



1 June 2010

NOTICE OF MEETING – SUPPLEMENTARY MATERIAL

On 5 May 2010, Global Iron Limited (the **Company**) despatched a notice of meeting dated 30 April 2010 (**Notice**) to its shareholders in respect of a general meeting to be held on 3 June 2010 (**Meeting**).

The Notice largely relates to the proposed acquisition by the Company of all of the issued capital of African Petroleum Corporation Limited (**Transaction**). In accordance with the requirements under the ASX Listing Rules, the Notice was lodged and reviewed by the ASX Limited and deemed not inconsistent with the ASX Listing Rules. Further, in accordance with the Corporations Act and applicable ASIC Regulatory Guides, the Notice was lodged with the ASIC immediately prior to despatch to shareholders. The ASIC retains a right to review material lodged with them however, there is no legal requirement for the Company to have obtained the approval from the ASIC prior to the despatch of the Notice to shareholders.

Since the date of despatch of the Notice, the ASIC has reviewed the Notice and has required the Company to provide shareholders with additional information, equivalent to prospectus like disclosure, to enable shareholders to have considered significant additional material prior to making a decision on the matters to be resolved at the General Meeting. This is largely driven by the fact that the Company is proposing to change its focus and direction and existing shareholders of the Company will be significantly diluted as a result of the Transaction (to 1.51% if the minimum subscription of \$150 million is raised under the capital raising and 1.35% if the maximum subscription of \$230 million is raised under the capital raising).

We consider it relevant to note however, that since the announcement of the Transaction in early February 2010, the Company's share price increased from 40 cents (closing share price prior to the announcement) to 50 cents (closing share price prior to the Company announcing on 20 May 2010 the ASX decision on the Company's additional submissions) and the capital raising will be conducted at 55 cents per share. You should also note that completion of the acquisition of African Petroleum Corporation Limited (**African Petroleum**) and the capital raising are inter-dependent. If you as a shareholder are not happy with the Company's new direction as a result of the Transaction, you may benefit from the increase in the Company's share price as a result of announcements about the Transaction and sell out at any time prior to the date of the Meeting. The Company's shares will be suspended from trading from the date of the Meeting and will not recommence trading until the Company is listed on the National Stock Exchange or, if the Company is successful in its second appeal (refer ASX Announcement dated 1 June 2010), until it is readmitted to quotation on ASX post completion of the Transaction.

Attached to this letter you will find supplementary material to the Notice together with a revised Independent Expert's Report annexing a technical valuation of the Liberian Project. We draw to shareholders attention that whilst a revised Independent Expert's Report and annexures are provided, the conclusion by the Independent Expert on the acquisition by the Company of all of the issued capital of African Petroleum has remained unchanged, being **NOT FAIR BUT MAY BE CONSIDERED REASONABLE** to the non associated shareholders of the Company.



Notwithstanding the revised Independent Expert's Report, inclusive of the valuation of the Liberian Project annexed to the Independent Expert's Report, the Board still recommends the Transaction because contemporaneously with the Transaction, the Company is proposing to raise up to \$230 million to explore the highly prospective Liberian Project, and if both the capital raising and the exploration program are successful and commercial quantities of hydrocarbons are discovered, shareholders will experience a significant uplift in value. This compares with the Company not completing the Transaction and remaining without a significant project, thereby reverting to a pre-transaction share price. The Board considers that the valuation included in the Independent Expert's Report is a technical valuation reflective of the value of the Liberian Project at the current time and does not recognise the value of the Company following completion of the Transaction, the significant capital raising and the exploration program that will be undertaken with the funds raised by the capital raising.

Please also note that due to the provision of this supplementary material, the meeting has been postponed to:

Date: Wednesday 9 June 2010

Time: 9.00 am WST

Venue: Function Centre, Kalis Bros Fish Market and Cafe, 101 Oxford Street, Leederville, WA.

Shareholders will be given ample opportunity at the Meeting to ask any questions relating to the material contained in the Notice and in the attached supplementary material.

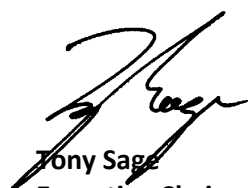
We also attach a new proxy form to allow shareholders that have already lodged a proxy form to revoke that proxy form if they chose to do so. **All proxy forms must be returned to the address detailed on the proxy form by no later than 9.00 am (WST) 7 June 2010.**

Finally, please note that the second appeal for the ASX decision has been set for 8 June 2010.

We encourage shareholders to review the material annexed in conjunction with the Notice and contact the Company if you have any queries about the material.

We look forward to receiving your proxy form or attendance at the Meeting.

Yours faithfully



Tony Sage
Executive Chairman
Global Iron Limited



GLOBAL IRON LIMITED
ABN 87 125 419 730

Supplementary Material to the Notice of Meeting Dated 30 April 2010

The material contained in this document is supplementary to the material contained in the Notice of Meeting issued by Global Iron Limited (**Company**) dated 30 April 2010 (**Notice**) and should be read together with that Notice. Defined terms in this document carry the same meaning attributable to the term in the Notice.

Minimum Subscription under the Capital Raising

As contained in the summary of the Share Sale Agreement, a condition precedent to the completion of the Transaction is the Company raising a minimum of \$130 million and a maximum of \$230 million through the issue of Shares at 55 cents each. The Company has resolved to seek to raise a minimum of \$150 million and a maximum of \$230 million under the prospectus to be issued for the Capital Raising.

Board Structure

The Notice contemplates that, upon completion of the Acquisition, the Board will change so that, *inter alia*, Mr Tony Sage will become Deputy Chairman (and lead independent director) and Mr Frank Timis will be appointed Non-Executive Chairman.

The Company has now resolved that, upon completion of the Acquisition, Mr Tony Sage will become Non-Executive Chairman and Mr Frank Timis will be appointed non-executive director. Other than this change, the structure of the Board upon completion of the Acquisition remains as set out in the Notice.

Dilution of Interest

As set out in various parts of the Notice, the acquisition by the Company of all of the issued capital in African Petroleum will result in a significant dilution to existing Shareholders. Specifically, if:

- (a) the minimum subscription of the Capital Raising is met (being \$150 million), existing Shareholders will be diluted to 1.51%; and
- (b) the maximum subscription of the Capital Raising is met (being \$230 million), existing Shareholders will be diluted to 1.35%.

ASX Appeal status

The Notice details the status of the ASX's unprecedented decision to not relist the Company upon completion of the acquisition of African Petroleum. Since the date of the Notice, the ASX Appeal Tribunal upheld the original ASX Decision but directed that the ASX had erred in failing to take into account additional submissions made by the Company after the ASX Decision to address ASX's concerns (**Appeal Decision**).

As a result of the Appeal Decision, the Company made a further submission to ASX to permit the Company to be relisted on ASX on completion of the acquisition of African Petroleum. The further submission included proposed restrictions on the voting rights of the Shares held by Mr Timis and his associates and confirmed Mr Timis' non executive directorship role with the Company and his lack of involvement in the day to day

operation and management of the Liberian Project. ASX has advised the Company that it affirms the ASX Decision notwithstanding the additional submissions. The Company is appealing this decision to the ASX Appeals Tribunal. No date has yet been set for the appeal.

Use of Funds

Section 1.10 of the Notice contains a table which sets out how the Company proposes to use the funds raised under the Capital Raising (depending on if the minimum or maximum amount is raised).

The amount of the raising (and the resulting dilution to Shareholders) is significant.

By way of clarity, the Company sets out additional material on the use of funds raised pursuant to the Capital Raising in the below table and notes.

Use	Maximum Subscription Funds	Minimum Subscription Funds
3D Seismic on Blocks 8 and 9 ¹	29,000,000	29,000,000
Exploration Well costs ¹	140,000,000 ²	93,000,000 ³
Annual Licence Fees on Blocks 8 and 9 for two years	5,000,000	5,000,000
Additional Licences in Sierra Leone Liberian basin ⁶	30,000,000	10,000,000
Offer expenses	11,800,010	7,785,010
Working Capital, administration expenses and expenses of the Acquisition ^{4,5}	14,199,990	5,214,990
Total	\$230,000,000¹	\$150,000,000

Notes:

- Further details of the Minimum Work Program to be undertaken on the Liberian Project are set out in the summary of the Production Sharing Contracts (PSCs).
- This contemplates drilling up to three exploratory wells at an estimated cost of approximately \$46.5 million (US\$42 million) each.
- This contemplates drilling two exploratory wells at an estimated cost of approximately \$46.5 million (US\$42 million) each.
- This includes the repayment of a loan to an entity associated with Mr Timis for its funding of the working capital requirements of European Hydrocarbons Limited, a wholly owned subsidiary of African Petroleum. This loan is expected to amount to approximately \$2.2 million on completion of the Acquisition.
- This includes the repayment of consultancy fees owing to Mr Sage of \$247,197 pursuant to his Executive Services Agreement with the Company.
- This allocation of funds is in relation to additional licence applications the Company may or may not make in the 2 year period following completion of the Capital Raising.

Accordingly, although the Capital Raising (and resulting dilution to current Shareholders) is significant, the Company considers that the funds are required to meet the minimum

work commitments and exploit the Production Sharing Contracts (PSCs) and seek alternate blocks in the Sierra Leone Liberian basin.

Clarification of Interest in African Petroleum

As summarised in the Notice, the Share Sale Agreement referred to the Company obtaining between 95% and 100% of African Petroleum depending on the number of African Petroleum Shareholders that agreed to the sale of their African Petroleum Shares to the Company. For the avoidance of doubt, 100% of the African Petroleum Shareholders have agreed to sell their African Petroleum Shares to the Company on the terms set out in the Share Sale Agreement. Accordingly, on completion of the Share Sale Agreement, the Company will hold 100% of the African Petroleum Shares on issue.

Removal of References to Oil

The advantage of the Transaction set out in section 1.8(d) of the Notice in relation to the estimate of potential resources from the five leads on Blocks 8 and 9 is deleted (on the basis that it does not provide references to the basis and assumptions for this information as contained in the Technical Report included in Appendix B) and is replaced with the following:

“the Transaction represents a significant opportunity to the Company. The technical report included in Appendix B notes that “these two blocks represent attractive under explored acreage offshore Liberia in an area that is receiving significant industry interest following very large discoveries to the east of Ghana. Given the successful completion of the Acquisition delivers the Liberian Project, exploration success would result in upside to Shareholders.”

Material Contracts Relating to the Liberian Project

Section 1.3 of the Notice contains details of the management of the Liberian Project. One aspect of the management of the Liberian Project is the engagement of Senergy as the project manager. Set out below is additional information in respect of this engagement as well as prospectus like disclosure relating to the material contracts of the Liberian Project.

Shareholders should also note that the Board has received a Liberian Solicitor’s Report which confirms the ownership of the Liberian Project by African Petroleum’s wholly owned subsidiaries.

Accordingly, Shareholders should read the following in light of the description of Senergy contained in Section 1.3 of the Notice and the material contracts included in Section 1.3.

Senergy’s role in respect of the Liberian Project is governed by the agreements it currently has in place with EHL and African Petroleum as summarised below.

Senergy Project Proposal – Geological Investigations & Interpretation

On 5 February 2010, EHL accepted a proposal from Senergy GB Limited (**Senergy**) pursuant to which Senergy agreed to undertake regional geological investigations and interpretation of the geophysical and geological data resulting from the 3D seismic survey of the Liberian Project produced by TGS–NOPEC Geophysical Company ASA

(TGS) (see below for a summary of this contract) (Data Interpretation) (Senergy Proposal #1).

It is anticipated that Senergy's work will start in mid-late July 2010 and last for a period of no less than six months. During this time Senergy will be required to interpret and develop a risked and ranked inventory of leads and prospects which will permit African Petroleum to focus resources on maximising exploration of the Liberian Project. Senergy will also be called on for additional specialised technical support during the course of the project.

It is also envisaged that all technical data required for the execution of the Senergy Proposal #1 will be transferred by EHL to Senergy in advance of the proposed start date on or before mid-end July 2010. EHL is to acquire the relevant data from TGS.

The Senergy Proposal #1 contains the standard chargeable daily rates for each of the individuals involved in the work. Senergy limits its liability in connection with the performance of the Senergy Proposal #1 to £50,000 or the total fees received from EHL, whichever is the lesser sum.

The Senergy Proposal #1 contains a non-solicitation clause pursuant to which EHL undertakes not to make any offer of employment to Senergy consultants assigned to the project for the period of the assignment and for the six months following the assignment.

Senergy Project Proposal – Exploration Drilling Campaign

African Petroleum accepted a proposal from Senergy dated 29 January 2010 pursuant to which Senergy agreed to provide a dedicated Well Engineering & Well Operations/Project Management team to undertake sub-surface exploration work on Liberia Blocks 8 and 9 (Senergy Proposal #2).

The work to be provided under the Senergy Proposal #2 comprises five sequential stages to drill up to three deepwater (up to 1500 metres) exploration wells. The stages are as follows:

- (a) defining the project requirements and project plan including developing a high level project and logistics plan, supply and support vessel strategy and third party services strategy;
- (b) screening of options and selecting concept phase of project including drilling hazards identification, conceptual well design for first well, rig identification and third party identification contracting strategy;
- (c) design and detailed engineering of the project including casing design, drilling fluid program, conceptual designs for second and third wells, drilling program for first well and regulatory and environmental submissions;
- (d) execution of operations including full management of the well operations, management of rig contractor and third party services, well site supervision and planning of second and third wells; and
- (e) close out.

The Senergy Proposal #2 contains a cost estimate of between £3,000,000 and £3,500,000 based on work in connection with two wells.

Senergy limits its liability in connection with the performance of the Senergy Proposal #2 to £50,000 or the total fees received from African Petroleum, whichever is the lesser sum.

The Senergy Proposal #2 contains a non-solicitation clause pursuant to which African Petroleum undertakes not to make any offer of employment to Senergy consultants assigned to the project for the period of the assignment and for the six months following the assignment.

Production Sharing Contracts

The Notice contained a summary of the Production Sharing Contracts (**PSCs**) between EHL and Regal Liberia Limited and the Government of Liberia represented by the National Oil Company of Liberia (**NOCAL**) for the exploration and development of all crude oil and natural gas (**Petroleum**) in each of Blocks 8 and 9. Further information in respect of the PSCs is set out below.

The two PSCs are identical except for the specific Block to which they relate.

In the first exploration period of four years (**First Exploration Period**), the Contractors are required to carry out a 3D seismic survey and drill one exploratory well on each of Block 8 and Block 9 and in so doing are required to invest no less than US\$8,000,000 per Block and drilled to a minimum depth of 2000 meters after deduction of the water depth. At the end of the First Exploration Period, the Contractors are required to surrender 25% of the initial surface of each of Blocks 8 and 9. If the work commitment in the First Exploration Period is completed (as ascertained by the Government of Liberia), the Contractors' exclusive exploration authorisations will be renewed at the Contractors' request for a second exploratory period (**Second Exploration Period**).

Each of the PSCs is currently in its second year of the First Exploration Period.

The Second Exploration Period is for a period of two years during which the Contractors are required to drill a further exploratory well on the remaining surface area of each of Block 8 and Block 9 and invest no less than US\$10,000,000 per Block on completing such work commitment and drilled to a minimum depth of 2000 meters after deduction of the water depth. At the end of the Second Exploration Period, the Contractors are required to surrender 25% of the remaining surface of each of Block 8 and Block 9. If the work commitment in the Second Exploration Period is completed (as ascertained by the Government of Liberia), the Contractors' exclusive exploration authorisations will be renewed at the Contractors' request for a third and final exploratory period (**Third Exploration Period**).

The Third Exploration Period is for a period of two years during which the Contractors are required to drill a further exploratory well on the remaining surface of each of Block 8 and Block 9. The Contractors are required to invest no less than US\$10,000,000 per Block on completing such work commitment and drilled to a minimum depth of 2000 meters after deduction of the water depth. At the end of the Third Exploration Period, the Contractors are required to surrender the whole of the remaining surface of each of Block 8 and Block 9 except as to (i) any area where an exclusive appraisal authorisation has been granted by NOCAL to the Contractors (**Appraisal Authorisation**); and (ii) any part of the remaining surface area in respect of which NOCAL has granted to the Contractors an exclusive exploitation authorisation (**Exploitation Authorisation**).

If, at the end of the Exploration Period an Appraisal Authorisation or Exploitation Authorisation has:

- (a) not been obtained, the PSCs shall terminate; or
- (b) been obtained, surface rentals are payable to NOCAL at the rate of US\$100 per square kilometre per annum.

Appraisal Authorisation and Exploitation Authorisation

On discovering Petroleum, the Contractors are required to notify such discovery to NOCAL within 30 days. If the Contractors wish to carry out appraisal work, they are required to submit for approval to NOCAL, within six months of the date of notification of the discovery of the Petroleum, an appraisal work programme (**Appraisal Work Programme**) along with an estimate of costs. NOCAL shall then grant to the Contractors an Appraisal Authorisation for a period of two years (**Appraisal Period**) from the date of approval of the appraisal work programme and related budget estimate, in respect of the specified area. At the request of the Contractors, notified at least thirty days prior to the expiration of the Appraisal Period, the duration of the Appraisal Period may be extended by a maximum of six months, provided that such extension is justified by the continuation of the drilling and production tests specified in the Appraisal Work Programme. Further extensions of the Appraisal Period may be requested by the Contractors and granted by NOCAL in the event that further work is considered justified by the Contractors in order to establish whether the field corresponding to the Petroleum discovery is commercial.

If, having carried out the appraisal work, the Contractors consider the Field to be commercial, they shall submit to NOCAL an application for an Exploitation Authorisation. The commercial nature of the Field shall be determined by the Contractors, provided that the Contractors submit an economic study to NOCAL at the end of the Appraisal Period and any further extension thereof, demonstrating the commercial nature of the Field or Fields. A Field may be declared commercial by the Contractors if, after taking into account the provisions of the PSCs and the economic study referred to above, the projected income and expenses determined in accordance with good international petroleum industry practice confirm the commercial nature of the Field or Fields.

Environmental Obligations

Under the PSCs, the Contractors have agreed to observe certain environmental standards. These include all international environmental protocols, regulations and rules as may be applicable to prevent pollution and preserve the environment. It is a condition of the PSCs that an environmental impact assessment on Blocks 8 and 9 is carried out on the Contractors' behalf and submitted to NOCAL prior to the commencement of exploration and production.

Pursuant to the terms of the PSCs, EHL undertakes to rectify any pollution, contamination and damage of such water bodies and land surfaces for which EHL is responsible. NOCAL indemnifies and holds harmless EHL from any cost, expense or liability for claims, damages or losses arising out of or related to any environmental pollution or other damage which EHL did not cause including any in existence prior to the effective date of the PSCs.

EHL is in preliminary discussions with a company with suitable qualifications to undertake an environmental impact assessment and other work on Blocks 8 and 9 to comply with the obligations above.

Surface Rentals

The Contractors are required to pay NOCAL the following surface rentals on each of Block 8 and Block 9 per annum:

Exploration Period	Surface Rentals per Annum	Remaining Surface Area
First Exploration Period	US\$30 per square kilometre	100%
Second Exploration Period	US\$50 per square kilometre	75%
Third Exploration Period	US\$75 per square kilometre	50%
Development and Exploitation	US\$100 per square kilometre	-%

Production Sharing

In the event of production of crude oil, the Contractors may take up to 70% of the total production to cover their costs of exploration, appraisal, development, production, transportation and marketing operations and any other operations directly associated with such operations (**Petroleum Operations**). Thereafter, the Contractors are required to remit a percentage of their production (**Remaining Production**) to NOCAL as follows:

Increments of Daily Oil (Barrels per day)	NOCAL's Share	Contractor's Share
0 -100,000	40%	60%
100,001 – 150,000	50%	50%
Over 150,000	60%	40%

Notwithstanding the above, NOCAL grants to EHL and Regal Liberia Limited a tax waiver on its corporate income tax for ten consecutive years from the day of the first commercial production.

In the case of natural gas, NOCAL's share of Remaining Production is fixed at 30%.

The Contractors are required to sell up to a total of 10% of the Remaining Production of crude oil to NOCAL (determined in accordance with the PSCs) at the market price for onward sale in the Liberian market.

Production Sharing Bonuses

In addition to the above, the Contractors are required to pay the following production sharing bonuses to NOCAL:

- (a) a bonus of US\$2,000,000 when total production of crude oil obtained from the Blocks less quantities used for Petroleum Operations first reaches an average rate of 30,000 barrels per day during a period of thirty consecutive days;
- (b) a bonus of US\$3,000,000 when total production of crude oil obtained from the Blocks less quantities used for Petroleum Operations first reaches an average rate of 50,000 barrels per day during a period of thirty consecutive days; and
- (c) a bonus of US\$5,000,000 when total production of crude oil obtained from the Blocks less quantities used for Petroleum Operations reaches an average rate of 100,000 barrels per day during a period of thirty consecutive days.

