theoretically more correct or without limitations. The former approach relies on historical share market returns relative to the returns on a risk free security; the latter is a forward looking approach which derives an estimated EMRP based on current share market values and assumptions regarding future dividends and growth.

In evaluating the EMRP, we have considered both the historically observed and prospective estimates of EMRP.

Historical approach

The historical approach is applied by comparing the historical returns on equities against the returns on risk free assets such as Government bonds, or in some cases, Treasury bills. The historical EMRP has the benefit of being capable of estimation from reliable data; however, it is possible that historical returns achieved on stocks were different from those that were expected by investors when making investment decisions in the past and thus the use of historical market returns to estimate the EMRP would be inappropriate.

It is also likely that the EMRP is not constant over time as investors' perceptions of the relative riskiness of investing in equities change. Investor perceptions will be influenced by several factors such as current economic conditions, inflation, interest rates and market trends. The historical risk premium assumes the EMRP is unaffected by any variation in these factors in the short to medium term.

Historical estimates are sensitive to the following:

- the time period chosen for measuring the average
- the use of arithmetic or geometric averaging for historical data
- selection of an appropriate benchmark risk free rate
- exclusion or inclusion of extreme observations.

The EMRP is highly sensitive to the different choices associated with the measurement period, risk free rate and averaging approach used and as a result estimates of the EMRP can vary substantially.

In estimating the future EMRP for the US we have considered recent studies undertaken by:

- the Centre for Research in Finance at the Australian Graduate School of Management (AGSM)
- Morningstar Inc (Morningstar)
- ABN AMRO/London Business School
- Aswath Damodaran (Damodaran), and
- other studies in developed markets.

These studies generally calculate the EMRP to be in the range of 5% to 8%.

Prospective approach

The prospective approach is a forward looking approach that is current, market driven and does not rely on historical information. It attempts to estimate a forward looking premium based on either surveys or an implied premium approach.

The survey approach is based on investors, managers and academics providing their long term expectations of equity returns. Survey evidence suggests that the EMRP is generally expected to be in the range of 6% to 8%.

The implied approach is based on either expected future cash flows or observed bond default spreads and therefore changes over time as share prices, earnings, inflation and interest rates change. The implied premium may be calculated from the markets total capitalisation and the level of expected future earnings and growth.

Selected EMRP

We have considered both the historically observed EMRP and the prospective approaches as a guideline in determining the appropriate EMRP to use in this report. Australian studies on the historical risk premium approach generally indicate that the EMRP would be in the range of 5% to 8%. We consider the Australian market to be of a similar maturity to a developed market such as the US.

The recent severe decline worldwide in equity values and the difficulty companies are experiencing in raising equity capital may be indicative of investors demanding a greater risk premium. In addition, current prospective measures appear to indicate an increase in the EMRP.

Having considered the various approaches and their limitations, we consider an EMRP of 6.5% to be appropriate.

Beta estimate (β)

Description

The beta coefficient measures the systematic risk or non-diversifiable risk of a company in comparison to the market as a whole. Systematic risk, as separate from specific risk as discussed below, measures the extent to which the return on the business or investment is correlated to market returns. A beta of 1.0 indicates that an equity investor can expect to earn the market return (i.e. the risk free rate plus the EMRP) from this investment (assuming no specific risks). A beta of greater than one indicates greater market related risk than average (and therefore higher required returns), while a beta of less than one indicates less risk than average (and therefore lower required returns).

Betas will primarily be affected by three factors which include:

- the degree of operating leverage employed by the firm in that companies with a relatively high fixed cost base will be more exposed to economic cycles and therefore have higher systematic risk compared to those with a more variable cost base
- the degree of financial leverage employed by a firm in that as additional debt is employed by a firm, equity investors will demand a higher return to compensate for the increased systematic risk associated with higher levels of debt
- correlation of revenues and cash flows to economic cycles, in companies that are more exposed to economic cycles (such as retailers), will generally have higher levels of systemic risk (i.e. higher betas) relative to companies that are less exposed to economic cycles (such as regulated utilities).

The differences are related to the business risks associated with the industry.