Other Contributions

The Contractors are required to make an aggregate contribution of US\$500,000 to the Hydrocarbon Development Fund (a fund managed by NOCAL to assist the Liberian Government with energy sustainability) in four equal instalments of US\$125,000 each over the course of the First Exploration Period. They are also required by the PSCs to devote an aggregate annual training budget of US\$100,000 during each year of the Exploration Period, and US\$200,000 during each year of exploitation and development. Finally, the PSCs require the Contractors to make an annual contribution of US\$75,000 to the University of Liberia for the enhancement of programmes in Geology, Mining Engineering and Environmental Studies and an aggregate annual social and welfare contribution of US\$150,000 during each year of the Exploration Period and US\$250,000 during each year of exploitation and development.

The net profits of each of EHL and Regal Liberia Limited in Liberia are liable to Liberian corporation tax at the rate of 30%. However, as detailed above, the Government of Liberia has granted both of the Contractors a waiver on their corporate income tax for ten consecutive years from the day of the first commercial production.

NOCAL shall have the right to terminate the PSCs if the Contractors (i) fail to make any of the required payments under the relevant PSC; (ii) materially fail to comply with their work commitments in the Exploration Period (and in each case such failure is not cured within 90 days after notice by NOCAL of such failure; (iii) seek the protection of or become actively subject to insolvency laws; or (iv) fail to carry out exploration or cease exploration for a period of twelve consecutive months or cease production for a period of twenty four consecutive months (unless in the event of force majeure or is consented to by NOCAL.

Each of the PSCs is governed by Liberian law and once the PSC is issued, no further registration or application for title is required.

Outlined below is a summary of obligations in respect of each period within the Exploration Period, minimum expenditure and mandatory relinquishment in respect of each of Blocks 8 and 9:

Exploration Period	Commencement Date	Expiration Date	Period in Years	Minimum Work Commitment	Mandatory Relinquishment
1	23/06/2008	23/06/2012	4	1500km ² 3D seismic, 1 well	25%
2	23/06/2012	23/06/2014	2	Drill 1 Exploratory well	25%
3	23/06/2014	23/06/2016	2	Drill 1 exploratory well	100%

Notes:

1. Drilling exploration is contingent on the success of the seismic program in defining drill targets.

2. Each exploration well must be drilled to a minimum 2,000 metres after deducting water depth.
3. At the end of the Third Exploration Period, the remaining area of the blocks must be relinquished other than areas of petroleum discovery, the subject of appraisal or exploitation authorisations.

Master Licence Agreement for Geophysical Services

EHL has engaged TGS-NOPEC Geophysical Company ASA (**TGS**), a Norwegian company which provides geophysical and geological data and services to oil and gas exploration companies, to conduct a 3D seismic survey of the Liberian Project.

Any geophysical and geological data resulting from the 3D seismic survey of the Liberian Project produced by TGS (**Data**) shall belong to TGS or that TGS shall be the duly authorised agent of the Data.

On 7 October 2009, EHL entered into a licence agreement with TGS (**Master Licence Agreement**) pursuant to which TGS granted EHL a non-exclusive licence to access the Data and generate its own displays, interpretations of the Data generated by TGS (**Interpretations**) and processings of the Data (**Derivatives**) (together, the **Seismic Material**) (**Licence**).

The amount of the Licence fee to be paid by EHL for the Data and Interpretations shall be calculated in accordance with the then current price and discount schedule (**Licence Fee**). In addition to the Licence Fee EHL must pay TGS for all reproduction charges in relation to the Data and applicable taxes.

Pursuant to the Licence, EHL agrees to keep confidential and to take appropriate steps to ensure that its employees and agents keep strictly confidential, the Data, Interpretations and Derivatives provided under the Licence.

The Licence permits, related entities of EHL to use the Seismic Material provided that EHL identifies such related entities to TGS and agrees to be fully bound by the terms of the Licence. EHL will require the prior written consent of TGS for the Company to use the Seismic Material following completion of the Acquisition.

The Licence provides that the Licence will terminate upon EHL's transfer of the Data to another entity. However, TGS will consent to a transfer of the Licence by EHL if the following conditions are satisfied:

- (a) EHL transfers ownership or control of its equity interest or assets or substantially all of its petroleum exploration and development assets to a single acquiror;
- (b) the transferee agrees to be bound by the terms of the Licence or agrees to enter into its own Master Licence Agreement with TGS; and
- (c) the transferee pays 20% of the undiscounted list price of the Seismic Material licensed to EHL; or
- (d) the transferee agreed to license additional the Material from TGS in an amount equal to 50% of the undiscounted list price.

The Licence will also terminate in the following circumstances:

- (e) immediately if any terms of the Licence relating to ownership, use or transfer are breached;
- (f) upon 10 day's written notice if any other terms of the Licence (other than ownership, use or transfer) are breached and the breach is not remedied within 10 days of the notice;
- (g) upon 10 day's notice by one party to the other provided payment obligations under the Licence are satisfied;
- (h) immediately if the licensee (EHL) becomes insolvent, fails to pay or admits in writing its inability to pay its debts as they fall due, acquiesces in the appointment of a liquidator, receiver over all or a substantial part of its assets or seeks an order for dissolution, winding up, liquidation or reorganisation; and
- (i) if, without the consent of TGS, a receiver or liquidator is appointed over all or a substantial part of EHL's assets, or a proceeding for winding up etc instituted against EHL which shall remain undischarged for 60 days.

The Licence Agreement is governed by Norwegian law.

Supplementary Agreement with TGS

EHL has entered into a supplementary agreement with TGS pursuant to which EHL has agreed to take a licence of 5050 square kilometres of Data to be acquired and processed over Block 8 and Block 9 (**Supplementary Agreement**).

The Supplementary Agreement refers to the Master Licence Agreement (as summarised above). The anticipated fees payable to TGS during the course of the Supplementary Agreement total US\$25,750,000 (**Data Fee**).

The Data Fee is payable as follows:

- (a) US\$2,500,000 to be paid within 15 days of the acquisition of the applicable Data;
- (b) US\$22,000,000 to be paid on a pro-rata basis as the Data is recorded; and
- (c) US\$1,250,000 to be paid upon completion of Data processing,

(together, the **TGS Data Fees**).

US\$2,500,000 of the TGS Data Fees have been paid to date. At completion of the Acquisition, it is estimated that the fees payable to TGS for services on the Liberian Project will amount to approximately US\$22,000,000 (**Estimated TGS Data Fees**). TGS has agreed to defer payment of the Estimated TGS Data Fees until completion of the Acquisition.

Safeguard Management Limited (an entity associated with Mr Frank Timis) (**Safeguard**) has provided a guarantee to TGS in respect of fees incurred by EHL owing to TGS.

The Supplementary Agreement also provides that if at any time EHL enters into a farm-in agreement with a third party in respect of Block 8 or Block 9, TGS shall receive a fee equal to US\$2,000 per square kilometre of the Data in Block 8 or Block 9 (**Farm-in Fee**).

By letter agreement dated 3 February 2010, TGS waived any Farm-in Fee payable on completion of the Acquisition.

General Consulting Agreement - Mano River Consulting Services Limited

On 15 December 2009, African Petroleum entered into an agreement with Mano River Consultancy Limited (**Mano**) (**Mano Consulting Agreement**) pursuant to which Mano agreed to provide the following services at African Petroleum's office in Sierra Leone:

- (a) geological and geophysical evaluation of potential new offshore blocks in Benin, Gambia, Ghana, Guinea, Liberia, Sierra Leone and Togo;
- (b) identification of new exploration opportunities including acquiring and reviewing technical, financial and contractual data and liaising with ministries and exploration companies;
- (c) analysing of all contractual fiscal terms and incorporate exploration production capex/costs to develop an economic model;
- (d) provision of input for development planning from technical, fiscal and operational sources;
- (e) provision of in-country legal advice on technical, contractual and fiscal matters;
- (f) provision and/or co-ordination of environmental and social impact assessments; and
- (g) general services for operations including providing and managing personnel, local offices and transportation,

(together, the **Mano Services**).

In consideration for the provision of the Mano Services, African Petroleum will pay Mano:

- (a) US\$1 million upon application and qualification of the tendering for Block 3 Liberia;
- (b) US\$1 million upon the successful approval and signing of a petroleum licence agreement for Block 3 Liberia;
- (c) US\$2 million upon ratification by the Liberian Parliament of the award to the Company of Block 3 Liberia; and
- (d) US\$1 million upon ratification by the appropriate country parliament of an award to African Petroleum of a petroleum licence in either Sierra Leone, Ghana, Guinea, or Liberia (other than Block 3 Liberia).

The Mano Consulting Agreement can be terminated by either party giving two months notice and is governed by the law of England. Mano cannot assign the Mano Consulting Agreement without African Petroleum's consent.

Consultancy Agreement with Dr Berend van Hoorn

On 26 February 2008, EHL and Dr Berend van Hoorn entered into a Confidentiality, Non-disclosure and Consultancy Agreement (**BVH Consultancy Agreement**).

The BVH Consultancy Agreement provides that Dr van Hoorn will provide services to EHL including the review of existing data on the Liberian Project, scanning Data for potential deep water turbidites and the provision of summary recommendations to EHL following such review and scanning (**Consultancy Services**).

Pursuant to the terms of the agreement, Dr van Hoorn must not disclose information in relation to the Librarian Project provided to him in undertaking the Consultancy Services. Upon termination of the agreement between the parties all confidential information must be returned to EHL.

While the BVH Consultancy Agreement does not set out the specific terms of the consultancy arrangement between EHL and Dr van Hoorn, it does provide that EHL will pay Dr van Hoorn a daily rate of €800 and a daily rate for travelling and standby of €400 for the provision of the Consultancy Services.

The BVH Consultancy Agreement is governed by the law of England.

The BVH Consultancy Agreement does not constitute or imply a commitment or binding obligation between the parties. While no further agreement has been entered into between EHL and Dr van Hoorn, the parties are currently in discussions in relation to the terms and conditions of a binding agreement.

Risks

Section 1.11 of the Notice contains a summary of the key risks that the Board considers applies to the Acquisition. In addition to those risks, the following is particularly relevant to Shareholders when considering whether to pass the Resolutions contained in the Notice.

Early Stage Project

As noted in the Independent Technical Report annexed to this Supplementary Notice (and annexed to the Notice), Blocks 8 and 9 offshore Liberia are located in an attractive but largely unexplored section of the West African deep water margin, no wells have been drilled so far by African Petroleum within the blocks and only a wide spaced grid of seismic data over the blocks has been prepared and therefore the mapping and identification of potential prospects is still at a very early stage. Accordingly, as the Liberian Project is at a very early stage, there is a risk that planned exploration programs may be unsuccessful and may not discover commercial quantities of hydrocarbons. Please refer to the Independent Technical Report annexure to this Supplementary Notice for further details.

Independent Expert's Report and Competent Person's Report

The ASIC has required the Company to seek a valuation of the Liberian Project which the Independent Expert commenting on the fairness and reasonableness of the Acquisition takes into account in its report. Attached to this Supplementary Notice is a revised Independent Expert's Report and annexures (including a valuation of the Liberian Project) which Shareholders should read carefully. Shareholders should note

that whilst a new report and a valuation has been obtained at the request of the ASIC, it has not altered the Independent Expert's view that the Acquisition is **NOT FAIR BUT MAY BE CONSIDERED REASONABLE** to the non associated shareholders of the Company.

Enquiries

Shareholders may contact the Company Secretary on (+61 8) 9380 9555 if they have any queries in respect of the matters set out in this Supplementary Notice.

Yours faithfully

Tony Sage
Executive Chairman
Global Iron Limited

PROXY FORM

**APPOINTMENT OF PROXY
GLOBAL IRON LIMITED
ABN 87 125 419 730
GENERAL MEETING**

I/We

of

being a member of Global Iron Limited entitled to attend and vote at the General Meeting, hereby

Appoint

Name of proxy

OR the Chair of the General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, as the proxy sees fit, at the General Meeting to be held at 9.00 am (WST), on 9 June 2010 at the Function Centre, Kailis Bros Fish Market and Café, 101 Oxford Street, Leederville, WA 6007 and at any adjournment thereof.

If no directions are given, the Chair will vote in favour of all the Resolutions.

If the Chair of the General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 1 to 6** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 1 to 6 and that votes cast by the Chair of the General Meeting for Resolutions 1 to 6 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 1 to 6 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 1 to 6.

OR

Voting on Business of the General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Delisting from ASX	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Acquisition of African Petroleum Corporation Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Change of name of Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Adoption of New Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not to be counted in computing the required majority on a poll.

Signature of Member(s):

Date:

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____

Contact Ph (daytime): _____

Instructions for Completing 'Appointment of Proxy' Form

1. **(Appointing a Proxy):** A member entitled to attend and vote at a General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.
2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) by post to Global Iron Limited, PO Box 144 West Perth WA 6872; or
 - (b) by facsimile to Global Iron Limited on facsimile number +61 8 9382 1411,so that it is received not later than 9.00 am (WST) on 7 June 2010.

Proxy forms received later than this time will be invalid.

27 May 2010

The Directors
Global Iron Limited
Level 1
18 Oxford Close
LEEDERVILLE WA 6007

Dear Sirs

Re: GLOBAL IRON LIMITED (ABN 87 125 419 730) ON THE PROPOSAL TO ACQUIRE PETROLEUM ASSETS BY ACQUIRING 100% OF THE ISSUED CAPITAL OF AFRICAN PETROLEUM CORPORATION LTD. SHAREHOLDERS MEETING PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT 2001 ("TCA") AND AUSTRALIAN SECURITIES EXCHANGE ("ASX") LISTING RULE 10.1

1. Introduction

- 1.1 We have been requested by the Directors of Global Iron Limited ("Global Iron" or "the Company") to prepare an updated Independent Expert's Report to determine the fairness and reasonableness relating to the proposal whereby Global Iron will issue 906,250,050 shares in consideration for the acquisition of 100% of the issued capital of African Petroleum Corporation Limited ("APC"). APC through its effective 100% owned subsidiaries European Hydrocarbons Limited ("EHL-UK") and Regal Liberia Limited ("Regal Liberia") (both incorporated in the United Kingdom) has interests in two petroleum blocks ("Petroleum Assets") in Liberia, West Africa as noted below and in Resolution 2 in the Notice of General Meeting of Shareholders ("the Notice") and Explanatory Statement to Shareholders ("Explanatory Statement") of Global Iron dated 30 April 2010. For the purposes of this report APC, EHL-UK, Regal and other subsidiaries of APC are referred to as the APC Group. In April 2010, a report was issued by us on the fairness and reasonableness of the proposal and we had concluded that the proposals were not fair but were considered reasonable. This report is in effect an update of the April 2010 report but we have now obtained and considered an independent valuation obtained on the Petroleum Assets by RISC Pty Ltd ("RISC") which is attached as Appendix C to this report. **We have concluded that the proposed transaction is not fair but may, on balance be considered reasonable to the non-associated shareholders of Global Iron.**
- 1.2 In terms of a Share Sale Agreement ("SSA") entered into by Global Iron and APC in February 2010 it is proposed that Global Iron will acquire 100% of the shares in APC, an unlisted public company incorporated in the Cayman Islands that as at 20 May 2010 has 32 shareholders, including a shareholding under the control of Frank Timis, being Sarella Investments Limited ("Sarella").

The only significant Petroleum Assets that the APC Group has an interest in are located in Liberia, West Africa. The National Oil Company of Liberia has granted APC's subsidiaries EHL-UK and Regal Liberia (a wholly owned subsidiary of EHL-UK) an exclusive exploration right pursuant to Production Sharing Contracts ("PSC's") on offshore Liberia Blocks 8 and 9. EHL-UK has a 75% interest and Regal Liberia has a 25% interest in the 2 Blocks.

Further details on the Petroleum Assets owned by the APC Group are referred to in the report titled "A Resource Evaluation of Offshore Liberia Blocks 8 and 9" ("Resource Evaluation Report") of IHS (Global) Limited ("IHS") as referred to in paragraph 1.12 below and attached as Appendix B. The Resource Evaluation Report is an update of the Resource Evaluation Report initially included as an appendix to the 30 April 2010 Notice of Meeting and Explanatory Statement. In addition, a valuation on the Petroleum Assets has been obtained as noted above and in paragraph 1.12 below.

For the purpose of this report the acquisition of all of the shares in APC to take Global Iron's shareholding interest in APC to 100% (currently nil) is known as the APC Acquisition.

It is proposed that Global Iron will acquire all of the issued share capital of APC from the APC Shareholders for the consideration of 906,250,050 shares in Global Iron ("Purchaser Shares"). Conditional (amongst others) to the APC Acquisition is a minimum capital raising (Capital Raising) by Global Iron of \$130,000,000 (before capital raising costs) at 55 cents per share. However, the Global Iron Board resolved to raise a minimum of \$150,000,000 pursuant to a prospectus and thus prior to the issue of the Purchaser Shares to the APC Shareholders, a further minimum of 272,727,273 shares will have been issued by Global Iron so that immediately prior to the issue of the Purchaser Shares, there will be 290,852,275 Global Iron shares on issue. The maximum amount to be raised from the Capital Raising is \$230,000,000 (before capital raising costs) (at 55 cents per share) and if the maximum amount is raised, a further 418,181,818 shares will be issued so that immediately prior to the issue of the Purchaser Shares, there will be 436,306,820 Global Iron shares on issue. By acquiring all of the shares in APC, the APC Shareholders collectively will increase their shareholding interest in Global Iron from approximately 11.03% (pre the Capital Raising and pre the APC Acquisition as Mr Tony Sage, a director of Global Iron and a shareholder of APC already owns 1,998,383 shares in Global Iron) to approximately 75.87% of Global Iron (75.70% before taking into account the existing 1,988,383 Global Iron shares held in the name of Tony Sage) on the basis of a minimum Capital Raising to raise a gross \$150,000,000. The APC Shareholders collectively will increase their shareholding interest in Global Iron from approximately 11.03% (pre the Capital Raising and pre the APC Acquisition) to approximately 67.65% of Global Iron (67.50% before taking into account the existing 1,998,383 shares held in the name of Tony Sage) in the event that the maximum Capital Raising of \$230,000,000 is raised. The major shareholder of APC being Sarella will increase its shareholding in Global Iron from nil% (pre the APC Acquisition) to approximately 52.70% (630,816,987 shares in Global Iron) if the minimum Capital Raising of \$150,000,000 is achieved and approximately 46.99% if the maximum Capital Raising of \$230,000,000 is achieved. From an accounting perspective, the issue of Purchaser Shares to the APC Shareholders is in effect a reverse acquisition of Global Iron as the existing Global Iron shareholders' interest in Global Iron post the Capital Raising and the APC Acquisition will be reduced to approximately 1.51% (1.35% excluding the interests of Tony Sage) assuming the minimum Capital Raising and approximately 1.35% (1.20% excluding the interests of Tony Sage) assuming the maximum Capital Raising. The new shareholders from the Capital Raising will hold 272,727,273 shares (approximately 22.78%) if the minimum Capital Raising is achieved and 418,181,818 shares (approximately 31.15%) if the maximum funds are raised from the Capital Raising.

- 1.3 There are five other Resolutions being put to the shareholders. Resolution 1 seeks approval from shareholders to delist the Company from ASX (in the event the Company's Appeal against the ASX Decision is unsuccessful) (refer paragraphs 1.8 and 1.9 below) and to apply to list the Company on the National Stock Exchange ("NSX"). Resolution 3 relates to the seeking of approval to issue shares pursuant to the Capital Raising (a maximum number of shares being 418,181,818 shares at 55 cents each to raise up to a gross \$230,000,000), Resolution 4 relates to the change of name of the Company to African Petroleum Corporation Limited, Resolution 5 relates to the issue of share options to the Broker associated with the Capital Raising and Resolution 6 relates to the adoption of a new constitution. We are not reporting on the merits or otherwise of Resolution 1 and Resolutions 3 to 6 but do note that the passing of Resolution 3 (to raise up to a gross \$230,000,000) is a condition precedent of the APC Acquisition and Resolution 2 cannot be looked at in isolation.

- 1.4 Under Section 606 of The Corporations Act ("TCA"), a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons 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%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company approved by Resolution passed at a general meeting at which no votes were cast in favour of the Resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

If the APC Acquisition proceeds and is completed, the APC Shareholders collectively will initially own between approximately 67.65% and 75.87% of the expanded issued capital of Global Iron (and the interests of Sarella will be between approximately 46.99% and 52.70% of the expanded ordinary issued capital of Global Iron) depending on whether the maximum or minimum funds are raised from the Capital Raising. These percentages assume no existing share options are exercised into shares in Global Iron. We have been advised that the APC Shareholders do not consider themselves associated with each other as that term is defined under the TCA. For the purposes of this report only, we have quantified the total voting power of the APC Shareholders post the APC Acquisition in order to identify that the corresponding voting power of the current Global Iron shareholders post the APC Acquisition and Capital Raising (excluding Tony Sage) that may be between 1.20% and 1.35% of the total voting power in respect of the Company post the Capital Raising and APC Acquisition.

- 1.5 A notice prepared in relation to a meeting of shareholders convened for the purposes of Section 611 (Item 7) of TCA must be accompanied by an Independent Expert's Report stating whether the APC Acquisition noted under Resolution 2 is fair and reasonable and in particular whether it is fair and reasonable to issue 906,250,050 Purchaser Shares to the APC Shareholders (that includes 630,816,987 Purchaser Shares to Sarella). To assist shareholders in making a decision on the APC Acquisition, the directors have requested that Stantons International Securities prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the APC Acquisition is fair and reasonable to the non-associated shareholders of Global Iron (not associated with all of the APC Shareholders and in particular, Sarella).
- 1.6 Listing Rule 10.1 of the ASX Listing Rules provides that shareholder approval is required before a listed company may acquire or dispose of a substantial asset to a related party or substantial shareholder where the substantial shareholder and the substantial shareholder's associates have a relevant interest (or had a relevant interest at any time in the 6 months before the relevant transaction) in at least 10% of the total votes attached to the voting securities. An asset is substantial for the purposes of ASX Listing Rule 10.1 if its value or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the Listing Rules. For the purposes of ASX Listing Rule 10.1, Tony Sage is considered to be a substantial shareholder in the Company as he holds approximately 11.03% of the Company's issued capital. In addition, he is a related party of Global Iron by virtue of being a Director of Global Iron. The issue of the Purchaser Shares would exceed 5% of the Global Iron's equity interests as set out in the latest financial accounts given to ASX under the Listing Rules. Global Iron therefore requires shareholder approval under ASX Listing Rule 10.1 to issue 2,218,500 Purchaser Shares to Tony Sage under the APC Acquisition.

As noted above it is proposed that Global Iron will acquire all of the share capital of APC from the APC Shareholders for the consideration of 906,250,050 Purchaser Shares. Tony Sage holds 1,000,000 shares in APC and thus he will be issued 2,218,500 Purchaser Shares in Global Iron to take his shareholding interest in Global Iron to 4,216,883 shares representing approximately between approximately 0.35% and 0.31% of the expanded issued capital of Global Iron post the Capital Raising and the APC Acquisition.

- 1.7 A notice prepared in relation to a meeting of shareholders convened for the purposes of ASX Listing Rules 10.1 must be accompanied by an Independent Expert's Report stating whether the issue of 2,218,500 Purchaser Shares to Tony Sage as noted under Resolution 2 is fair and reasonable. To assist shareholders in making a decision the directors have requested that Stantons International Securities prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the issue of 2,218,500 Purchaser Shares to Tony Sage as part of the APC Acquisition is fair and reasonable to the non-associated shareholders of Global Iron (not associated with Tony Sage).
- 1.8 On 9 February 2010, the Company announced that it had entered into a Share Sale Agreement with the shareholders of APC. On 26 March 2010, the ASX advised the Company that in the event shareholders approved the APC Acquisition and the APC Acquisition completed, the Company would not be admitted to admission and quotation on the ASX. The basis for the ASX Decision, as advised to the Company, stemmed from ASX's concern over the influence that Mr Frank Timis, as a substantial shareholder (via Sarella) and director will have on the Company's ability to comply with its continuous disclosure obligations following completion of the APC Acquisition. The Company appealed the ASX Decision which was heard on 30 April 2010. The ASX Appeal Tribunal upheld the ASX Decision but directed that the ASX had erred in failing to take into account additional submissions made by the Company after the ASX Decision to address ASX's concerns ("Appeal Decision"). As a result of the Appeal Decision, the Company made a submission to ASX which included the additional submissions in respect of re quoting the Company post completion of the Acquisition. On 19 May 2010, ASX advised the Company that it had considered the additional submissions but affirmed its earlier decision. The Company is appealing this latest decision by ASX ("19 May Decision"). The Company's Notice of Meeting dated 30 April 2010 seeks shareholder approval to delist the Company from ASX in the event its appeal against the ASX decision is not successful. If the Company is not successful in its appeal of the 19 May Decision and shareholders pass the resolutions at the General Meeting and NSX conditionally approves the Company to admission, the Board may seek to delist the Company from ASX. In any event, the shares offered pursuant to the Capital Raising and the Purchaser Shares to be issued pursuant to the SSA will not be quoted on ASX.
- 1.9 Apart from this introduction, this report considers the following:
- Summary of opinion
 - Implications of the proposals
 - Corporate history and nature of business of Global Iron and APC
 - Future direction of Global Iron
 - Basis of valuation of Global Iron shares
 - Value of consideration
 - Basis of valuation of APC
 - Conclusion as to fairness
 - Reasonableness of the offer
 - Conclusion as to reasonableness
 - Sources of information
 - Appendices A, B and C and Financial Services Guide
- 1.10 In determining the fairness and reasonableness of the acquisition of 100% of the shares of APC whose Petroleum Assets are interests in two Liberian Petroleum Blocks (held by APC's subsidiaries, EHL-UK and Regal Liberia), we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair. An offer may also be

reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer. Although in this case the proposed acquisition of APC is not a takeover offer, we have considered the general principals noted above to determine our opinions on fairness and reasonableness.

- 1.11 **In our opinion, taking into account the factors noted in this report, the proposals as outlined in paragraph 1.2 and Resolution 2 may on balance be considered to be not fair. After taking into account the factors referred to in 9 below and elsewhere in this report, we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages and thus the proposed APC Acquisition as noted in paragraph 1.2 and Resolution 2 in the Notice may be considered, on balance, to be reasonable to the existing non-associated shareholders of Global Iron.**

The valuation of petroleum block interests and the valuation of future profitability and cash flows are extremely subjective as they involve assumptions regarding future events that are not capable of independent substantiation.

- 1.12 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the 30 November 2009 Resource Evaluation Report on the Petroleum Assets owned by the APC Group prepared by IHS (Global) Limited ("IHS") and the letter from IHS addressed to Global Iron, Stantons International Securities and EHL-UK of 21 May 2010, copies of which are attached as Appendix B to this report. It is considered that the Resource Evaluation Report is still appropriate at the date of this report. The opinions expressed above must also be read in conjunction with the more detailed analysis and comments made in this report, including the 26 May 2010 Independent Technical Valuation Report ("RISC Valuation Report") on the Petroleum Assets prepared by RISC (Joe Salomon is the principal author) a copy of which is attached as Appendix C to this report.

2. Implications of the Proposals

- 2.1 As at 26 May 2010, there were 18,125,002 ordinary fully paid shares on issue in Global Iron. The top 20 shareholders list as at 25 May 2010 discloses the following:

Shareholder	No. of fully paid shares	% of issued fully paid shares
Cape Lambert Resources Limited	3,553,080	19.60
Mr Antony Paul Sage (Tony Sage)	1,880,825	10.38
Mr Christopher Eric Barnes	1,785,806	9.85
Doull Consolidated Limited	1,550,000	8.55
	<u>8,769,711</u>	<u>47.74</u>

The top 20 shareholders as per the top 20 shareholders list at 25 May 2010 owned approximately 68.82% of the ordinary issued capital of the Company. Mr Tony Sage is in control of 1,998,383 shares.

- 2.2 In addition, Global Iron has on issue as at 25 May 2010, 12,500,000 share options, exercisable at 20 cents each, on or before 31 July 2010. Each of the Global Iron share options may convert into one Global Iron ordinary share provided that the share option holder exercises their right on or by the expiry date. The Brokers to the Capital Raising will as part of the non cash capital raising costs receive between 8,181,818 Broker Share Options and 12,545,455 Broker Share Options depending on the amount raised pursuant to the Capital Raising (payment by way of share options representing 3% of the shares issued under the Capital Raising). Such Broker Share Options will be exercisable at 55 cents each within three years from issue date (expected issue date to be June 2010).
- 2.3 If the APC Acquisition is completed, the collective shareholding of the APC Shareholders would approximate between 67.65% and 75.87% (depending on the Capital Raising amount) and Sarella will increase its ordinary shareholding interest in Global Iron from nil to 630,816,987 ordinary shares representing an interest of between approximately 46.99%

and 52.70% interest in the expanded capital of the Company (before the exercise of any share options).

The movement in the issued capital of the Company will either be:

	Minimum Number
Shares on issue at 25 May 2010	18,125,002
Issue of Capital Raising Shares to raise \$150 million	<u>272,727,273</u>
Shares on issue immediately before the issue of the Purchaser Shares	290,852,275
Issue of Purchaser Shares to the APC Shareholders	<u>906,250,050</u>
Shares on Issue post the APC Acquisition	1,197,102,325
Potential issue of further shares	
Exercise of the existing 20 cent share options	12,500,000
Exercise of Broker Share Options	<u>8,181,818</u>
Potential shares on issue	<u>1,217,784,143</u>
	Maximum Number
Shares on issue at 25 May 2010	18,125,002
Issue of Capital Raising Shares to raise \$230 million	<u>418,181,818</u>
Shares on issue immediately before the issue of the Purchaser Shares	436,306,820
Issue of Purchaser Shares to the APC Shareholders	<u>906,250,050</u>
Shares on Issue post the APC Acquisition	1,342,556,870
Potential issue of further shares	
Exercise of the existing 20 cent share options	12,500,000
Exercise of Broker Share Options	<u>12,545,455</u>
Potential shares on issue	<u>1,367,602,325</u>

- 2.4 The current Board of Directors is expected to change in the near future as a result of the APC Acquisition. It is proposed that two of the existing directors Messrs Tim Turner and Tony Sage will remain on the Board. It is proposed that six new Board members will be appointed, all of whom are overseas residents. The proposed directors are Frank Timis, Mark Ashurst, Karl Thompson, Gibril Bangura, Anthony Wilson and Alan Watling. The new appointments will become effective on completion of the APC Acquisition.
- 2.5 APC will become a legally wholly owned subsidiary of Global Iron (along with APC's subsidiaries as noted below). As the APC Shareholders collectively will, in effect, control Global Iron (post the APC Acquisition) the APC Acquisition will be accounted for under the International Financial Reporting Standards ("IFRS") applicable to reverse acquisition accounting.
- 2.6 The Company will raise a minimum of \$150,000,000 (at 55 cents per share) and a maximum of \$230,000,000 (at 55 cents per share) before capital raising costs. The net funds will be used to explore and evaluate offshore Liberia Blocks 8 and 9.

3. Corporate History and Nature of Business

Global Iron

3.1 Principal Activities and Significant Assets

Global Iron is an ASX listed mineral exploration and evaluation company. The primary mineral commodity comprises iron ore. Its most significant assets are as follows:

- **Evanston Project** – Evanston Project Iron Ore Rights Deed with Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs"). Cliffs had agreed to spend \$1,000,000 within 3 years from 2 February 2007 to explore for mine iron ore on six tenements that form part of the Evanston Project to enable Cliffs to earn a 100% interest in the iron ore rights. As at 2 February 2010, Cliffs had met the expenditure commitment and the Company's interest in the iron ore rights has been replaced by a royalty of 1.5% of the average per tonne value of the iron ore product transported from the six tenements, the subject of the iron ore rights.

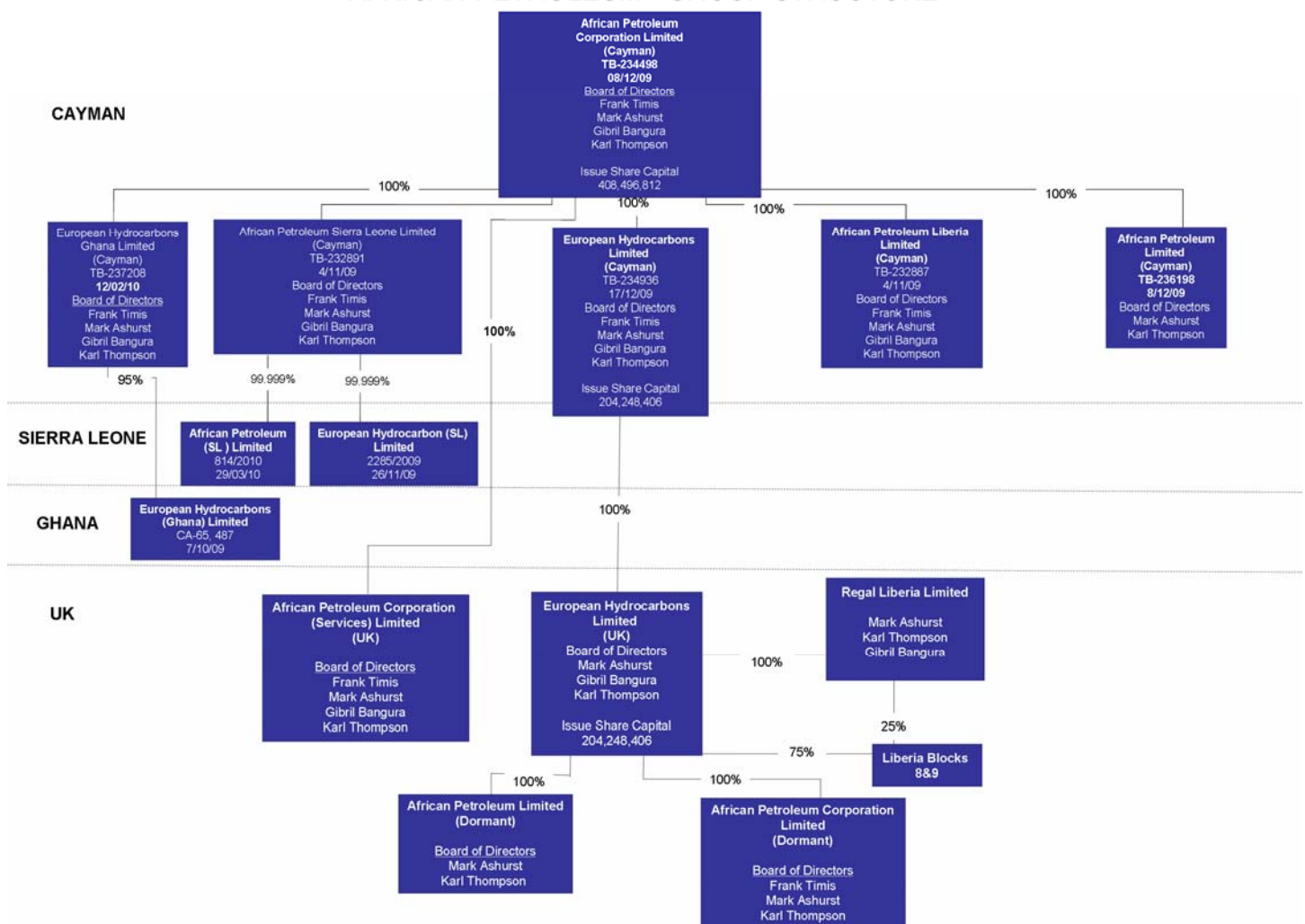
In addition, the Company has iron ore rights on British Hill tenements, Clampton tenements, Evanston tenements, Mt McMahon, Mt Ida, Bali Hi and Jackson – all in Western Australia.

- **Cash at bank** at 31 March 2010 of approximately \$942,000 which is reducing at the rate of approximately \$176,000 per quarter; and
- **Iron Ore Rights** on British Hill tenements, Clampton tenements, Evanston tenements, Mt McMahon, Mt Ida, Bali Hi and Jackson – located in Western Australia.

APC

3.2 APC is incorporated in the Cayman Islands as a non listed public company. Its shareholders are as listed in section 2.6 of the Explanatory Statement attached to the Notice. The subsidiaries are disclosed in the diagram as noted below:

AFRICAN PETROLEUM - GROUP STRUCTURE



3.3 A summary on APC and its assets are noted in section 1.2 of this report, and we refer to the Resource Evaluation Report by IHS, the RISC Valuation Report (on the APC Group's Petroleum Assets) and the Explanatory Statement for more detailed information on APC and its assets.

3.4 A summary unaudited balance sheet (statement of financial position) of the APC Group as at 31 March 2010 is noted elsewhere in this report.

4. Future Directions of Global Iron

4.1 We have been advised by the directors and management of Global Iron that:

- There are no proposals currently contemplated either whereby Global Iron will acquire any further properties or assets from APC (however Global Iron will issue ordinary shares to APC as outlined above in relation to the APC Acquisition) or where Global Iron will transfer any of its property or assets to APC;
- The composition of the Board will change in the short term as noted above;
- The Company will raise a minimum \$150,000,000 (maximum \$230,000,000) proposed to be raised via the Capital Raising pursuant to a prospectus to be lodged with ASIC in due course;
- The Company proposes to change its name to African Petroleum Corporation Limited and restructure as an oil and gas company and move away from owning iron ore rights;
- No dividend policy has been set; and
- The Company will endeavour to enhance the value of its interests in the Petroleum Assets to be acquired under the APC Acquisition.

5. Basis of Valuation of Global Iron Shares

5.1 Shares

5.1.1 In considering the proposal to acquire all of the shares in APC, we have sought to determine if the consideration payable by Global Iron to the APC Shareholders is fair and reasonable to the existing non-associated shareholders of Global Iron.

5.1.2 The offer would be fair to the existing non-associated shareholders if the value of the ordinary shares in APC being acquired by Global Iron is greater than the implicit value of the shares in Global Iron being offered as consideration. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Global Iron shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of a Global Iron share (and also an APC share) are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price at which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The market price of Global Iron shares.

5.2 Capitalised maintainable earnings and discounted cash flows.

5.2.1 Due to Global Iron's current operations, a lack of a reliable long term profit history arising from business undertakings and the lack of a reliable future cash flow from current business activities, we have considered these methods of valuation not to be relevant for the purpose of this report. Global Iron made a loss of \$354,255 for the half year ended 31 December 2009, a loss of \$1,188,142 for the year ended 30 June 2009 and loss of \$862,277 for the year ended 30 June 2008.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for Global Iron could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of Global Iron have formed the view that there are unlikely to be any takeover bids made for Global Iron in the immediate future. However, if the agreement to acquire APC is completed, the APC Shareholders collectively will control approximately between 67.65% and 75.87% of the expanded ordinary issued capital of Global Iron and Sarella would own approximately between 46.99% and 52.70% depending on the amount raised under the Capital Raising.

5.4 Adjusted Net Asset Backing

5.4.1 We set out below a reviewed balance sheet (statement of financial position) of Global Iron (Balance Sheet "A") as at 31 March 2010, adjusted for estimated administration and other costs for the period 1 April 2010 to 30 June 2010. In addition, we disclose a pro-forma consolidated Balance Sheet "B" assuming the following:

- The issue of a minimum 272,727,273 shares at 55 cents each via a Capital Raising to raise a gross \$150,000,000 and an estimated net \$142,215,000 after capital raising costs;
- The acquisition of APC by way of an issue of 906,250,050 Purchaser Shares using reverse acquisition principles. The fair value (post the Capital Raising) of a Global Iron share has been used that assumes inter-alia that the fair value of a Global Iron share approximates 55 cents, being the Capital Raising price;
- The issue of 8,181,818 share options as part of the Capital Raising capital raising costs at a deemed total cost of \$1,211,538; and
- The cash Capital Raising costs include the expected fees payable to NSX on admission of Global Iron's securities to quotation.

As noted above, the deemed Capital Raising price has been used in arriving at the consolidated statement of financial position, using reverse accounting principles. However, it is noted that APC management assumes that the fair value of APC's Group's net assets is 275,000,000 pounds sterling (GBP) or approximately \$493,996,250. The \$493,996,250 was used by Global Iron and APC in determining the number of Global Iron shares to be issued as consideration to acquire a 100% shareholding interest in APC. We have not tested or verified this figure in any way. It is noted that a condition precedent to the APC Acquisition is that Global Iron must raise a minimum \$130,000,000 from a Capital Raising (however the Directors of Global Iron resolved to raise a minimum of \$150,000,000 pursuant to a prospectus). It is clear from the IHS Resource Evaluation Report that no oil exploration has been undertaken on the Blocks and there are no proven oil resources. The funds from the Capital Raising will be used to conduct exploration and evaluation work on offshore Liberia Blocks 8 and 9.

	Unaudited Adjusted 31 March 2010 Global Iron \$000 "A"	Unaudited Pro-forma 31 March 2010 Global Iron (including consolidation of APC) \$000 "B"	Unaudited consolidated pro-forma APC 31 March 2010 \$000
Current Assets			
Cash assets	766	143,070	89
Trade and Other Receivables	28	81	53
Total Current Assets	794	143,151	142
Non Current Assets			
Property, Plant and Equipment	2	47	45
Capitalised exploration costs (including goodwill treated as interests in Blocks 8 and 9)	182	48,748	31,592
Total Non Current Assets	184	48,795	31,637
Total Assets	978	191,946	31,779
Current Liabilities			
Trade and Other Payables	198	26,797	26,598
Borrowings- shareholders	-	2,248	2,248
Total Current Liabilities	198	29,045	28,846
Total Liabilities	198	29,045	28,846
Net Assets	780	162,901	2,993

	Unaudited Adjusted 31 March 2010 Global Iron \$000 "A"	Unaudited Pro-forma 31 March 2010 Global Iron (including consolidation of APC) \$000 "B"	Unaudited consolidated pro-forma APC 31 March 2010 \$000
Equity			
Issued Capital (including share premium of APC)	2,328	171,323	11,355
Reserves	1,229	-	-
Accumulated Losses	(2,777)	(8,422)	(8,422)
Total Equity	780	162,901	2,993

The above figures for APC as at 31 March 2010 are after converting from UK pounds to Australian dollars at the FX rate on 31 March 2010 of GBP 0.6102 to AUS\$1.00 and allowing an estimate of costs to be incurred between 1 April 2010 and 30 June 2010.