The geared or equity beta can be estimated by regressing the returns of the business or investment against the returns of an index representing the market portfolio, over a reasonable time period. However, there are a number of issues that arise in measuring historical betas that can result in differences, sometimes significant, in the betas observed depending on the time period utilised, the benchmark index and the source of the beta estimate. For unlisted companies it is often preferable to have regard to sector averages or a pool of comparable companies rather than any single company's beta estimate due to the above measurement difficulties.

Market evidence

In estimating an appropriate beta for the Alakol Basin License Block we have considered the betas of listed companies with comparable operations to the Alakol Basin License Block. Betas have been calculated based on weekly returns, over a two year period, compared to the MSCI World accumulation index. This is due to demand for the comparable company outputs being dependent upon global demand for commodities, and accordingly, will be heavily influenced by the global market. These betas are presented below.

Table 29: Analysis of betas for listed companies with comparable operations to the Alakol Basin License Block

Company name	Enterprise value[1] (USD m)	Net debt to enterprise value (%)	Levered Beta	Unlevered Beta
2P reserves				
BMB Munai Inc	101	54%	2.1	1.6
Victoria Oil and Gas Plc	88	3%	1.0	1.0
Tethys Petroleum Ltd	67	(22%)	0.7	0.9
Caspian Energy Inc	23	60%	0.9	0.6
Average 2P reserves	***70***	***24%***	***1.2***	***1.0***
Prospective resources				
Max Petroleum Plc	207	43%	0.9	0.7
Petrolinvest SA	396	45%	0.8	0.6
ROXI Petroleum Plc	160	15%	0.5	0.5
Jupiter Energy Ltd	25	(6%)	1.1	1.2
Average prospective resources	***197***	***24%***	***0.8***	***0.7***
Average	**133**	**24%**	**1.0**	**0.9**
Low	**23**	**(22%)**	**0.5**	**0.5**
High	**396**	**60%**	**2.1**	**1.6**

Source: Bloomberg and Deloitte analysis

Note: 1. Enterprise value as at 7 October 2009

Descriptions for each of the above companies are provided in Appendix 3.

The observed beta is a function of the underlying risk of the cash flows of the company, together with the capital structure and tax position of that company. This is described as the levered beta.

The capital structure and tax position of the entities in the table above may not be the same as those of Alakol Basin Licence Block. The levered beta is often adjusted for the effect of the capital structure and tax position. This adjusted beta is referred to as the unlevered beta. The unlevered beta is a reflection of the underlying risk of the pre-financing cash flows of the entity.

Selected beta (β)

In selecting an appropriate beta for the Alakol Basin License Block we have considered the following:

- oil and gas assets have varying risk profiles depending on the stage of development and the certainty of reserves and resources
- there is a wide range of gearing ratios observed for companies with comparable operations to the Alakol Basin License Block. The net debt to EV ratios range from (22%) to 60% with an average of 24%. We have selected a target gearing ratio of 15% for the Alakol Basin License Block, based on the gearing ratios of comparable companies and the long term industry trend
- the average unlevered beta for all comparable companies is 0.9 and the average levered beta is 1.0
- the average unlevered beta for comparable companies with defined 2P reserves is 1.0 and the average levered beta is 1.2
- the average unlevered beta for comparable companies with prospective resource estimates is 0.7 and the average levered beta is 0.8

- the range of unlevered betas for all comparable companies is 0.5 to 1.6
- the Alakol Basin License Block is located in the virtually unexplored eastern area of Kazakhstan, while the operations of the comparable companies are located in the established and proven oil producing region of western Kazakhstan

Accordingly, the unlevered beta we have selected is at the upper end of the observed range of betas for comparable companies. Assuming an unlevered beta of 1.4 to 1.6, a corporate tax rate of 40% and a net debt to enterprise value ratio of 15% gives a levered beta of 1.55 to 1.77.

On this basis we have selected a levered beta of 1.6 to 1.8 for the Alakol Basin License Block.

Sovereign risk premium (α)

Several studies indicate that the risk of investing in an emerging market is higher than investing in an established market. The sovereign risk premium adjusts the cost of equity for the additional risk associated with investing in emerging and less developed markets compared to that of investing in a developed and relatively more stable market. The sovereign risk premium reflects the uncertain business and political environment of emerging markets.

To arrive at a reasonable approximation of the additional return required to compensate for the inherent risk of investing in Kazakhstan, we have had regard to a variety of external evidence including:

- current general macroeconomic and political conditions facing Kazakhstan
- the long term country risk premium can be estimated with reference to the default risk-free rate in the emerging market over the default risk-free rate in a mature market and the relative equity market volatility for the mature market. We have considered the country risk premium attributed to Kazakhstan by Professor Damodaran in the Country Default Spreads and Risk Premiums analysis as at January 2009 using this method.

Accordingly, in estimating the cost of equity for the Alakol Basin License Block we have selected a sovereign risk premium in the range of 3.0% to 4.0% to account for the risks associated with operating in Kazakhstan.

Conclusion on cost of equity

Based on the above factors we arrive at a cost of equity, K_e, as follows:

Table 30: K_e applied to valuation of the Alakol Basin License Block

Input	Low	High
Risk free rate (%)	4.07	4.07
EMRP (%)	6.50	6.50
Beta (levered)	1.60	1.80
Sovereign risk premium (%)	3.00	4.00
K_e – calculated (%)	**17.47**	**19.77**

Source: Deloitte analysis

Cost of debt capital (K_d)

We have estimated the cost of debt for the Alakol Basin License Block with reference to the 30-year US Government bond rate at 7 October 2009 of 4.07%. We have added a premium of between 450 and 550 basis points, having reference to company debt and corporate bond spreads.

Based on this we have selected a pre-tax cost of debt of between 8.6% and 9.6% as a reasonable measure of the cost of debt for the Alakol Basin License Block.

Debt and equity mix

Selecting an appropriate gearing level for valuation purposes requires a subjective judgement having regard to the quality of the cash flows of the business and the nature of the industry.

In selecting the net debt to EV ratio, we have had regard to the gearing levels of companies operating in the oil exploration sector in Kazakhstan as well as the nature, timing and quality of the future cash flows of the Alakol Basin Licence Block.

We have adopted a net debt to EV ratio of 15% for the Alakol Basin License Block.

Calculation of WACC

Based on the above, we have assessed the real post-tax WACC for the Alakol Basin License Block to be:

Table 31: WACC applied to valuation of the Alakol Basin License Block

	Low %	High %
Cost of equity capital	17.5	19.8
Pre-tax cost of debt capital	8.6	9.6
Debt to enterprise value ratio	15.0	15.0
Tax rate	40.0	40.0
WACC (after tax nominal)	**15.6**	**17.7**
WACC (after tax real)[1]	**12.8**	**14.8**
Selected WACC	**13**	**15**

Source: Deloitte analysis

Notes: 1. Based on the Fisher equation, using a long-term US inflation rate of 2.5%

Appendix 3: Comparable companies

Descriptions for each of the comparable companies is provided below.

Companies with 2P reserves

BMB Munai

BMB Munai Inc (BMB Munai) is an exploration and production company focussed on projects in Kazakhstan. BMB Munai is focussed on the Aksaz, Dolinnoe and Emir (ADE), Southeast and Northwest blocks located in the Pre Caspian Basin in western Kazakhstan. These projects are at varying stages of development ranging from exploration to producing assets. The company is listed on the New York Stock Exchange and the Deutsche Bourse.

Victoria Oil and Gas

Victoria Oil and Gas Plc (Victoria Oil and Gas) is a UK incorporated exploration and production company focussing on developing projects in Cameroon, Russia and Kazakhstan. Victoria Oil and Gas' key assets include a 60% interest in the Logbaba exploration project in Cameroon, a 100% interest in the Kemerkol project in western Kazakhstan which is currently suspended from production following a legal dispute and a 100% interest in the West Medvezhye exploration project in Russia. The company is listed on the Alternative Investment Market (AIM) in London.

Tethys Petroleum

Tethys Petroleum Ltd (Tethys Petroleum) is an exploration and production company incorporated in the Cayman Islands focussing on developing projects in Kazakhstan and Tajikstan. Tethys Petroleum is focussed on the producing Kyzloi project and the Kul-Bas and Akkulka exploration projects in the Pre Caspian Basin in western Kazakhstan. The company is listed on the Toronto Stock Exchange and the Kazakhstan Stock Exchange.