The net asset (book value) backing per fully paid (pre acquisition of APC) ordinary Global Iron share as at 31 March 2010 based on the unaudited adjusted balance sheet (Balance Sheet "A") and 18,125,002 ordinary shares on issue is approximately 4.30 cents (refer paragraph 5.4.5 below). The above pro-forma consolidated balance sheet "B" has been prepared on the basis that the acquisition of APC is considered a business combination for accounting purposes under the accounting standard AASB-3R "Business Combinations" and is prepared using reverse acquisition principles.

- 5.4.2 Based on the unaudited pro-forma net asset book values, this equates to a value per fully paid ordinary share post the minimum Capital Raising of 272,727,273 shares and the APC Acquisition and issue of 906,250,050 Purchaser Shares (1,197,102,325 ordinary shares on issue) of approximately 13.60 cents per share (ignoring the value, if any, of non-booked tax benefits). In the event that the maximum Capital Raising funds were raised (say \$218,200,000 after Capital Raising fund raising costs), this equates to a value per fully paid ordinary share post the maximum Capital Raising of 418,181,818 shares and the APC Acquisition and issue of 906,250,050 Purchaser Shares (1,342,556,870 ordinary shares on issue) of approximately 18.09 cents per share (ignoring the value, if any, of non-booked tax benefits).
- 5.4.3 We have accepted the amounts as disclosed for all current assets and non current assets. We have been advised by the management of Global Iron that they believe the carrying value of all current assets, fixed assets and liabilities at 31 March 2010 (as adjusted as noted above) are fair and not materially misstated.
- 5.4.4 We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between Global Iron and other parties. We also note it is not the present intention of the Directors of Global Iron to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in Global Iron based on the market perceptions of what the market considers a Global Iron share to be worth.
- 5.4.5 The market has either generally valued the vast majority of mineral exploration companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for Global Iron shares and the market is kept fully informed of the activities of the Company. As at 31 March 2010, the Global Iron directors fair valued the mineral rights of Global Iron at \$181,021 (after impairing the mineral rights for the 6 months ended 31 December 2009 by \$35,770). In effect, the fair book value of a Global Iron share approximates the net asset backing of approximately 4.30 cents as disclosed above. However, the acquisition of APC is subject to the Company raising a minimum of a gross \$130,000,000 (but the Directors of Global Iron resolved to raise a minimum of \$150,000 pursuant to a prospectus) and taking

the \$150,000,000 minimum Capital Raising into account and after allowing for capital raising costs, the net book value of Global Iron (immediately before the APC Acquisition) would approximate \$142,995,000 or approximately 49.16 cents per share (290,852,275 shares on issue). However, it is noted that from Global Iron's point of view as the legal parent company, the value ascribed to the 906,250,050 Purchaser Shares to be issued to the APC Shareholders would be accounted for at the market value of a Global Iron share at date of issue. It is noted that the cash reserves of Global Iron are not high and over time, in the absence of further capital raisings, the Company would run out of cash reserves. For accounting purposes under IFRS, the consideration (in the form of Global Iron shares to acquire 100% of APC) could be booked at the fair value of APC (in effect mainly the fair value of the Petroleum Assets of the APC Group) based on reverse acquisition accounting principles or the fair value of a Global Iron share at the date of the APC Acquisition, if the directors consider that there is no reliable estimated of the fair value of an APC share. From Global Iron's point of view, as the legal parent entity, it will book the shares at market value at date of issue of the APC Purchase Shares which is assumed to be 55 cents per share. Arguably, as Global Iron is in effect near to being a cash shell (as it only has mineral assets in the form of iron ore rights), and the share price prior to the Capital Raising and APC Acquisition announcement of a Global Iron share is probably not a true reflection of the value of a Global Iron share in the current circumstances. Thus, we have put more weighting to the adjusted net asset backing approach (that assumes the issue of a further 272,727,273 shares to raise a gross \$150,000,000) to value a share in Global Iron for the purposes of concluding whether the proposal with the APC Shareholders is fair (and reasonable) but also taking into consideration the pre announcement share prices. We note that the proposed Capital Raising to raise up to \$230,000,000 (minimum \$150,000,000) is to be undertaken at 55 cents per share and this arguably could represent the current fair market value of the shares in Global Iron. However the Capital Raising at 55 cents per share is based on the premise of the APC Acquisition proceeding. The actual share price at the date of acquisition of APC cannot be determined at this point of time. The effect on having a listing on the NSX instead of the ASX may or may not have an effect on the future share price.

5.5 Market Price of Global Iron Fully Paid Ordinary Shares

5.5.1 Share prices in Global Iron as recorded on the ASX since 1 July 2009 up to and including 8 February 2010 (the day before the announcement of suspension of trading in Global Iron shares) have been as follows:

	High Cents	Low Cents	Closing Price Cents	Volume 000's
July 2009	21	19	20	41
August 2009	21	15	20	186
September 2009	20	17	19	333
October 2009	17	14.5	14.5	330
November 2009	18	13.5	18	228
December 2009	20.5	18	20.5	62
January 2010	38	22	35	660
February 2010 (to 8 th)	40	34	40	666

As can be seen from the trading volume on ASX, there was very little trading of the Global Iron shares before the announcement of the APC Acquisition. The APC acquisition was announced to the market on 9 February 2010. Prior to 9 February 2010, the closing share price was 40 cents per share. There were many trading days since 1 July 2009 (and before) where there were no trades of Global Iron shares on ASX. Whilst it is difficult to assess how much of the increase in share price since early January 2010 can be attributed to speculation as to the proposed acquisition of APC or some other acquisition, nonetheless the acquisition of the shareholding in APC may have had an influence on the increase in the share price. The volume of shares traded in Global Iron trading on ASX is quite low however they are not so low that they cannot be ignored completely in considering the fairness of the proposed APC Acquisition. Many other companies shares trade on thin volumes and may trade above net technical and book values. Often speculation of a corporate deal will be factored into a share price. The pre-announcement share price of between 20 cents and 40 cents may not necessarily be fair value (for

instance on a wind up it would be expected that the realisable value would be significantly lower and probably around book value per share) but it still an indicator to use in assessing fairness of the APC Acquisition.

5.6 The future value of a Global Iron share will depend upon, inter alia:

- The future commercialisation of the existing mineral interests and the successful exploitation of the Petroleum Assets (if acquired by acquiring all of the shares in APC);
- The state of the iron ore and oil and gas markets (and prices) and foreign exchange rates;
- Cash position of Global Iron;
- The state of Australian and overseas stock markets;
- Membership and control of the Board and quality of management;
- General economic conditions;
- Liquidity of shares in Global Iron; and
- Potential risk of operating in Liberia.

5.7 Conclusion on the Value of Global Iron Shares

Arguably, the pre-APC Acquisition announcement share price of a Global Iron share in the 20 cent to 40 cent range has been supported by the market factoring in that an agreement to acquire a successful project would be entered into in 2010 (along with some form of capital raising). In the absence of the proposed APC Acquisition or some similar corporate deal the share price of a Global Iron share would probably over time fall below 20 cents and could even fall below 10 cents (as Global Iron has few mineral assets and only approximately \$942,000 in cash reserves as at 31 March 2010 and reducing at the rate of approximately \$176,000 per quarter). Our view is that more weighting should be given to the adjusted asset backing of a Global Iron share (that assumes a minimum capital raising of \$150,000,000) of approximately 49.16 cents. The APC Acquisition is dependent on the raising of a minimum gross \$150,000,000. We have also considered the pre-announcement share price of a Global Iron share that falls in the range of 20 cents to 40 cents. As stated, the ASX share prices do not necessarily reflect fair values in the current economic circumstances of the Company but as the shares are freely tradable then the pre-announcement share prices could also be taken into account in determining the fairness of the APC Acquisition. However, assuming the minimum Capital Raising of \$150,000,000, it is considered more appropriate to use the adjusted book asset valuation basis. In conclusion our preferred methodology is to use the adjusted book value basis but we have also noted the range of pre-announcement share prices (say 20 cents to 40 cents). We also note that in the absence of a significant acquisition the value per Global Iron share could be lower than the pre-announcement share prices over a period of time. Post the minimum Capital Raising of a gross \$150,000,000, the adjusted net book value per Global Iron share would approximate 49.16 cents and this figure is close to the share price of around 20 May 2010 of 50 cents and the deemed fair value of a Global Iron share when the directors negotiated the APC Acquisition with the APC directors. The Directors will need to consider the accounting standards in determining the final price attributable to the Purchaser Shares to be issued to acquire APC. Arguably as the Capital Raising to raise a minimum of \$150,000,000 is at 55 cents per share, this may also be considered to represent a fair market value of the Company's shares although it is noted that the Capital Raising is being undertaken on the assumption that APC will be acquired (and the Capital Raising is a pre condition of settlement of the acquisition of APC). For reverse acquisition accounting purposes, it is assumed that the fair market value (not technical value) of a Global Iron share approximates 55 cents.

6. Value of Consideration

6.1 Based on pre announcement share prices the consideration range would be:

	Preferred \$000's		
906,250,050 Purchase Shares at pre-announcement prices based on adjusted asset backing (after raising a gross \$150,000,000)		445,512	
Fair Share price assumed to be (cents)		49.16 cents	
	Low \$000's	Mid \$000's	High \$000's
Using the pre announcement ASX share prices (before 9 February 2010), the consideration would be:			
906,250,050 Purchase Shares	181,250	271,875	362,500
Share price assumed to be (cents)	20 cents	30 cents	40 cents

If we used the fair adjusted book value, the consideration for the Purchaser Shares would approximate \$445,512,000. It is noted that at the time of negotiation of the APC Acquisition, the Global Iron directors agreed with the directors of APC to allocate a price of approximately 55 cents per Global Iron share, being the proposed issue price of the Capital Raising noted above. The APC directors and management considered the value of the consideration to be approximately GBP275,000,000 and the Global Iron directors after negotiations agreed the number of Purchase Shares to be issued to be 906,250,050. It is noted that a condition precedent to the APC Acquisition is that Global Iron must raise a minimum \$130,000,000 from a Capital Raising (the directors of Global Iron resolved to raise a minimum of \$150,000,000 pursuant to a prospectus). It is clear from the Resource Evaluation Report that no oil exploration has been undertaken on the Blocks and there are no proven oil resources. The funds from the Capital Raising will be used to evaluate the commerciality of offshore Liberia Blocks 8 and 9.

7. Basis of Valuation of APC (and interests in the Petroleum Assets)

- 7.1 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market.
- 7.2 APC is an unlisted public company and therefore valuing the shares on a takeover basis and on a market based approach are not relevant. There are no indications that other parties wished to acquire all of the shares in APC other than Global Iron. The shareholders in APC do not have an active market to trade their shares.
- 7.3 The Company as part of its negotiations with APC obtained a copy of the November 2009 Resource Evaluation Report prepared by IHS. EHL-UK was considering a back door AIM listing in the UK in 2009 and the November 2009 Resource Evaluation Report was intended as a Competent Persons Report as part of the disclosure document. An update of the IHS Resource Evaluation Report, without potential financial forecasts, is attached as Appendix C to this report (with a letter addressed to Global Iron, Stantons International Securities and EHL-UK) does not contain a formal valuation of Blocks 8 and 9 offshore Liberia but outlines the prospectivity of the Blocks. It notes that to date no drilling has been undertaken and there are no oil or gas resources proven on the Blocks. Considerable sums are needed to be incurred by the APC Group (via Global Iron, if the Capital Raising and APC Acquisition are completed successfully) and there is no guarantee that oil or gas resources or reserves will be located on the Blocks. In May 2010, the Company in conjunction with ourselves obtained a valuation report of the Petroleum Assets (range of values) and more fully described in the RISC Valuation Report.

- 7.4 The unaudited consolidated balance sheet of APC at 31 March 2010 (adjusted to take into account estimated of costs for the period 1 April 2010 to 30 June 2010) is disclosed under paragraph 5.4.1 above. This balance sheet shows the APC Group net assets carried at a book value of \$2,933,000 with the exploration and evaluation expenditure carried at a book value of \$31,592,000 (assuming a foreign exchange conversion rate as at 31 March 2010 of GBP0.6102 to AUS\$1.00). The Global Iron and APC directors considered the original November 2009 Resource Evaluation Report and looked at similar AIM listed oil and gas exploration companies to determine the acquisition price and number of shares to be issued. It was noted by the Global Iron directors and APC management that there are a number of AIM listed companies involved in the oil and gas industries (searching for oil and gas in political risk areas and companies having no oil and gas revenues) that had high market capitalisations but were still in the stage of early exploration and had not yet located any commercial oil or gas resources/reserves.
- 7.5 Completion of the APC Acquisition is conditional on all necessary due diligence being undertaken on the ownership interests of APC, APC'S shareholding and debt interests in all subsidiaries (including EHL-UK's and Regal Liberian's) and EHL-UK's and Regal Liberian's ownership of the Petroleum Assets. We advise that we have not undertaken any further steps to ascertain ownership of APC, its subsidiaries and their assets and liabilities and the Petroleum Assets.
- 7.6 The Company, in conjunction with us has commissioned RISC (principal author of the Valuation Report is Joe Salomon) to prepare a valuation report of the Petroleum Assets. The RISC Valuation Report is attached as Appendix C to this report. The RISC Valuation Report of 26 May 2010 should be read in its entirety. The RISC Valuation Report ascribes a range of values to the interests in the Petroleum Assets and for the purposes of our report we have used the low, high and mid range market valuations referred to in the RISC Valuation Report.
- 7.7 We have used and relied on the RISC Valuation Report on the Petroleum Assets and have satisfied ourselves that:
- RISC is a suitably qualified consulting firm and has relevant experience in assessing the merits of oil and gas projects and preparing oil and gas asset valuations (also the principal author of the report Joe Salomon is suitably qualified and experienced);
 - RISC and Joe Salomon are independent from Global Iron and APC; and
 - RISC has to the best of our knowledge employed recognised methodologies in the preparation of the RISC Valuation Report on the Petroleum Assets.
- 7.8 RISC has provided a range of market values of the interests in the Petroleum Assets. RISC has ascribed a range of values as follows:

	Low US\$	Preferred US\$	High US\$
Petroleum Assets	<u>25,000,000</u>	<u>35,000,000</u>	<u>50,000,000</u>

Using the fair values of the Petroleum Assets, the total fair values are expected to lie in the range of US\$25,000,000 and US\$50,000,000 with a preferred fair value of US\$35,000,000. Converting to Australian dollars at say US\$0.90 equals A\$1.00, the current fair values may fall in the range of \$27,778,000 to \$45,000,000 with a preferred fair value of \$38,889,000.

- 7.9 Taking into account the 31 March 2010 APC other assets and liabilities, the net fair value of the APC Group may fall in the range of \$nil (negative \$926,000) to \$16,341,000 with a preferred fair value of \$10,230,000. However, it is noted that the Petroleum Assets have prospectivity and the ultimate value may rise in the event of commercial success.

8. Conclusion as to Fairness

- 8.1 The proposal to acquire the shares in APC that has as its only significant asset the Petroleum Assets for the consideration noted in paragraph 6.1, is believed to be fair to Global Iron's non-associated shareholders if the value of the consideration offered is equal to or less than the value of the shares in APC being acquired.
- 8.2 Due to the nature of the business of APC, valuations are dependent upon the value placed on the petroleum interests of the APC Group. The valuation of petroleum interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation.
- 8.3 The actual consideration to the APC Shareholders is 906,250,050 Purchaser Shares and based on an adjusted book value of say 49.16 cents per share the consideration is \$445,512,000. Based on a pre announcement market value (that we consider to be our secondary methodology) of between approximately \$181,250,000 and \$362,500,000 (using say a range of 20 cents to 40 cents share price for Global Iron shares). If the Capital Raising share price was used (55 cents), the deemed value of the consideration payable would approximate \$498,437,528.

Sarella's share of the total value attributable to APC based on our preferred methodology (adjusted book value of Global Iron immediately prior to the APC Acquisition) is considered to be approximately \$310,107,500 based on Sarella's approximate 69.607% shareholding interest in APC. Sarella's share of the total value attributable to APC based on the above secondary methodology (market value of Global Iron's shares traded on ASX) is considered to lie in the range of approximately \$126,162,000 to \$252,325,000 with a mid value (30 cents per share) of approximately \$189,244,000. Using the 55 cent Capital Raising price, Sarella's share of the total value attributable to APC is considered to approximate \$346,947,000. Sarella's shareholding interest in the expanded Global Iron after the Capital Raising and completion of the APC Acquisition will lie in the approximate range of 46.99% and 52.70%.

- 8.4 As noted above, the preferred net fair value of the APC Group may approximate \$10,230,000 using the preferred fair values attributed to the Petroleum Assets by RISC. The valuation of petroleum block interests and the valuation of future profitability and cash flows are extremely subjective as they involve assumptions regarding future events that are not capable of independent substantiation. The pre acquisition book value of a Global Iron share (not the pre announcement share price) may approximate 49.16 cents and the pre announcement market share price was around 20 cents to 40 cents (probably based on the expectation of a corporate transaction). The book value attributable to the Purchase Shares would approximate \$445,512,000 and using a pre-announcement market share price (not our preferred methodology in these circumstances because of the Capital Raising of a minimum of \$150,000,000 before the APC Acquisition can be completed), the fair value attributable to the Purchase Shares would approximate between \$181,250,000 and \$362,500,000 (\$271,875,000 using a mid point 30 cents per share).

Based on a technical adjusted book value of a Global Iron share the pre acquisition value attributable to the Purchase Shares is significantly greater than the perceived fair value attributable to the shares in the APC Group (that is based on a subjective independent valuation of the Petroleum Assets) and on such a basis the APC Acquisition would not be fair. We also need to consider other factors including the pre acquisition market value per Global Iron Share, the current share price (50 cents per Global Iron share trading on ASX as at 19 May 2010- last sale) and the possible use for accounting purposes of 55 cents per share for Global Iron as the parent entity of an expanded Global Iron Group that would include the APC Group), in accounting for the cost of the investment. For IFRS purposes, reverse acquisition principles will apply. Also as the booked cost of acquisition (in books of Global Iron) may be \$498,437,527 (using 55 cents per share), the proposed APC Acquisition would not be fair.

- 8.5 **In our opinion, taking into account the factors noted in this report, the proposals as outlined in paragraph 1.2 and Resolution 2 may on balance be considered to be not fair.**

The valuation of petroleum block interests and the valuation of future profitability and cash flows are extremely subjective as they involve assumptions regarding future events that are not capable of independent substantiation.

9. Reasonableness of the APC Acquisition

- 9.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed APC Acquisition that we considered in arriving at our conclusion on the reasonableness of the APC Acquisition.

Advantages

- 9.2 The Company, in effect moves from a near cash box company with minimal mineral assets (albeit some longer term potential) to a new oil and gas company. Immediately prior to the APC Acquisition, Global Iron will raise a minimum of \$150,000,000 and a maximum of \$230,000,000 before capital raising costs via a Capital Raising and will be totally recapitalised. The APC Acquisition if successful could lead to potential oil and gas operations in Liberia or the ability for Global Iron to on-sell or farm-out the Petroleum Assets to another oil and gas company at a profit.
- 9.3 The Company may be better placed to raise further funds by way of share equity as a result of acquiring the Petroleum Assets (via acquiring all of the shares in APC).
- 9.4 There is an incentive to Global Iron and APC, to successfully exploit the APC Petroleum Assets as the APC Shareholders including Sarella will have significant shareholding interests in Global Iron. The RISC Valuation Report notes the upside potential if oil is discovered and the IHS Evaluation Report also notes the prospectivity pertaining to the Petroleum Assets.
- 9.5 Global Iron currently has only minor iron ore assets and potential royalties. Should these projects prove not to be commercially viable, diversification into the oil and gas industry in Liberia by acquiring 100% of APC may reduce the risk (but at the same time Global Iron is taking on significant exploration commitments).
- 9.6 The chances of the existing 12,500,000 share options being exercised at 20 cents on or before 31 July 2010 (to raise a further \$2,500,000) may be enhanced as the APC Acquisition and the Capital Raising is supporting a share price in excess of 20 cents.
- 9.7 Existing shareholders may be given the opportunity to sell their shares in excess of the share prices existing prior to the APC Acquisition and Capital Raising announcement. There is the possibility that the share price in the short term may trade around the Capital Raising price and those shareholders who consider the risk of oil and gas exploration in Liberia to be too high may wish to sell their shareholdings in Global Iron.
- 9.8 The net book assets of Global Iron are estimated at \$780,000 whilst post the Capital Raising and APC Acquisition, the net book assets using reverse acquisition accounting principles is estimated to lie in the range of \$162,901,000 to \$242,901,000 (depending on the amount raised from the Capital Raising). The value attributable to the existing shareholders (excluding Tony Sage) approximates between \$2,194,500 and \$2,917,500 compared with a current shareholding interest of approximately \$694,000. This is based on the premise that reverse acquisition accounting rules will be applied for statutory reporting purposes.