Caspian Energy

Caspian Energy Inc (Caspian Energy) is an exploration company incorporated in Canada focussing on developing projects in Kazakhstan. Caspian Energy is focussed on exploration activities in the North Block located in the Pre Caspian Basin in western Kazakhstan. The company is listed on the Toronto Stock Exchange.

Companies with prospective resources

Max Petroleum

Max Petroleum is a UK incorporated exploration company with an initial focus on developing projects in Kazakhstan. Max Petroleum owns a 100% interest in Blocks A&E which are exploration stage assets located in the Pre Caspian Basin and a 100% interest in the Astrakhanskiy Block, an exploration stage asset located on the border of Russia and Kazakhstan. The company is listed on AIM in London.

Petrolinvest

Petrolinvest is an integrated exploration, production and fuel distribution company incorporated in Poland which is focussed on operations in Kazakhstan, Poland and the Komi Republic. The company is listed on the Warsaw Stock Exchange.

ROXI Petroleum

ROXI Petroleum Plc (ROXI Petroleum) is a UK incorporated exploration and production company with an initial focus on projects in Kazakhstan. ROXI Petroleum has interests in five exploration and production stage projects located primarily in the Pre Caspian Basin. The company is listed on the London Stock Exchange.

Jupiter Energy

Jupiter Energy Limited (Jupiter Energy) is an exploration company incorporated in Australia focussing on developing projects in Kazakhstan. Jupiter Energy is focussed on its 100% owned interests in the exploration stage North West Zhetybai and Block 31 projects. The company is listed on the ASX.

Appendix 4: Comparable transactions

Below are the details of recent comparable transactions in Kazakhstan.

Company transactions

Capital Energy

Petrolinvest acquired Capital Energy SA (Capital Energy) on 6 November 2008 for USD126m. Based on media reports, it is estimated Capital Energy had prospective resources of approximately 68 Mmboe at the time of the transaction.

EmbayugNeft

Petrolinvest acquired a 50% interest in EmbayugNeft, the Kazakhstan based oil company on 30 September 2008 for USD71m. Based on media reports, it is estimated EmbayugNeft had prospective resources of approximately 38 Mmboe at the time of the transaction. This transaction increased Petrolinvest's interest in EmbayugNeft to 100%.

Caspian Investments

Mittal Investments SARL (Mittal Investments) acquired a 50% interest in Caspian Investments Resources Ltd (Caspian Investments), the Kazakhstan based oil producer on 23 April 2007 for USD1,140m. Based on media reports, it is estimated Caspian Investments had 1P reserves of approximately 270 Mmboe at the time of the transaction.

Petrokazakhstan

CNPC, the China based exploration and production company acquired Petrokazakhstan, the listed Canadian exploration and production company with operations in Kazakhstan, on 26 October 2005 for USD3,932m. Based on media reports, it is estimated Petrokazakhstan had 2P reserves of 549.8 Mmboe as at 1 January 2005. The transaction was subject to CNPC agreeing to subsequently sell a 33% interest in Petrokazakhstan to Kazmunaigas, the national oil company of Kazakhstan.

Petrokazakhstan

Kazmunaigas acquired a 33% interest in Petrokazakhstan from CNPC on 18 July 2006 for USD1,300m. The transaction was agreed as part of the Kazakhstan Government's approval of CNPC's initial deal to acquire Petrokazakhstan. Based on media reports, it is estimated Petrokazakhstan had 2P reserves of 549.8 Mmboe as at 1 January 2005.

Asset transactions

Kashagan Oil Project

Kazmunaigas acquired an 8.48% interest in the Kashagan Oil Project from project partners Total SA, ENI SpA, ExxonMobil Corporation, Inpex Corporation, ConocoPhillips Company and Royal Dutch Shell. The deal was completed on 31 October 2008 for USD1,780m. Based on statements from the project partners in the Kashagan project, it is estimated the project contains prospective resources of 13,000 Mmboe.

North West Zhetybai oil field

Jupiter Energy acquired the North West Zhetybai oil field in the Mangistau Basin in Kazakhstan on 1 September 2008 for USD17m. Based on company announcements made by Jupiter Energy, the North West Zhetybai oil field was estimated to contain 1P reserves of 4.5 Mmboe at the time of the transaction.