Disadvantages

- 9.9 RISC has ascribed a range of potential values to the Petroleum Assets of the APC Group that is well below the consideration payable on a pre-announcement basis both on an adjusted asset backing approach (that assumes the issue of shares at 55 cents to raise a gross \$150,000,000) and pre acquisition market based approach, particularly based on share prices below 30 cents. However the IHS Resource Evaluation Report makes it clear that no oil or gas has been located on the Blocks 8 and 9 (drilling has not been undertaken to date) and there is always the possibility that no resources or reserves may be proven.
- 9.10 Currently, the APC Shareholders collectively own 1,998,383 shares in the Company (held by Tony Sage) (before the Capital Raising) and if Resolution 2 is passed, the APC Shareholders will increase their collective shareholding interest in Global Iron to between approximately 67.65% and 75.87% (before the exercise of any share options but after the Capital Raising noted above). Sarella is receiving consideration as noted in paragraph 8.3 above. As noted above, we cannot determine if Sarella is paying a premium for control as there is no accurate determination of fair value of the Blocks 8 and 9 offshore Liberia and thus no accurate fair value of the shares in APC. Sarella (as are most of the shareholders in APC) is a foreign company and some shareholders may not be comfortable with allowing a shareholding of between approximately 46.99% and 52.70% to be in the hands of a foreign incorporated company that may be controlled by a small number of significant individuals. It is expected that a large majority shareholding will be in the hands of overseas investors. Sarella's shareholding may decrease the Company's takeover optionality. The existing shareholders (excluding Tony Sage) will be massively diluted from owning a current 88.97% shareholding interest in Global Iron and its underlying assets to a very small shareholding of between approximately 1.20% and 1.35% post the Capital Raising and APC Acquisition.
- 9.11 The exploration commitments, planned expenditures and expenditure obligations pursuant to the Production Sharing Contracts on Blocks 8 and 9 in offshore Liberia are quite high and may be over US\$110 million. Further details on commitments, material contracts and Production Sharing Contracts obligations are set out in the Supplementary Material to the Notice of Meeting dated 30 April 2010. The new expanded Global Iron will also need to set up operations in Liberia that may be very costly. Should commercial oil reserves be proven, to proceed to development may require significant additional capital which would dilute the current shareholders even further. The number of shares that may be issued to raise additional capital is not yet known.
- 9.12 In general terms, investments in oil and gas exploration companies are high risk however for those shareholders who consider that the proposed APC Acquisition from the APC Shareholders is a risk worth taking, then the proposed APC Acquisition under Resolution 2 may be reasonable.
- 9.13 The Petroleum Assets may not turn out to be commercially viable and thus losses may be incurred.
- 9.14 The Petroleum Assets are located offshore Liberia a country that has in the past not been politically and economically stable. Political, economic and exchange risks are considered to be significantly higher in Liberia than if the operations were located in Australia.
- 9.15 On 9 February 2010, the Company announced that it had entered into a Share Sale Agreement with the shareholders of APC. On 26 March 2010, the ASX advised the Company that in the event shareholders approved the APC Acquisition and the APC Acquisition completed, the Company would not be admitted to admission and quotation on the ASX. The basis for the ASX Decision, as advised to the Company, stemmed from ASX's concern over the influence that Mr Frank Timis, as a substantial shareholder (via Sarella) and director will have on the Company's ability to comply with its continuous disclosure obligations following completion of the APC Acquisition. The Company appealed the ASX Decision which was heard on 30 April 2010. The ASX Appeal Tribunal upheld the ASX decision but directed that the ASX had erred in failing to take into account additional submissions made by the Company after the ASX Decision to address ASX's concerns ("Appeal Decision"). As a result of the Appeal Decision, the Company has made a

submission to ASX which included the additional submissions in respect of re-quotting the Company post completion of the Acquisition. On 19 May 2010, the ASX advised the Company that it had considered the additional submissions but affirmed its earlier decision. The Company is appealing this latest decision by ASX ("19 May Decision"). The Company's Notice of Meeting dated 30 April 2010 seeks Shareholder approval to delist the Company from ASX in the event its appeal against the ASX decision is not successful. If the Company is not successful in its appeal of the 19 May Decision and shareholders pass the resolutions at the General Meeting and NSX conditionally approves the Company to admission, the Board may seek to delist the Company from ASX. In any event, the shares offered pursuant to the Capital Raising and the Purchaser Shares to be issued pursuant to the SSA will not be quoted on ASX. The NSX is not as large or well recognised as the ASX and there may be less opportunity to trade in Global Iron shares on NSX as compared with ASX. It is noted, however that the Capital Raising of a minimum of \$150,000,000 is being undertaken and that most of the new potential shareholders will be institutional shareholders and that new investors will be aware that the Company's shares may only be traded on NSX and not ASX.

Other Factors

- 9.16 It is noted that for accounting purposes in the books of Global Iron, the Purchaser Shares will be booked at the market value of the ordinary shares in Global Iron at the date the Purchaser Shares are issued to the APC Shareholders. However, on consolidation, reverse acquisition accounting principles will be applied. Global Iron as the legal parent entity will account for the value of the Purchase Shares at the market value of the ordinary shares in Global Iron that may be considered to be 55 cents per share, being the Capital Raising price. Thus, as the legal potential owner of the shares on APC, Global Iron may record an investment in APC of approximately \$498,537,528. The ultimate fair value of an investment in APC is at this stage unknown and write downs in the investment may be required at a later stage (particularly if commercial success from Blocks 8 and 9 are not forthcoming). It is noted that the current APC fair value is considerably less than \$498,537,528 and from a parent entity's point of view a substantial write down will probably be incurred. The directors of Global Iron will determine the extent of the write down at the time of the APC Acquisition. The write down will be a non cash cost and will only affect Global Iron as the legal parent entity.
- 9.17 It is noted that the share price of a Global Iron share post announcement of the APC Acquisition (that is 9 February 2010 to 25 March 2010) traded significantly above the pre-acquisition announcement price of 40 cents per Global Iron share, thus implying positive market sentiment to the proposed APC Acquisition. The shares in that period traded between 40 cents and 54.5 cents with a last sale on 25 March 2010 of 45 cents. Although not suspended from trading, no Global Iron shares were traded on ASX from 25 March 2010 to 28 April 2010. Between 29 April 2010 and 19 May 2010 (last sale recorded on ASX website to 25 May 2010), the shares in Global Iron traded on ASX at between 25 cents and 51 cents. It is reasonable to conclude that the shares post 29 April 2010 traded in the low 30's and as low as 25 cents due to the ASX announcement that the Global Iron shares would not be readmitted and re-quoted following the APC Acquisition, but following further announcements by Global Iron in relation to the outcome of the Appeal of further submissions to ASX (on 11 May 2010 and 19 May 2010), the share price recovered to 50 cents but on small volume on 26 May 2010, the share price retreated to 35 cents. There is a possibility that in the absence of shareholders not approving the APC Acquisition and in the absence of an alternative corporate transaction, the share price of a Global Iron share may fall to pre-announcement levels.
- 9.18 The number of fully paid ordinary shares on issue initially rises by between 1,178,977,323 and 1,324,431,868 (Capital Raising shares and Purchase Shares) to between 1,197,102,325 and 1,342,556,870 (before exercise of any existing share options). This represents a massive increase in the ordinary shares of the Company based on the number of shares on issue at the time of the announcement of the APC Acquisition and Capital Raising on 9 February 2010.

- 9.19 The Company will be required to issue to the Broker to the Capital Raising between 8,181,818 Broker Share Options and 12,545,455 Broker Share Options, exercisable at 55 cents each, on or before 3 years from issue date. The estimated capital raising cost to issue the Broker Share Options is estimated to lie in the range of \$1,211,538 to \$1,857,692 but it is noted that the cost is a non cash item. If the Broker Share Options were exercised, Global Iron would receive between \$4,500,000 and \$6,900,000.
10. **Conclusion as to Reasonableness**
- 10.1 **After taking into account the factors referred to in 9 above and elsewhere in this report, we are of the opinion that the advantages to the existing shareholders outweigh the disadvantages and thus the proposed APC Acquisition as noted in paragraph 1.2 and Resolution 2 in the Notice may be considered, on balance, to be reasonable to the existing non-associated shareholders of Global Iron.**
11. Sources of Information
- 11.1 In making our assessment as to whether the proposed APC Acquisition as noted in paragraph 1.2 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company, the Petroleum Assets and APC that is relevant to the current circumstances. In addition, we have held discussions with the management of Global Iron about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Global Iron.
- 11.2 Information we have received includes, but is not limited to:
- a) Notice of Global Iron and Explanatory Statements to Shareholders dated 30 April 2010 and the Supplementary Material dated 27 May 2010;
 - b) Discussions with management of Global Iron;
 - c) Details of historical market trading of Global Iron ordinary fully paid shares recorded by ASX for the period 1 January 2009 to 25 May 2010;
 - d) Shareholding details of Global Iron as supplied by the Company's share registry as at 25 May 2010;
 - e) Audited balance sheet of Global Iron as at 30 June 2009;
 - f) Reviewed balance sheet of Global Iron as at 31 December 2009;
 - g) Announcements made by Global Iron to the ASX from 1 January 2009 to 26 May 2010;
 - h) The Share Sale Agreement between Global Iron, APC, EHL-UK and the APC Shareholders executed on 8 February 2010 for the proposed acquisition of all of the shares in APC;
 - i) The independent Resource Evaluation Reports of IHS dated 30 November 2009 and the letter from IHS addressed to Global Iron, Stantons International Securities and EHL-UK of 8 February 2010;
 - j) An updated IHS Resource Evaluation Report dated 21 May 2010;
 - k) The estimated annual minimum petroleum expenditure commitments on offshore Liberia Blocks 8 and 9 offshore Liberia;
 - l) Un-audited pro-forma consolidated accounts of the APC Group for the year ended 31 December 2009 and three months ended 31 March 2010;
 - m) Actual and proposed group structure of the APC Group;
 - n) An Economic Evaluation Offshore Liberia Blocks 8 and 9 report prepared for EHL-UK by IHS CERA of October 2009;
 - o) Review of AIM listed companies involved in oil and gas exploration;
 - p) Preliminary work paper agreed to by Global Iron and APC management on calculation of the number of shares to be issued by Global Iron to acquire 100% of the shares in APC;
 - q) Reverse accounting work papers prepared by Global Iron management;
 - r) Various correspondences on APC statutory matters;
 - s) Unaudited balance sheet of Global Iron as at 31 March 2010 as adjusted for budgeted expenditures to 30 June 2010;

- t) Unaudited balance sheet of the APC Group as at 31 March 2010 as adjusted for budgeted expenditures to 30 June 2010;
- u) The RISC Valuation Report on the Petroleum Assets dated 26 May 2010 and discussions with a representative of RISC.

11.3 Our report includes Appendix A and our Financial Services Guide attached to this report.

Yours faithfully

STANTONS INTERNATIONAL SECURITIES



J P Van Dieren - FCA
Director

APPENDIX A**AUTHOR INDEPENDENCE AND INDEMNITY**

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 27 May 2010, relating to acquiring all of the share capital of APC as outlined in paragraph 1.2 of the report and Resolution 2 in the Notice of Meeting to Shareholders dated 30 April 2010 and distributed to Global Iron shareholders in May 2010.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with Global Iron or APC other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$25,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report. It is intended that Stantons International Securities will prepare an Investigating Accountant's Report for Global Iron for inclusion in a prospectus to be lodged with ASIC relating to the Capital Raising of shares at 55 cents to raise up to \$230,000,000. This is expected to be completed in May 2010.

Stantons International Securities does not hold any securities in Global Iron or APC. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice. Stantons International Securities has prepared 5 independent experts reports in 2009/10 for companies associated with Cape Lambert a significant shareholder in Global Iron and was the Investigating Accountant for the Q Copper Australia Limited prospectus and IPO (a spin off of certain copper assets by Cape Lambert).

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the directors of Stantons International Pty Ltd are the directors of Stantons International Securities and Stantons International Securities has an affiliation with Stantons International Services Pty Ltd, a company that provided tax and accounting services. Stantons International Securities has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Directors of Global Iron in order to assist the shareholders of Global Iron to assess the merits or otherwise of the proposals to acquire all of the shares in APC as outlined in Resolution 2 and the Explanatory Statement to which this report relates. This report has been prepared for the benefit of Global Iron's shareholders and does not provide a general expression of Stantons International Securities opinion as to the longer term value of Global Iron, its assets and APC, its subsidiaries and their Petroleum Assets. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Global Iron or the APC Group (including ownership and title to Blocks 8 and 9 offshore Liberia). Neither the whole nor any part of this

report, nor any reference thereto may be included in or with or attached to any document, circular, Resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities and Stantons International Pty Ltd, their directors, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Global Iron and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Global Iron has agreed:

- (a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd) to recover any loss or damage which Global Iron may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Global Iron; and
- (b) To indemnify Stantons International Securities (and Stantons International Pty Ltd) against any claim arising (wholly or in part) from Global Iron or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Global Iron or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to Global Iron directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)
Dated 27 May 2010**

1. Stantons International Securities ACN 103 088 697 (“SIS” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 319600;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly owned division of Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Pty Ltd and SIS has an affiliation (but no ownership) with Stantons International Services Pty Ltd, a tax and accounting practice.

From time to time, SIS, Stantons International Pty Ltd and Stantons International Services Pty Ltd and/or their related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints Resolution

- Internal complaints Resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 1
1 Havelock Street
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

- Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

APPENDIX B

**IHS (GLOBAL) LIMITED RESOURCE EVALUATION REPORT OF NOVEMBER 30TH
2009 AND ACCOMPANYING LETTER OF 21 MAY 2010**



The Directors Global Iron Limited 18 Oxford Close Leederville WA 6007 Australia	The Directors Stantons International Securities Level 1, Havelock Street West Perth WA 6005 Australia	The Directors European Hydrocarbons Limited 12 St James's Square London SW1Y 4LB
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21 May 2010

Dear Sirs,

A Resource Evaluation of Offshore Liberia Blocks 8 and 9

Global Iron Limited ("Global Iron"), a company listed on the Australian Securities Exchange ("ASX") has entered into a Share Sale Agreement with African Petroleum Corporation Limited ("APCL"), the shareholders of APCL and European Hydrocarbons Limited ("EL or Company") whereby Global Iron will obtain 100% of the issued share capital of APCL. EL is a wholly owned subsidiary of APCL.

In response to the request of Global Iron, IHS Global Ltd. ("IHS"), has reviewed and given indicative prospective reserve volumes for EH's interests in Blocks 8 and 9 offshore Liberia in the following report. This letter forms part of the report.

A data gathering visit took place at EH's offices in London in late October 2009. The latest data available at that time was incorporated into the report. At the meeting, IHS had access to the technical team that has undertaken the latest exploration interpretation work on the area for EH and the available seismic data, well logs and reports.

IHS also viewed a copy of the contract agreement between EH and the Liberian Government.

During and after this meeting, IHS undertook an analysis of the available seismic lines over the blocks. Reports of a regional nature were also made available both in paper and digital format.

Due to there being no wells drilled so far within the Blocks 8 and 9 offshore Liberia, and only a wide spaced grid of seismic data over the blocks, the mapping and identification of potential prospects is still at a very early stage.

We therefore consider there to be only 'prospective hydrocarbon resources' in the blocks. For the most interesting of these 'potential' opportunities, we have calculated recoverable hydrocarbon volumes in a probabilistic manner with a range of outputs representing P90, P50 and P10 confidence levels for the size of potential structures.

A glossary of all the technical abbreviations used in this report is included as Appendix A. The attached report is prepared subject to and shall be used in accordance with the terms of the Master Consulting Terms and Conditions entered into between IHS (Global) Limited and European Hydrocarbons Limited dated 20 July 2009.

The report will be included in a Prospectus to be issued in May 2010 whereby Global Iron will seek to raise up to A\$230 million through the issue of up to 418,181,818 shares ("Prospectus").

We acknowledge that this report will be included in its entirety, and portions of this report summarised and referred to in the Prospectus.

In accordance with your instructions to us, we confirm that this report was prepared in November 2009 by Tim Hemsted, Managing Consultant employed by IHS, who:



1. is professionally qualified and a member in good standing of a self-regulatory organisation of geoscientists and/or engineers;
2. has at least five years' relevant experience in the estimation, assessment and evaluation of oil and gas assets;
3. is independent of Global Iron, EH, its directors, senior management and advisers;
4. IHS will be remunerated by way of a time-based fee and not by way of a fee that is linked to the Prospectus or valuation of the Company;
5. is not a sole practitioner;
6. have the relevant and appropriate qualifications, experience and technical knowledge to appraise professionally and independently the assets covered under this report, licences, joint ventures or other arrangements owned by EH or proposed to be exploited or utilised by it and liabilities, being all liabilities relating to assets covered herein, royalty payments, contractual agreements and minimum funding requirements ("Liabilities") relating to the EH's work program and Assets; and
7. considers that the scope of the report is appropriate, and includes and discloses all relevant information.

Standard applied

The report was undertaken using generally accepted petroleum engineering and evaluation principles as set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers (SPE PRMS 2007).

No material change

We confirm that to our knowledge there has been no material change of circumstances or available information between the date that the report was compiled and the date of the Prospectus and we are not aware of any significant matters arising from our evaluation that are not covered within this report which might be of a material nature.

Reliance on source data

The content of this report and our estimates of prospective resources are based on 2D seismic, exploration well data and other geological data that was available for our studies.

EH provided us with all relevant and available data in its possession at the time of the drafting of this report. We have accepted, without independent verification, the accuracy and completeness of this data.

All interpretations and conclusions presented herein are opinions based on inferences made from geological, geophysical, geochemical, engineering and other data. The report represents our professional judgement and should not be considered a guarantee of results. Our liability is limited solely to EH for the correction of erroneous statements or calculations. The use of this material and report is at the user's own discretion and risk.

Requirement

The report has been prepared in accordance with the "Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Experts" (the "Valmin Code" (2005 Edition)).

Consent

We hereby consent, and have not at the time of this letter, revoked such consent, to:

- the inclusion of this report as a whole in documents prepared by Global Iron and its advisors in connection with the Prospectus ;
- the reference to the report or extracts there from, in the Prospectus;
- the filing of this report with any stock exchange and other regulatory authority; and



- the electronic publication of this report on websites accessible by the public, including the Global Iron website.

The report relates specifically and solely to the subject assets and is conditional upon various assumptions that are described herein. The report, of which this letter forms part, must therefore, be read in its entirety.

We have authorised the contents of this report and the context in which they are respectively included. Such consent is deemed to continue to be valid until and unless notice in writing is provided by us revoking such consent.

Compliance

This report was provided for the sole use of Global Iron on a fee basis. Subject to the foregoing and except with permission from IHS, this report may not be reproduced or redistributed, in whole or in part, to any other person or published, in whole or in part, for any other purpose without the express written consent of IHS.

This report has been prepared in accordance with the Valmin Code. Furthermore, we confirm that, to the best of our knowledge and belief having taken all reasonable care to ensure that such is the case, the information contained in the report is in accordance with the facts and contains no omission likely to affect its import.

Notwithstanding the above, IHS notes the following:

- IHS understands that a detailed statement of all legal proceedings relevant to the Assets or an appropriate negative statement has been included by Global Iron or its advisors in the Prospectus;
- IHS understands that brief summaries of the Global Iron's existing and proposed directors are included in the Prospectus and details relating to qualifications of key technical and managerial staff have been excluded from this report for practical purposes of volume;
- where any information in the report has been sourced from a third party, such information has been accurately reproduced and no facts have been omitted which would render the reproduced information inaccurate or misleading;
- drafts of the report were provided to the Company, but only for the purpose of confirming both the accuracy of factual information and the reasonableness of assumptions relied upon this report; and
- this report has not undergone regulatory review.

Summary of Resources

It is our opinion that the identified and mapped leads are classified as "prospective resources" and need 3D seismic coverage to better evaluate the geological uncertainties. The range of potentially recoverable oil volumes have been calculated by us based on certain assumptions and modelling and these are tabulated below.



Table A: Summary of gross prospective resources in Liberia Blocks 8 and 9 for European Hydrocarbons.

Lead	Recoverable Prospective Resources Gross mmb oil and liquids			Recoverable Prospective Resources Net mmb oil and liquids attributable to EH*			Risk	Operator
	Low Est	Mid Est	High Est	Low Est	Mid Est	High Est		
Upper Cretaceous								
Lead 2A	72	105	152	45	65	94	na	EH
Lead 3A	528	1013	1660	327	628	1029	na	EH
Lead 4	345	757	1231	214	469	763	na	EH
Lower Cretaceous								
Lead 6/6A	209	386	593	130	239	368	na	EH
Lead 7	296	529	812	184	328	503	na	EH
Indicative Total	1450	2790	4448	899	1730	2758		

**The Net prospective resources attributable to the group will vary depending on the production flow rate of the field as defined in the terms of the production sharing contract but is taken as an average of 62%.*

In view of the relative immaturity of the exploration in the blocks it was agreed that no risk factor for success would be given for the leads in the block. It is expected that following the acquisition of 3D seismic data, the structures will be better defined and a risk factor can then be more clearly determined.

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

Yours faithfully,

For IHS Global

Tim Hemsted
Project Manager

IHS Global Limited
133 Houndsditch, London, EC3A 7BX



INDEPENDENT PETROLEUM CONSULTANT'S CONSENT

LIMITATIONS AND WAIVER OF LIABILITY

IHS (Global) Limited, and its consulting group, based in London, England, knows that it is named as having prepared an independent report evaluating the hydrocarbon potential of the offshore Liberian assets of European Hydrocarbons Limited ("EH"). IHS hereby gives consent to the use of its name and to the said report (and summary of the said report) for the purposes of inclusion in a Prospectus prepared by Global Iron Limited ("Global Iron"), a company listed on the Australian Securities Exchange and in a Prospectus issued by Global Iron in May 2010 whereby Global Iron will seek to raise up to A\$230 million through the issue of up to 418,181,818 shares ("Prospectus"). The effective date of the report is 30 November 2009.

In the course of the evaluation, EH provided IHS personnel with basic information which included petroleum and licensing agreements, geologic and geophysical information, contractual terms, studies made by EH and other parties, economic evaluation spreadsheets and discussion of future plans. Any other engineering or geological data required to conduct the evaluation upon which the report is based, was obtained from public literature, and from IHS non-confidential files and previous technical resource evaluation reports on the subject assets. The extent and accuracy of all factual data supplied for this evaluation, from all sources, has been accepted by IHS as represented. IHS reserves the right to review all calculations referred to or included in the said report and, if considered necessary, to revise the estimates in light of erroneous data supplied or information existing but not made available at the effective date, which becomes known subsequent to the effective date of the report.

There is considerable uncertainty in attempting to interpret and extrapolate field and well data and no guarantee can be given, or is implied, that the projections made in this report will be achieved. The report and prospective resource estimates represent the consultant's best efforts to assess the assets within the scope, time frame and budget agreed with the client. Moreover, the material presented is based on data provided by EH; IHS cannot be held responsible for decisions that are made based on this data or reports. The use of this material and reports is, therefore, at the user's own discretion and risk. The report is presented in its entirety and may not be made available or used without the complete content of the report, except by Global Iron in connection with its Prospectus, which we have approved.

IHS declares that IHS has taken all reasonable care to ensure that the information contained in this report, is to the best of IHS's knowledge, in accordance with the facts and contains no omission likely to affect its import. To the fullest extent permitted by law, IHS does not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or statements contained therein, required by and given solely for the purpose of complying with the Valmin Code and consenting to inclusion of the report in the Prospectus prepared by Global Iron.

EH has confirmed in writing to IHS that to its knowledge the information provided by it (when provided) was complete and not incorrect or misleading in any material respect, IHS has no reason to believe that any material facts have been withheld and EH has confirmed in writing to IHS that it believes it has provided all material information.

A handwritten signature in black ink, appearing to read 'T. Hemsted', written over a light blue horizontal line.

Tim Hemsted
Project Manager

IHS Global Limited
133 Houndsditch, London, EC3A 7BX



PROFESSIONAL QUALIFICATIONS AND BASIS OF OPINION

The evaluation presented in this report reflects our informed judgment based on accepted standards of professional investigation, but is subject to generally recognized uncertainties associated with the interpretation of geological, geophysical and engineering data. The evaluation has been conducted within our understanding of petroleum legislation, and other regulations that currently apply to these interests.

However, IHS is not in a position to attest to the property title, financial interest relationships or encumbrances related to the property. Our estimates of prospective resources are based on data provided by EH. We have accepted, without independent verification, the accuracy and completeness of this data.

The report represents our best professional judgment and should not be considered a guarantee or prediction of results. It should be understood that any evaluation of resource volumes may be subject to significant variations over short periods of time as new information becomes available and perceptions change.

The IHS consulting group is a consultancy specialising in asset evaluation, petroleum geology, geophysics, petroleum and facilities engineering, and economic analyses. IHS consulting group has been undertaking reserves and resource reporting and valuation for more than 10 years. All personnel involved in such exercises have at the very minimum a master's degree in geosciences and many have doctorates. All personnel dedicated to this evaluation have a minimum of 10 years relevant valuation experience and in the case of the senior project leaders involved in this exercise, this period exceeds 20 years. All three of the technical team members satisfy the Professional Qualifications of Reserves Auditors, as published by the Society of Petroleum Engineers (SPE).

Except for the provision of professional services on a fee basis, IHS and its employees and associates have no commercial arrangement with any person or company involved in the interests that are the subject of this report.

IHS will receive a fee for the preparation of this report in accordance with normal professional consulting practice.

This fee is not contingent on the outcome of the Prospectus and IHS will receive no other benefit for the preparation of this report. IHS does not have any pecuniary or other interests that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to EH's assets.

Neither IHS nor any directors of IHS have at the date of this report, nor have had within the previous two years, any shareholding in Global Iron, the Company, Global Iron's assets, the Company's assets or the advisers of either Global Iron or the Company. Consequently, IHS and the directors of IHS, consider themselves to be independent of Global Iron and the Company.

In this report, IHS assures that the work program for EH's assets as provided to IHS by the Company, and reviewed, are reasonable, given the information currently available.

This report includes technical information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error.

Where such errors have occurred, IHS does not consider them to be material. A group of five IHS experts were directly involved in the evaluation of EH's assets.

A handwritten signature in black ink, appearing to read 'T. Hemsted'.

Tim Hemsted
Project Manager

IHS Global Limited, 133 Houndsditch, London, EC3A 7BX

21st May 2010



CERTIFICATE OF QUALIFICATION

Timothy Hemsted

I, Timothy Hemsted, professional petroleum geologist, an employee of Petroconsultants SA with offices at 24, Chemin de la Mairie, 1258 Perly-Geneva, Switzerland, and author of the property evaluation dated 30 November 2009 prepared for Global Iron Limited ("Global Iron") for the purposes of inclusion in Global Iron's Prospectus, do hereby certify that:

- I am an employee of Petroconsultants SA, an affiliated company of IHS Global Ltd. IHS prepared a detailed evaluation of Liberia offshore Blocks 8 & 9, as of 30th October 2009;
- I do not have, nor do I expect to receive any direct or indirect interest in the securities of Global Iron and/or its' affiliated companies;
- I attended Sheffield University, in Sheffield, UK and graduated with a Bachelor of Arts Degree in Geography and Geology in 1980; and in 1988, graduated from Imperial College, London with a Masters Degree in Petroleum Geology. I am a practicing professional geologist and have over twenty years experience in conducting evaluation studies related to international oil and gas fields; and
- A personal field inspection of the properties was not made; however, such an inspection was not considered necessary in view of the information available from public information and records and the files of EH.

A handwritten signature in black ink, appearing to read 'T. Hemsted'.

Tim Hemsted

Project Manager

IHS Global Limited

133 Houndsditch,

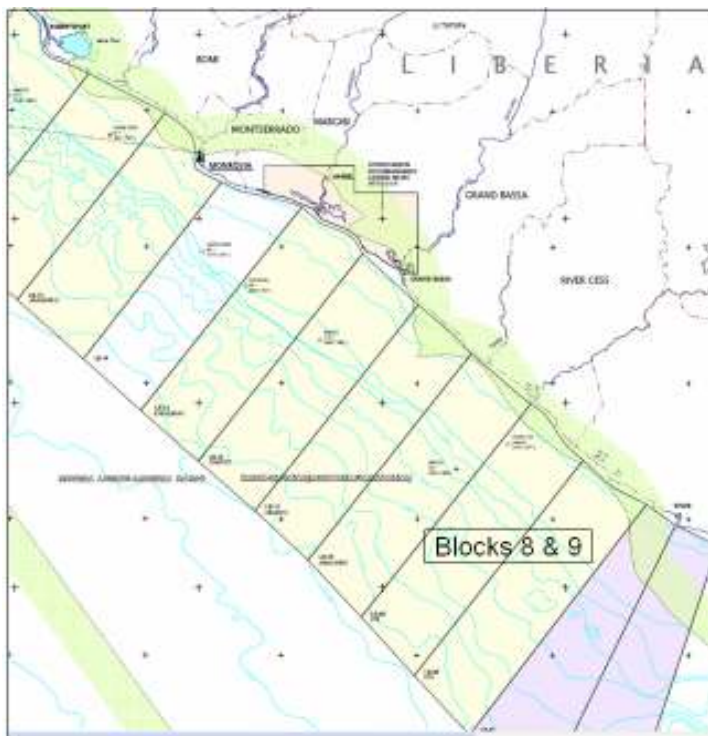
London, EC3A 7BX



FINAL REPORT

NOVEMBER 30TH 2009

BLOCKS 8 & 9 DEEPWATER LIBERIA FOR EUROPEAN HYDROCARBONS LTD.



IHS (Global) Limited.
133 Houndsditch,
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1 Introduction and Executive Summary

European Hydrocarbons Limited (EH) is the sole licence holder of Blocks 8 and 9 offshore Liberia. The two blocks have a combined area of some 7,200km², as outlined in the summary table below:

Asset	Operator	Interest	Status	Licence Expiry Date	Licence Area	Commitments
Block 8	European Hydrocarbons Limited	100%	Exploration	28th August 2016	c.3,630 km ²	1500 km ² of 3D seismic plus three wells to 2000m (\$US28 million)
Block 9	European Hydrocarbons Limited	100%	Exploration	28th August 2016	c.3,545 km ²	1500 km ² of 3D seismic plus three wells to 2000m (\$US28 million)

IHS Global Ltd (IHS) has undertaken an evaluation of the exploration potential of offshore Liberia Blocks 8 and 9.

These two blocks represent attractive unexplored acreage offshore Liberia in an area that is receiving significant industry interest following very large discoveries to the east in Ghana. The same play type is now the centre of attention for the oil industry in the Sierra Leone – Liberia basin, boosted by the announcement earlier in 2009 of Anadarko's promising, but so far sub-commercial, Venus B-1 discovery in Sierra Leone.

Offshore Liberia is a part of the Sierra Leone - Liberia basin, located on the eastern Atlantic margin of West Africa. Deep water hydrocarbon exploration in the transform margin offshore basins of West Africa has been revived following large oil discoveries in combination structural/stratigraphic traps on the continental slopes of equatorial Africa. The most notable being the 2007 Jubilee discovery in deep water offshore Ghana, which has resulted in a surge of exploration interest in the offshore coastal basins further west. Testimony to this was the announcement in September 2009 by Anadarko Petroleum Corp. of the Venus B-1 new field wildcat well discovery in block SL-6, in deep water of the north Sierra Leone - Liberia Basin. The well reached a depth of 5,639m and discovered 14m of net hydrocarbon pay in Upper Cretaceous turbidite fan sands. Although small and declared sub commercial, the find is to be appraised and significantly lowers the technical risk attached to a large number of the leads offshore Liberia.

Previous exploration drilling offshore Liberia took place from 1970 to 1972 and 1984 to 1985. Seven wells were drilled on the shelf and upper slope, in water depths of 100 to 470m, targeting shallow plays. All wells were unsuccessful but six encountered oil shows, strongly indicating a working petroleum system. Other petroleum system factors such as kitchen proximity, source rock, migration, carrier beds, reservoir, trap and seal are inferred to be present.

EH's work to date on the two blocks has been limited to interpreting (and some reprocessing) the wide-spaced speculative seismic data that has been acquired across the Liberia deep water. Whilst some play types are recognised and potential reserve sizes calculated, in order to clearly define those leads as prospects EH is ready to embark on the acquisition of a large 3D seismic dataset.

Two untested types of play within the Upper and Lower Cretaceous clastic sequences are recognized in the blocks. The Upper Cretaceous play comprises turbidite wedges that onlap onto the Mid-Cretaceous Unconformity. Deep water stratigraphic/structural traps include thinned onlap, onlap with downthrown faulting and reactivated basement high anticlinal structures with draped turbidite sands, in a variety of settings.

The lack of well data and current wide spaced 2D seismic dataset does not allow clear mapping of horizons and good prospect definition, however, a variety of prospective leads are recognized. Three representative Upper Cretaceous turbidite play leads have been validated with indicative un-risked combined P50 recoverable prospective oil resources of **1875** MMbbls with a range of **945** (P90) to **3043** (P10) MMbbls. It is also recognized that there are other potential leads elsewhere in the Upper Cretaceous section.



The second play type is within the Lower Cretaceous fluvio-deltaic and shallow marine sands, associated with a highly faulted horst and graben syn-rift setting consisting of numerous structural horsts, graben and rotated blocks. Eight tilted fault block related closures, similar to discoveries in the Ivory Coast, have been mapped by EH. Whilst the potential is recognized in this section, the widely spaced seismic data and poor data quality below the Mid Cretaceous Unconformity means these leads are still very speculative. The two largest of the eight leads are estimated to have potential for combined un-risked total P50 recoverable prospective resources of **915** MMbbls with a range of **505** (P90) to **1405** (P10) MMbbls. EH has identified that there is also the potential for other leads within the Lower Cretaceous section, identifying eight leads in total, of which two have been reviewed by IHS.

A summary of indicative recoverable prospective resources is given in the table below:

Lead	Recoverable Prospective Resources			Recoverable Prospective Resources			Risk	Operator
	Gross mmb oil & liquids			Net mmb oil & liquids attributable to EH *				
	Low Est.	Mid Est.	High Est.	Low Est.	Mid Est.	High Est.		
Upper Cretaceous								
Lead 2A	72	105	152	45	65	94	na	EH
Lead 3A	528	1013	1660	327	628	1029	na	EH
Lead 4	345	757	1231	214	469	763	na	EH
Lower Cretaceous								
Lead 6/6A	209	386	593	130	239	368	na	EH
Lead 7	296	529	812	184	328	503	na	EH
Indicative Total	1450	2790	4448	899	1730	2758		

*The Net prospective resources attributable to EH will vary depending on the production flow rate of the field as defined in the terms of the production sharing contract but is taken as an average of 62%.

All the resources are considered to be prospective resources, according to the definitions in *Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information* promulgated by the Society of Petroleum Engineers (SPE PRMS 2007). Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated probability of discovery and a probability of viable commercial scale development – and hence have a corresponding risk of no commercially viable accumulations being discovered. In the case of Blocks 8 and 9, in view of the relative immaturity of the exploration of the blocks it was agreed that no risk factor would be applied to the leads in the block. It is expected that following the acquisition of 3D seismic data, the structures will be better defined and a risk factor can then be more clearly determined.

A 5,100 sq km 3D seismic survey covering both blocks is now being planned by EH to more accurately define the traps, and move the leads to prospect status prior to drilling. This will allow better assessment of risk and provide more definitive prospect volumes.



2 Licence Description

Blocks 8 and 9 cover a total of some 7,200 sq km and comprise two SW-NE orientated rectilinear areas which lie offshore to the south of Liberia. The licenses extend from the shallow inner shelf to the deep offshore region, covering water depths of 200 - 3500m.

Brief Licence History: In the 2004 bidding round, EH was awarded Blocks 8 & 9 as a part of the eight Liberian offshore blocks awarded. Previous speculative seismic data acquired by TGS NOPEC in 2000-01 comprises 170 seismic lines covering the continental slope down to a water depth of 3000 m. EH purchased 4,900 km of seismic data, including the 14 dip lines and 5 strike lines that cover Blocks 8 and 9. EH later acquired partner Regal Liberia's interest in these blocks via purchase from Regal Petroleum in December 2007, thus owning 100% of Blocks 8 and 9. The Production Sharing Contract (PSC) became law on 23rd June 2008 with the National Oil Company of Liberia (NOCAL), which was established in 2000.

Licence Terms:

The first of three exploration periods commenced on 23rd June 2008. A summary of the PSC Exploration Periods, Work Commitments, Minimum Expenditures and Mandatory Relinquishment requirements are set out in the table below:

Exploration Period	Commencement Date	Expiration Date	Period Years	Minimum Work Commitment per block	Minimum Expenditure (US\$)	Mandatory Relinquishment
1	23-Jun-08	23-Jun-12	4	1500km ² 3D seismic, drill 1 exploratory well	US\$8 million	25%
2	23-Jun-12	23-Jun-14	2	Drill 1 exploratory well	US\$10 million	25%
3	23-Jun-14	23-Jun-16	2	Drill 1 exploratory well	US\$10 million	100%

Notes:

1. Drilling exploration wells is contingent on the success of the seismic program in defining drill targets.
2. Each exploration well must be drilled to a minimum 2,000 metres after deducting water depth.
3. At the end of the third exploration period, the remaining area of the blocks must be relinquished other than areas of petroleum discovery, the subject of Appraisal or Exploitation authorisations.
4. The above expenditures, commitments and relinquishments are required to be met on both Block 8 and Block 9. That is, in Exploration Period 1, the aggregate minimum expenditure is US\$16 million and two (2) exploratory wells are required to be drilled.

In the event of a commercial discovery, an exploitation period of up to 25 years then follows.

IHS has relied on the Legal Report prepared by The International Group of Legal Advocates & Consultants (Liberia) on Liberia Blocks 8 and 9 to confirm the PSCs at the date of this report are in good standing.

2.1 Database

Offshore Sierra Leone and Liberia are currently covered by the TGS-NOPEC regional survey of ca 15,000 line km of 2D seismic data, acquired in 2000/2001. The data set consists of 170 lines of moderate quality, 10 second post-stack migrated seismic data, extending from the continental shelf over water depths of 500m to 3000-4000m, illustrated with the location of exploration wells including the recent Venus B-1 discovery, in Figure 1. Dip lines of 50-140km length and 5 km line spacing are orientated SW-NE and the five major strike lines, each up to 850km long, are oriented NW-SE. For the 2004 licensing round, EH purchased data for 3 wells (Cestos-1, H3-1 and S3-1) and 4900 km of the TGS NOPEC survey, including the 19 lines of 1,400 km over Blocks 8 and 9. Of these 19 lines, 7 lines were reprocessed for Pre-stack time migration by Fugro Seismic Imaging in 2008.

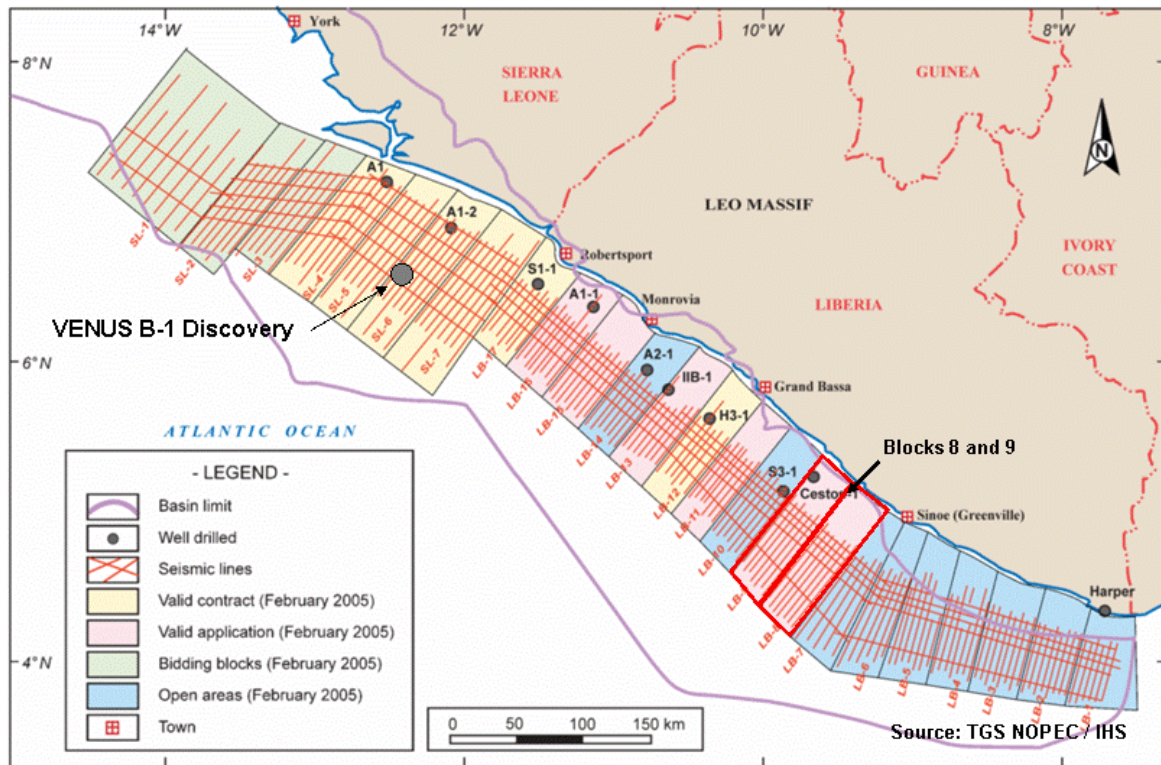


Figure 1 Map of the 2D TGS NOPEC seismic database and location of exploration wells and Anadarko's recent Venus B-1 discovery in Sierra Leone.