Block 31

Jupiter Energy acquired Block 31, an exploration block in the Mangistau Basin, from Zher Munai LLP on 25 June 2008 for USD10m. On 31 October 2008, as part of the transaction, Jupiter also acquired an extension of Block 31, which is situated in between Block 31 and the North West Zhetybai oil field. Based on company announcements made by Jupiter Energy, Block 31 was estimated to contain prospective resources of approximately 21 Mmboe at the time of the transaction.

Astrakhanskiy licence

Max Petroleum acquired the Astrakhanskiy licence, located on the border of Kazakhstan and Russia, on 12 January 2006 for USD46m. Based on company announcements made by Max Petroleum, the Astrakhanskiy licence was estimated to contain prospective resources of approximately 560 Mmboe at the time of the transaction.

Arman oil field

Nelson Resources Limited (Nelson Resources) the UK based exploration and production company with operations in Kazakhstan acquired a 50% interest in the Arman oil field in Kazakhstan on 30 January 2005 for USD11m. Based on media reports, it is estimated the Arman oil field had 2P reserves of 9.2 Mmboe at the time of the transaction.

Karakuduk oil field

Nelson Resources acquired a 40% interest in the Karakuduk oil field in the Mangistau Basin on 30 January 2005 for USD36m. The transaction increased Nelson's interest in the oil field to an effective 76%, with 36% held indirectly through a 60% holding in Chaparral Resources Inc. Based on media reports, it is estimated the Karakuduk oil field had 2P reserves of 63 Mmboe at the time of the transaction.

Appendix 5: Sources of information

In preparing this report we have had access to the following principal sources of information:

- International Goldfields Notice of Meeting dated 16 October 2009
- Asset Sale Agreement between International Goldfields and NKWE dated 4 October 2009
- Share Sale Agreement between International Goldfields, Eastern Petroleum and the shareholders of Eastern Petroleum entered into on 10 October 2009 and deed of variation entered into on 14 October 2009
- Joint Operating Agreement between NCPL and Remas dated 12 April 2006 and amendment dated 24 February 2007
- Sub Surface Use Contract between the Ministry of Energy and Mineral Resources of the Republic and Kazakhstan and Remas dated 13 June 2005 and amendments dated 19 January 2006 and 26 June 2006
- audited accounts for Eastern Petroleum for the years ended 31 December 2007 and 31 December 2008
- annual reports for International Goldfields for the years ended 30 June 2007 and 30 June 2008
- annual reports for comparable companies
- company websites for Eastern Petroleum, International Goldfields and comparable companies
- publicly available information on comparable companies and market transactions published by Bloomberg Financial markets and Mergermarket
- Deloitte PetroReport Fiscal and Regulatory Guide Kazakhstan June 2009
- Deloitte PetroView database
- Miller and Lents Evaluation of Prospects and Leads Alakol Basin, Kazakhstan dated 1April 2009
- Miller and Lents Competent Person's Report dated 1 July 2008
- RISC Independent Report on Cost Estimates for Notional Development Concepts of Prospects and Leads in East Kazakhstan September 2009
- Economist Intelligence Unit (EIU) Country Report for Australia July 2009
- IBIS industry reports
- International Energy Agency Oil Market Report 11 June 2009
- other publicly available information, company announcements, media releases and brokers reports on Eastern Petroleum, International Goldfields, comparable companies and the oil industry.

We engaged RISC to assess the reasonableness of the operating cost, exploration, development, infrastructure and operating costs adopted by Miller and Lents and to provide assistance researching comparable companies and transactions.

In addition, Deloitte have had discussions and correspondence with certain directors and executives, including Tony Sage and Simon McDonald from International Goldfields and Mark Ashurst from Eastern Petroleum in relation to the above information and to current operations and prospects of Eastern Petroleum and International Goldfields.

Appendix 6: Qualifications, declarations and consents

The report has been prepared at the request of the Directors of International Goldfields and is to be included in the Explanatory Statement accompanying the Notice of Meeting where shareholder approval will be sought for the Proposed Transaction in accordance with item 7 of section 611 and Listing Rules 7.1 and 11.1.2. Accordingly, it has been prepared only for the benefit of the Directors and those persons entitled to receive the Explanatory Statement in their assessment of the Proposed Transaction outlined in the report and should not be used for any other purpose. We are not responsible to you, or anyone else, whether for our negligence or otherwise, if the report is used by any other person for any other purpose. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Transaction. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the APESB.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte has relied upon the completeness of the information provided by International Goldfields and Eastern Petroleum and their officers, employees, agents or advisors which Deloitte believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to International Goldfields management for confirmation of factual accuracy.

In recognition that Deloitte may rely on information provided by International Goldfields and Eastern Petroleum and their officers, employees, agents or advisors, International Goldfields has agreed that it will not make any claim against Deloitte to recover any loss or damage which International Goldfields may suffer as a result of that reliance and that it will indemnify Deloitte against any liability that arises out of either Deloitte's reliance on the information provided by International Goldfields and Eastern Petroleum and their officers, employees, agents or advisors or the failure by International Goldfields and Eastern Petroleum and their officers, employees, agents or advisors to provide Deloitte with any material information relating to the Proposed Transaction.

Deloitte also relies on the Miller and Lents Report. Deloitte has received consent from Miller and Lents for reliance in the preparation of this report.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte's consideration of this information consisted of enquiries of International Goldfields and Eastern Petroleum personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board.

Based on these procedures and enquiries, Deloitte considers that there are reasonable grounds to believe that the prospective financial information for Eastern Petroleum included in this report has been prepared on a reasonable basis. In relation to the prospective financial information, actual results may be different from the prospective financial information of Eastern Petroleum referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte principally involved in the preparation of this report were Stephen Reid, M.App. Fin. Inv., B.Ec, F Fin, CA, Nicki Ivory B.Com (Hons), CA, CFA and AnnMarie Mahony, B.A., M.Acc., CA. Stephen and Nicki are Directors of Deloitte and AnnMarie is a director of Deloitte Touche Tohmatsu. Each have many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Neither Deloitte, Deloitte Touche Tohmatsu, nor any partner or executive or employee thereof has any financial interest in the outcome of the proposed transaction which could be considered to affect our ability to render an unbiased opinion in this report. Deloitte will receive a fee of AUD140,000 exclusive of GST in relation to the preparation of this report. This fee is based upon time spent at our normal hourly rates and is not contingent upon the success or otherwise of the Proposed Transaction.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 240 St Georges Terrace, Perth WA 6000 acknowledges that:

- International Goldfields proposes to issue a Notice of Annual General Meeting in respect of the Proposed Transaction
- the Notice of Annual General Meeting will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Notice of Annual General Meeting for review
- it is named in the Notice of Annual General Meeting as the 'independent expert' and the Notice of Annual General Meeting includes its independent expert's report in Appendix B of the Notice of Annual General Meeting.

On the basis that the Notice of Annual General Meeting is consistent in all material respects with the draft Notice of Annual General Meeting received, Deloitte Corporate Finance Pty Limited consents to it being named in the Notice of Annual General Meeting in the form and context in which it is so named, to the inclusion of its independent expert's report in Appendix B of the Notice of Annual General Meeting and to all references to its independent expert's report in the form and context in which they are included, whether the Notice of Annual General Meeting is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Notice of Annual General Meeting and takes no responsibility for any part of the Notice of Annual General Meeting, other than any references to its name and the independent expert's report as included in Appendix B.

APPENDIX C – NOMINATION OF PROPOSED AUDITOR

International Goldfields Limited
18 Oxford Close
Leederville, Western Australia WA 6007

13 October 2009

Dear Sir

NOTICE OF NOMINATION OF PROPOSED AUDITOR

Mr Tony Sage hereby nominates Ernst & Young of 11 Mounts Bay Road, Perth, Western Australia for appointment as auditor of International Goldfields Limited.

Tony Sage consents to the distribution of a copy of this notice of nomination as an annexure to the Notice of General Meeting and Explanatory Statement for the Annual General Meeting of International Goldfields Limited as required by section 328B(3) of the Corporations Act 2001.

Signed:

Tony Sage