Some earlier scattered inshore 2D data seismic lines are known to exist but these were not available to EH and since it significantly predates the TGS NOPEC survey, their data quality is uncertain.

The Liberian slope is one of the few remaining unexplored frontier areas along the West Africa continental margin. Seven wells have been drilled to date on the shallow shelf in water depths of less than 450m during the years 1970 to 1985, as illustrated in Figure 1. The wells targeted the Lower Cretaceous and all were plugged and abandoned. Six wells however, contained oil and gas shows. Two wells reached total depth in Upper Jurassic volcanics on the inner shelf, as detailed in Table 1 below, where hole data purchased by EH is in bold. Cestos-1 well is the only well inside the Block 9 area, while H3-1 and S3-1 lie to the northwest of Block 9.



<u>Well</u>	<u>Date</u>	<u>Operator</u>	<u>TD (m)</u>	<u>TD Formation</u>	<u>Result</u>
A1-1	1970	Union Carbide	1681	(Jurassic Volc.)	Oil & Gas shows Late Jurassic sands
IIB-1	1970	Chevron	2930	L Cret (Aptian)	Multiple Oil shows in Aptian + Albian
A2-1	1971	Union Carbide	3179	L Cret (Aptian)	Multiple Oil shows in Aptian + Albian
Cestos-1	1972	Frontier	3170	(Jurassic Volc.)	Oil shows in Lower Cretaceous/Tertiary
S1-1	1984	Amoco	4137	L Cret (Albian)	Dry Hole
S3-1	1985	Amoco	3039	L Cret (Albian)	Oil shows in Upper Cretaceous.
H3-1	1985	Amoco	3494	L Cret (Aptian)	Oil shows in Albian

Table 1 Summary of well results from offshore Sierra Leone –Liberian basin

The volume of original seismic data is limited, but a wide range of prepared and interpreted data was made available by EH. The 2008 reprocessed seismic data has been digitally re-interpreted using Kingdom SMT software. Base maps included the 19 seismic lines purchased from TGS-NOPEC of which 7 lines were reprocessed in 2008. Seismic data included sets of uninterpreted and interpreted lines, including the SMT project and hardcopies and tapes of the most recent seismic interpretation. Descriptions of seismic processing and AVA analysis and examples of different reprocessed results (Line 1228) were also provided for technical audit.

Maps included two sets of interpretation maps, one in Time and one in Depth, plus with using the layered depth conversion method. The five interpreted horizons forming these maps were: Seafloor, base Tertiary, Intra Upper Cretaceous 1, Intra Upper Cretaceous 2 and Mid Cretaceous unconformity. Well data for three purchased wells included images of logs, tables of formation tops and general well results.

A wide variety of reports were available, including earlier seismic interpretations (January 2006 and June 2006), Press Releases for Equatorial Africa and a selection of relevant Published papers on reservoir analogues. Digital presentation material included current and historic documents, spreadsheet and graphical files, detailing current technical interpretation completed during 2008-2009. This included specialist interpretation focused on the Upper Cretaceous offshore deep water play and historic files and interpretations of a similar geological-seismic nature.

A 3D seismic survey covering most of Blocks 8 and 9 is currently planned in order to completely reinterpret and improve structural mapping, allow prospect interpretation and reduce play risk. The survey will assist in risk reduction, particularly of stratigraphic plays, utilising attribute and AVO analysis. However, in poor data areas lacking control, AVO responses will require appropriate calibration to minimize errors.

2.2 Regional Geological Description

The WNW-ESE trending Sierra Leone-Liberia Basin is situated between the Sierra Leone and St Paul's transform systems, to the north and south respectively. Offshore blocks 8 & 9 are located in the southernmost part of the basin.

Geological Overview

Transform margins are formed where differential horizontal slip movement, or wrenching, occurs in spreading ocean crust. Tensional stresses are accommodated by movement along these fractures,



causing intermittent offset. These fractures intersect the continental margins and are absorbed by the rigidity of the continental crust massifs.

Basin development is in two stages; an early syn-rift and a later passive post-rift phase. Both are affected by horizontal slip, but separation and continental divergence only occur in the post-rift phase when pull-apart basins develop. Continued transform movements extend the basins, creating vertical space accommodation to allow prograding shallow marine and deeper marine slope and base of slope turbidite depositional systems, sourced from sediment bypass across the shelf and down slope ravines or channels.

In the early stages these basins mainly exhibit restricted marine and lacustrine environments which are starved of oxygen, allowing anoxic conditions to form where large quantities of marine and terrestrial organic material are concentrated and ultimately preserved, until conditions of burial allow the formation of an oil kitchen and generation and expulsion of hydrocarbons of varying fluid properties.

The Liberia sub basin is one such development, extending north to the Sierra Leone sub-basin and to the southeast to the much smaller Harper sub-basin, an area squeezed between the Liberian High and the Grand Cess and St. Paul's transforms. The main structural elements of the Sierra Leone Liberian basin are illustrated below in Figure 2. The Liberia sub basin post-rift sedimentary section from late Aptian to late Tertiary is thought to increase from 1,200m over the upper shelf, to 4-5,000m over the outer shelf and upper slope, to over 9,000m in the deepest areas of the basin. Additional thicknesses over the shelf and massif regions includes Aptian to Jurassic sections.

Structural Development of the Sierra Leone-Liberia Basin

Blocks 8 and 9 are located in the southern part of the Sierra Leone-Liberia basin on the southern part of the Liberian shelf and slope, adjacent to the West Africa massif and bordering the eastern mid Atlantic margin. Development of the area is historically intrinsically linked to the break-up of the ancient Gondwana super-continent. Initial breakup began in the late Triassic to early Cretaceous. From late Triassic to mid Jurassic, rifts developed within Africa and sub-parallel to the present African and south American coastlines. The timing of main rift phases differed along the emergent Atlantic margin, from late Jurassic in the north, Barremian in the south and Aptian in the centre. Sag basins developed during the mid-late Jurassic Kimmeridgian-Volgian (150 Ma), generating extensive volcanicity and basalt dyke intrusions, possibly as a result of Gondwana passing over hot mantle plumes. At least 400m of volcanics were deposited over the South Liberian coastal area. Indications are that much of the West African volcanics have been severely eroded.

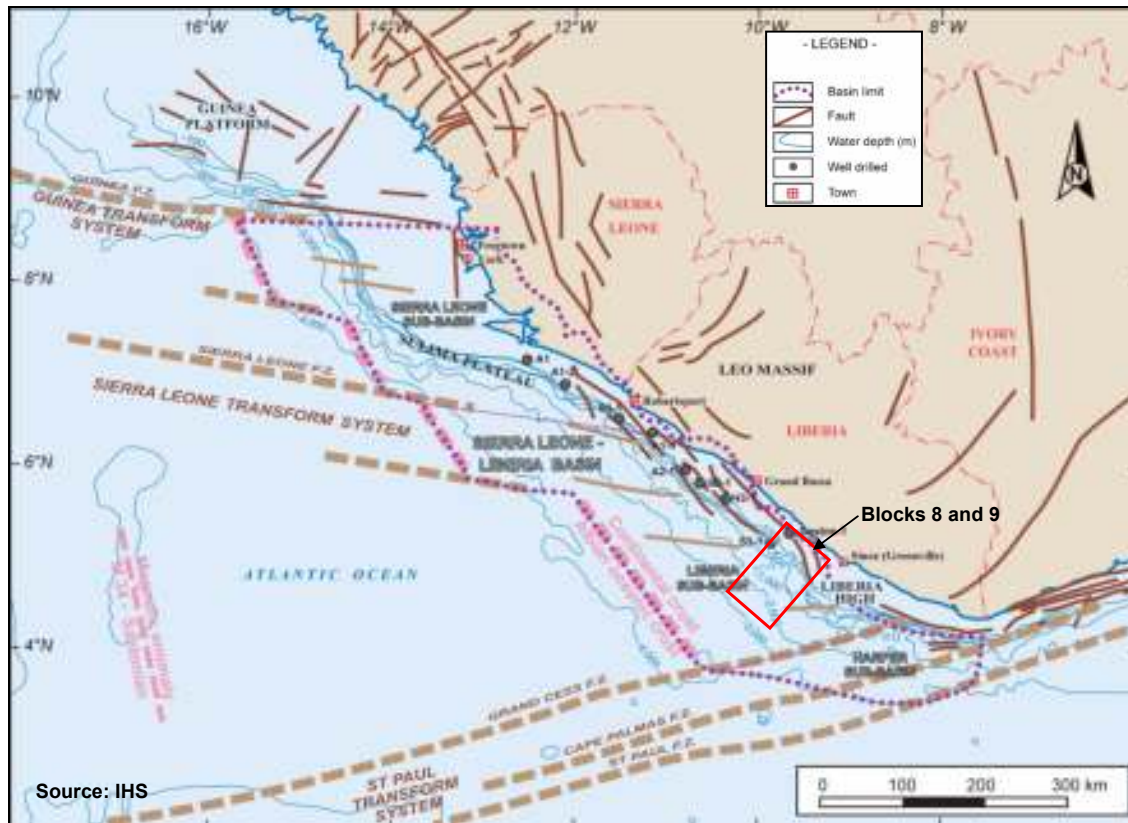


Figure 2 Sierra Leone–Liberia Basin structural setting and the location of shelf exploration wells

The West African transform margin from Nigeria to Mauritania developed last. During the early Aptian (122 Ma) early rift lacustrine areas created the earliest conditions for deposition of organic matter. Subsequent transform slip and extension created several elongate basins with semi-restricted marine circulation, which allowed anoxic conditions to form, eventually trapping sufficient organic matter to form hydrocarbon generating kitchens. The Liberian Basin was located central to this string of embryonic basins. Whilst the transform margin was not subject to open marine influence, significant topographical development was occurring along the margins, later to provide significant sediment to be transported across the shelf to deeper slope for potential deposition of clastic reservoirs.

The main rifting phase along the Liberian margin took place during the early-Cretaceous Aptian to mid-Albian (120-105 Ma), along a main WNW–ESE trend, with prevailing fluvial-lacustrine to marginal marine sedimentary conditions. During the late early Cretaceous (Albian, 100 Ma) the West African massif was extensively uplifted and extensional faulting created horsts and graben over southern Liberia and the area was severely eroded. The resulting Mid-Cretaceous Unconformity represents the end of the syn-rift phase and the beginning of the post-rift phase. Spreading ocean crust created after the MCU is Albian or younger.

During the late Cretaceous, the Liberian and Western African margin became more passive, with increased transform wrenching and increasing the separation of South America from Africa. The tectonic plate elements and extent of separation at this time are shown in Figure 3. This activity was accompanied by deeper, more open marine conditions that developed during the post-rift. Continued ocean floor spreading created an extensive ‘rift-drift’ setting which continues to the present. Increased amounts of sedimentation of marine shales and sands developed as wedges during the late Cretaceous Cenomanian-Turonian (100-93 Ma) to provide good source potential and reservoirs. Occasionally these sands became transgressive over the West African basin margins.

By the late Cretaceous Coniacian (88-90 Ma) South America and Africa were completely separate and 'rift-drift' continued unabated. However, major compression in the Santonian (84-90 Ma) caused clockwise rotation and realignment of the African plate, with rotation of Middle Cretaceous fault blocks and a major Santonian unconformity. Passive margin conditions resumed during the latest Cretaceous (Campanian-Maastrichtian (65-85 Ma). There were also numerous transgressions and regressions with emplacement of turbidite fan systems into deeper water, as a thickened Cretaceous-Tertiary wedge.

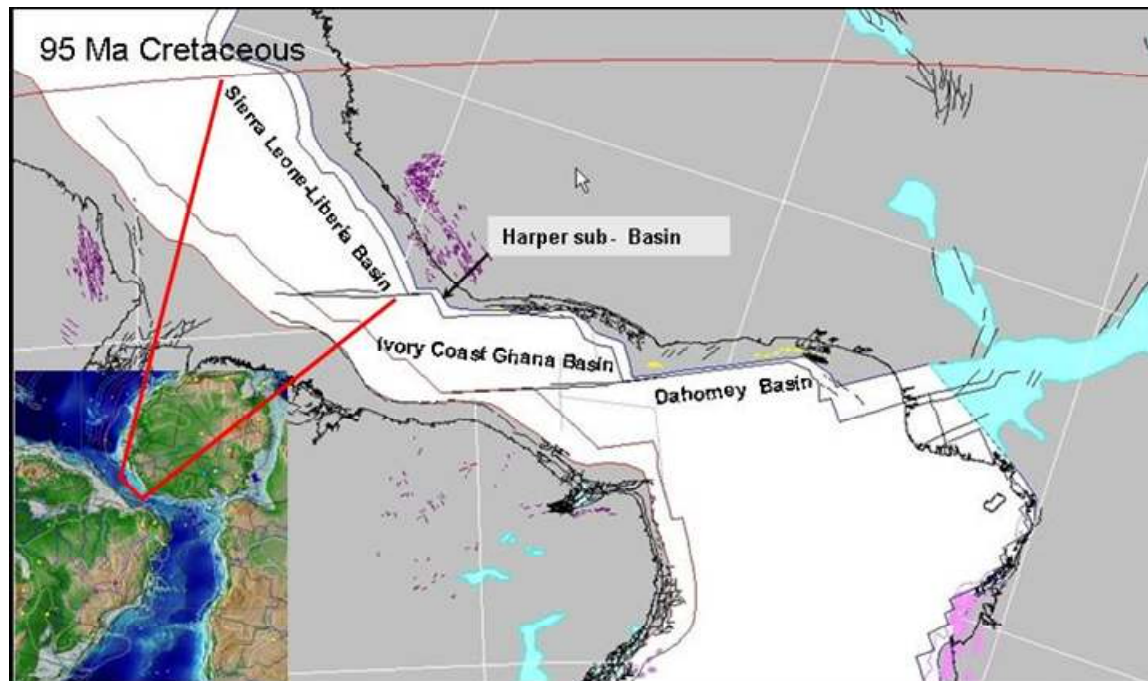


Figure 3 Major tectonic plate elements of the West African basins

During the Tertiary, tectonic and sedimentation conditions became more subdued. From early Paleocene to late Miocene (65-10 Ma), the overlying Tertiary developed as a series of deep marine shales, marls, thin pelagic limestones and minor clastic wedges, as passive margin conditions continued. During the Oligocene (25-35 Ma) there was major uplift and erosion of the African continent, providing additional sand input during Miocene times.

2.3 Prospectivity of Sierra Leone - Liberia Basin

The Sierra Leone-Liberia Basin, both offshore and deep water, covers 260,000km². No major oil discoveries had been made in the basin prior to Anadarko's recently announced sub-commercial Venus-1 discovery in Sierra Leone in September 2009. However, seven exploration wells were drilled from 1970 to 1985, all in shallow water shelf areas, reaching depths of 1681m to 4137m and penetrated thinned Tertiary and Cretaceous sections. Five wells reached the Aptian or Albian and two entered Jurassic volcanics, as detailed in Table 1. Although none were successful, multiple oil shows were encountered in the Upper and Lower Cretaceous and in Cestos-1, Tertiary and indicated that there were potential hydrocarbon source rocks in the area.

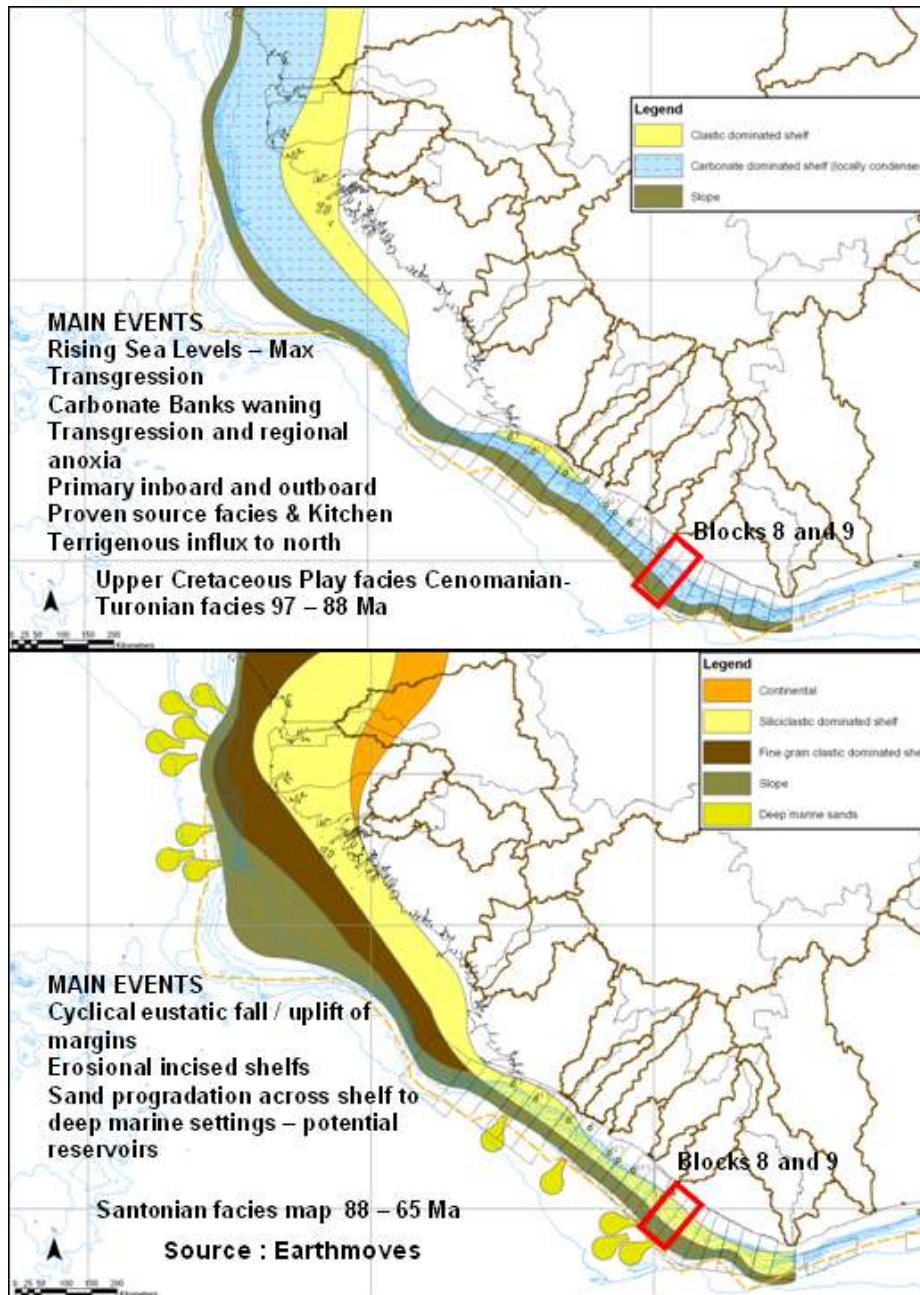


Figure 4: Upper Cretaceous post-rift play fairways and facies along the Sierra Leone-Liberian basin.

Initial potential reservoir development during the Aptian-Albian took the form of shallow marginal marine and fluvial sands interbedded with shales. Regional development of the West African margin during transform movement, rift extension and rapid drowning the West African Transform Margin created ideal conditions for deposition of thick rich source rock from Lower Cretaceous Aptian to Upper Cretaceous Cenomanian-Turonian times. Sediment bypass transfer over the shelf led to the development of play fairways down the continental slope, ultimately leading to deposition of large turbidite fan/channel complexes in deep water.

These deep basins developed adjacent to the shelf and coastal fluvial systems. Numerous transgressive sands were also deposited during the basin development due to tectonic instability and responses to changes in sea or land level. These sediments eventually created a thick wedge or foreland basin fill. Continued extension and subsidence allowed significant shale deposition to create



potential intraformational reservoir seals above these turbidites. Consequently, numerous shallow and deep water clastic stratigraphic and structural stratigraphic plays have been proposed.

Previous studies in the Sierra Leone-Liberia Basin have led to a number of conclusions. Integration of available well data combined with 2D seismic data has established that the factors for two live petroleum systems operate in this basin (Lower and Upper Cretaceous). Of primary importance is the possible existence of several oil-prone source rocks (Aptian-Albian and Cenomanian-Turonian shales respectively) and large amounts of suitable reservoir sands of similar ages. Periodic slowing down of clastic deposition in the basin allowed thick shales to develop, suggesting the presence of good reservoir interbedded seals. Moreover, structural interpretation, even with poor 2D seismic data, has identified a large variety of potential structural, stratigraphic and combination traps. Analysis of oil shows, integrated with basin scale and seismic thicknesses of over 2.5 seconds of overburden, indicates that the deeper areas of the basin reached good to high levels of hydrocarbon generating maturity and that expulsion and migration up the slope regions along slope clastic carrier beds is a strong possibility.

Preferential synchronous timing and coincidence of the above factors suggest the presence of a full active petroleum system along the Sierra Leone-Liberia Basin is a distinct possibility. This shows similarities with other basins along the West African margin, notably the Ivory Coast-Ghanaian Basin, Dahomey-Nigerian basin to the east and Sierra Leone to the NW.

Recently however, the regional situation changed dramatically when, on September 16th 2009, Anadarko Petroleum Corporation announced that new field wildcat well Venus B-1 in block SL-6 in deep offshore Sierra Leone was a sub-commercial oil discovery. The well reached a total depth of 5,639m and discovered 14m of net hydrocarbon pay in Upper Cretaceous turbidite fan sands. The oil is reported to be light with some gas. Pay sands are reported as comprising of several channel-fan complexes. The Venus B-1 oil discovery will be appraised to attempt to prove up enough reserves for commerciality. Anadarko considers an oil field of 150 MMbbl recoverable reserves as economic in this basin. This technical success immediately reduces the risk on many similar (Anadarko has identified as many as 30) current undrilled leads identified along 1,100km of the West African coast between the giant Jubilee field in Ghana and Sierra Leone.

More importantly, the discovery proves the presence of not only a viable reservoir, but also a mature source rock within the kitchen oil window, good hydrocarbon quality, successful migration and reservoir trap and effective sealing.



2.4 Prospectivity of Cote d'Ivoire and Ghana Basins

East of the Sierra Leone-Liberia Basin is the Ivory Coast-Ghana Basin. The Ghana region is only partly connected to this basin by virtue of the Tano sub-basin. Saltponds/Cape Three Points and Accra-Keta basins are additional sub-basins between Ghana and Benin. The Keta sub-basin is part of the bigger Keta-Togo-Benin rift basin extending to west Nigeria. Ivory Coast-Tano comprises 330,000 km² with an additional 150,000 km² for Saltponds 120,000 km² and 30,000 km² for Keta. In drilling terms, 70 exploration wells and at least 30 development wells have been drilled in the basin, compared to 8 in the Sierra Leone-Liberia Basin (including Venus B-1). Most have been drilled on the shelf and fewer have been drilled in Saltponds and Accra-Keta than in Ivory Coast-Tano.

In contrast to the Sierra Leone-Liberia Basin, at least 37 discoveries have been made in the Ivory Coast-Ghana basins. Of these, approximately 46% are small and uneconomic (<10 MMbbls), 43% are medium (10-100 MMbbls) and 11% are 'giant' fields (100-500 MMbbls). By March 2008 the four largest fields contained 75% of recoverable reserves. Since 2001 however, several major fields have been discovered using the familiar Upper and Lower Cretaceous play concepts (Baobab 2001, Jubilee 2007 and Odum 2008). Belier (1974) is notable in that it was discovered before the Aptian Albian rotated block concept was proposed.



3 Hydrocarbon Prospectivity of Liberia Blocks 8 and 9 Area

3.1 General Background Prospectivity

Regional data in offshore West Africa indicates at least three major source rock intervals:

- (1) Localized syn-rift Aptian-Albian lacustrine shales which are proven to contain oil and gas-prone source rocks in the offshore Ivory Coast. The same source rocks were found in the Cestos-1 and H3-1 wells near Blocks 8 and 9;
- (2) Richer syn-rift Late Albian transgressive marine shales occur widely in the Ivory Coast area. Although not present in the Liberian wells these source rocks could occur at depth further offshore;
- (3) Upper Cretaceous Cenomanian-Turonian oil prone anoxic organic rich marine shales occur all along West Africa from Morocco to Namibia. Again these were not present in the Liberia wells due to onlap pinchout but again could be present in deeper basin regions in uninterrupted Upper Cretaceous sequences.

Three wells have been drilled in proximity to Blocks 8 and 9, Cestos-1 on Block 9, S3-1 a short distance into Block 10 and H3-1 further along strike to the NW (Table 1). The wells penetrate relatively thin Tertiary marine sediments resting on thin Upper Cretaceous section in Cestos-1, H3-1 and thicker Upper Cretaceous in S3-1. All three exhibit indications of hydrocarbons. Cestos-1 has a 1600m thick Lower Cretaceous Barremian-Aptian section of mainly continental shaly clastics and Upper Cretaceous is absent via onlap, but the basal Tertiary has some oil shows. S3-1 contains a 200m Lower Cretaceous Albian section with some volcanics, overlain by 600m of Upper Cretaceous with oil shows in thin sands. H3-1 penetrated 150m of Upper Aptian, overlain by ca. 2200m of continental Albian which proved oil and gas prone in thin sands and only a few metres of condensed Upper Cretaceous shale.

Sands appear to be of good quality in H3-1 and fair quality in S3-1 and Cestos-1. H3-1 sidewall cores also indicate the presence of an oil-prone source throughout the Albian. The wells prove in the first instance that a viable petroleum system exists in the vicinity of Blocks 8 and 9. Corrected vitrinite reflectance data from Liberian wells also shows that with a 40°C/km thermal gradient (which could be lower further into the basin due to Tertiary fill), the oil window lies between 2,500 and 3,700 below sea floor, suggesting Albian-Aptian sources, although appearing mature only at the base of the section, are likely to be generating oil in the centre of the blocks and Cenomanian sources likewise in the SW of the blocks.

Regional data have also confirmed the presence, as with adjacent basins from Sierra Leone to Ghana, of two major sedimentary mega-sequences coincident with two main groups of plays, notwithstanding the usual volume potential and geological risks. It is postulated that Blocks 8 and 9 may be well placed as being adjacent to the bulging high to the South East which may concentrate the deposition of prograding sands within the block. The two main sequences are described below:

Syn-rift structural plays - Early Cretaceous Aptian-Albian Mega-sequence: This sequence comprises syn-rift fluvial sands and lacustrine turbidites, passing up into transgressive sands. The section has relatively low net/gross and porosities of 15-20 %. Several Ivory Coast offshore fields already produce from these reservoirs.

Syn-rift plays consist of rotated fault blocks with Aptian-Albian reservoirs as the main targets have been targeted by previous Liberia Basin wells and in other basins, such as Mauritania, Ivory Coast-Ghana and proved successful in the later. Liberian seismic data are insufficient and of too poor quality to confirm the validity of these traps. The three wells near Blocks 8 and 9 may also not be in optimum locations to test significant volumes of source rocks, although some have been recognised. However, identified structural leads, located under thicker sediment overburden present in the central parts of the blocks, may be in a more favourable location to do this.



Post-rift deepwater plays - Late Cretaceous Cenomanian-Santonian-Maastrichtian mega-sequence: The post-rift sequence comprises deepwater turbidite sand fans and shales deposited downdip from upper slope submarine canyons (Figure 7). S3-1 well data confirms this sequence locally. Net:gross is higher, with improved porosity of 28-35%. Several discoveries in the Ivory Coast / Ghana Basin oil produce from this sequence.

Seismic interpretation has highlighted the potential for a number of plays, none of which have yet been tested in the south of Liberia. The most opportune of these are combination stratigraphic-fault traps where the Late Cretaceous deepwater turbidite section is downfaulted against NW-SE trending old extensional faults, rendering reservoirs open to charging from Aptian-Albian source rocks as well as contemporary Cenomanian ones. Secondly there are simple onlap pinchouts upslope onto the MCU, particularly visible in the outer slope areas of Blocks 8 and 9. There are also low relief dip-closures which are extremely subtle on which no validity is currently placed.

Other features include draped sands over reactivated Lower Cretaceous faulted anticlines and a variety of outer slope and base of slope seismic mounds and channels, which are regarded as conceptual at this stage. All these plays are of course subject to the normal range of risks including adequate closure, seal, charge potential and continued trap integrity over time.

There are numerous successful analogues, near and far afield, with which to compare Liberia Basin potential, including offshore Ghana and Odum fields, Gulf of Mexico turbidites and the UK Atlantic margin. The immediate potential of the area has also been vindicated by the recent Venus B-1 discovery (which is also believed to be an Upper Cretaceous Stratigraphic Structural combination trap).

3.2 Play and Reservoir Fairways

Reservoir play sequences are expected to be of variable thickness and intermittently present over the shelf. From shelf to basin a nearly continuous section of several reservoir sequences is interpreted, from continental restricted Aptian syn-rift, Albian marginal marine to deep water sands/shales, Late Albian-Early Cenomanian shallow marine sands, carbonates and deep marine sands and shales, Late Cenomanian to Early Maastrichtian sands and shales, and finally Tertiary Paleocene to Oligocene shales and thin sands. In the vicinity of Blocks 8 and 9 local well data indicates likely Aptian to Eocene section totalling between 1,200-4,000m in the upper slope and shelf, thickening to 9,000m in the deep basin. Near Block 8 and 9, the Upper Cretaceous is only several metres thick in S3-1 and Cestos-1, while the Lower Cretaceous ranges from 120m and 2000m thick. Analogous Upper and Lower Cretaceous play fairways are also inferred in offshore Ghana Tano, Cape Three Points and Accra-Keta sub-basins.

Lower Cretaceous transgressive fluvial /marine sands play: This play is thickly developed in the deeper basin and base of slope regions, but thinned rapidly due to depositional onlap onto the Liberia High. Here the play comprises thin alternating sands and shales deposited during the Aptian-Albian as syn-rift fluvial-lacustrine and transgressive clastics in a restricted terrestrial to semi-restricted marginal marine setting, illustrated in Figure 5. Sands that may have been deposited down the continental slope become turbidite in nature. During deposition sea level appears to have been static, with carbonate shelf regions possibly competing with sand deposition from the African massif. Aptian-Albian shallow and deep water facies fairway distribution is illustrated in Figure 6. Sealing in the upper slope to shelf is provided by both intraformational shales and lateral normal faults.

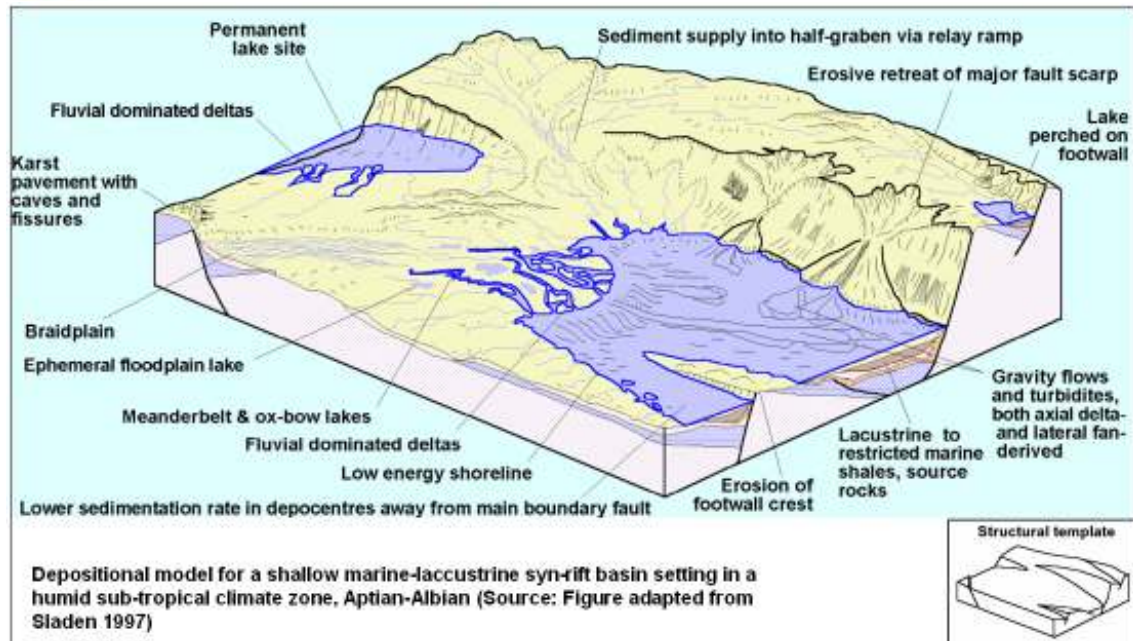


Figure 5: Structural sedimentary model for the syn-rift Lower Cretaceous marginal marine and lacustrine sands

Reservoir sands have been subject to a degree of compaction and diagenetic effects, even at shallow depths, producing low net/gross ratio and medium grade porosities of 12-18%. The sands were later uplifted, faulted and partially eroded. The Aptian-Albian drilled section varies considerably in thickness, from a mere 122m in Cestos-1 to 2630m in downdip S3-1, thinning again along strike to 1520m in H3-1. Reservoirs are sealed by interbedded Lower Cretaceous shales and mid-Cretaceous sealing fault combinations. Some regional work (below) also suggests that carbonates may also be present. It is not expected that these will be a major reservoir component. The sandstone play is not proven in the Liberia-Sierra Leone basin, but is present in the Ivory Coast Basin in Espoir and Baobab fields.

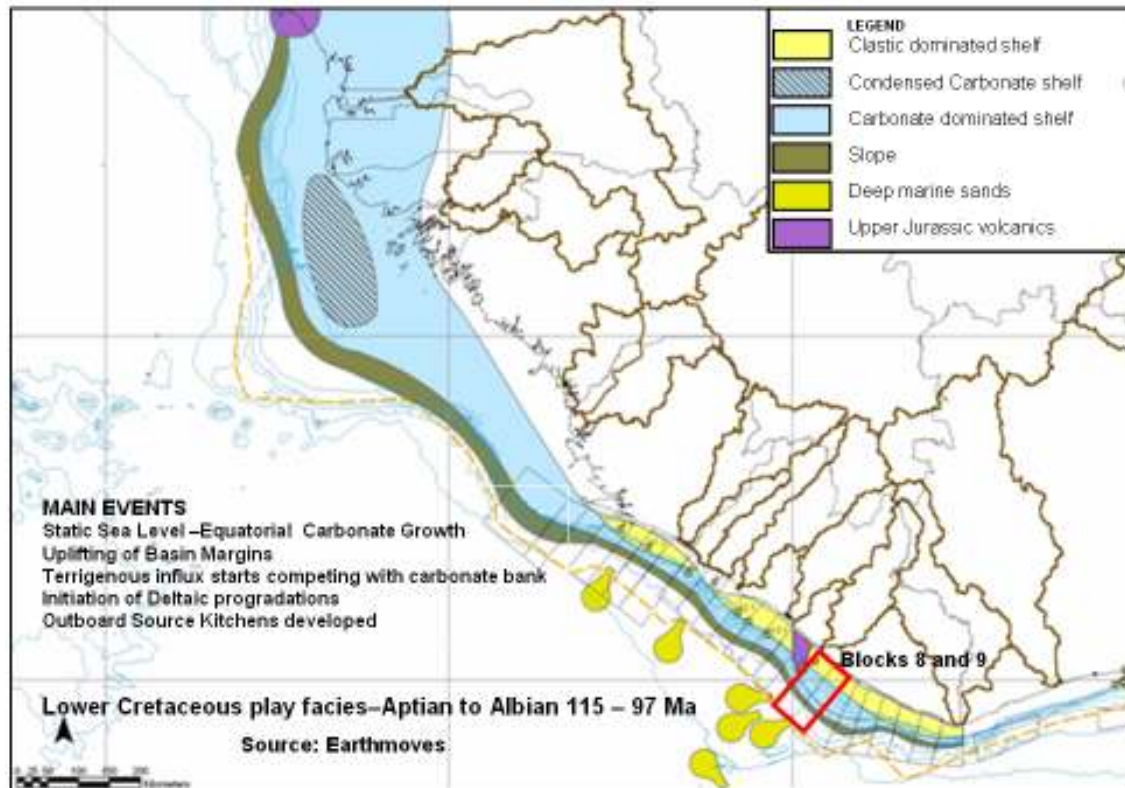


Figure 6: Lower Cretaceous syn-rift play facies along the Liberian basin and in proximity to Blocks 8 and 9.

Upper Cretaceous turbidite sands play: The Upper Cretaceous play consists primarily of transgressive and turbidite sand fan wedges forming stacked turbidite sand shales sequences. Sands range from early Cenomanian-Turonian to Santonian-Campanian sands as in Jubilee Field. Turbidites were sourced via bypass over the Liberian shelf via erosion off the adjacent African massif and introduced down the slope into the base of slope and deep basin plain regions. Turbidites are stratigraphically sealed by overlying interbedded shales at all levels, but occasionally in combination with Lower Cretaceous faults. Reservoir properties are improved compared to the Lower Cretaceous, as seen in the S3-1 in adjacent Block 10, which penetrated 170m of net sand turbidites with numerous oil shows, in an upper slope setting with porosities of up to 28-35%. An example of typical 3D slope topography (example from Ghana) with turbidite package overlain as a seismic envelope intersect surface is illustrated in Figure 7.

The Upper Cretaceous turbidite wedge play is now very prominent in recent Ghana Basin offshore deepwater discoveries, where it is proven to have excellent reservoir parameters and potential high volumes. In Blocks 8 and 9 the best potential appears to be in stratigraphic wedges onlapping the Mid-Cretaceous unconformity, occasionally in combination with NW-SE faults as updip lateral trap seals. These are very attractive combination fault/stratigraphic trap targets, closely analogous to the large Jubilee field in Ghana and the Venus B1 discovery in Sierra Leone.

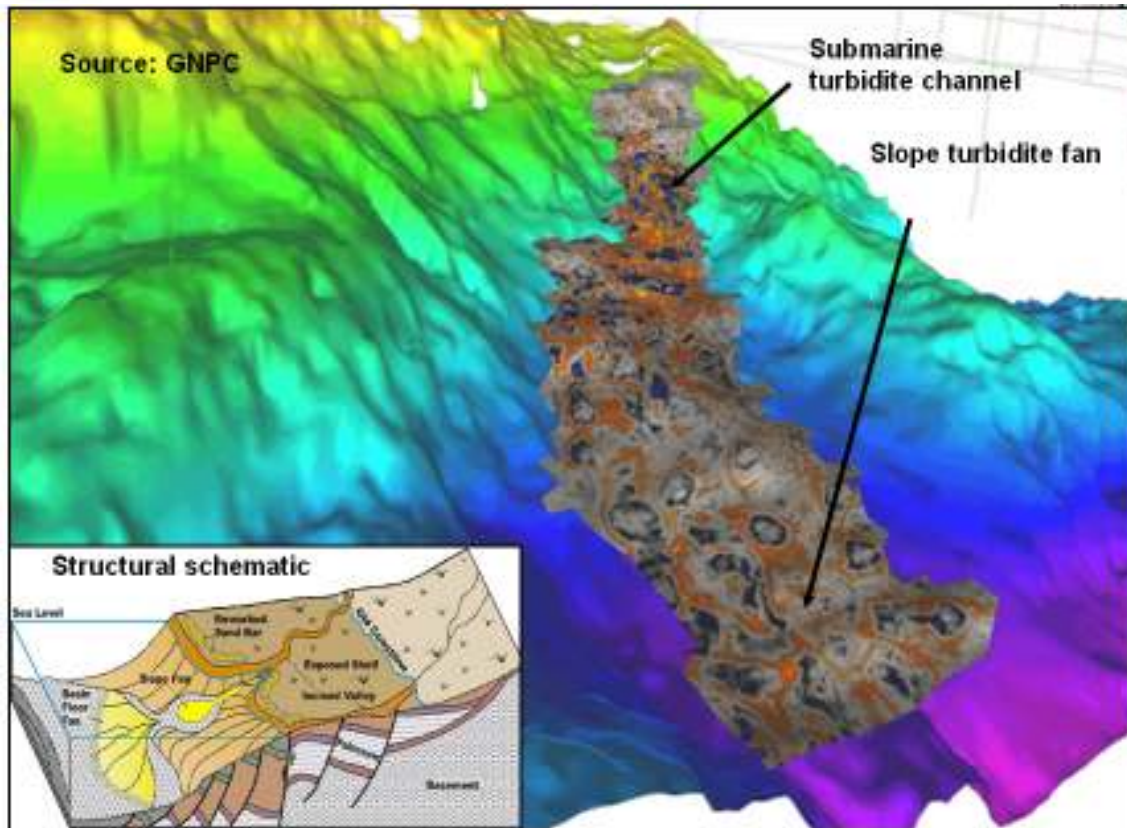


Figure 7: Example of 3D slope topography with Upper Cretaceous turbidite seismic wedge superimposed – Example from Ghana but similar topography expected in Liberia.

Good seismic lithofacies indications exist in Blocks 8 & 9 for turbidite sands within a thick Upper Cretaceous sediment wedge. Interpreted facies and fairway distribution for the Cenomanian- Turonian sequence, with probable turbidite input avenues, is illustrated in Figure 8 below. There are some positive AVA amplitude indications although not directly linked to the main leads. Although of poor quality, the 2D seismic data does allow a number of stratigraphic trap types to be defined. Hydrocarbon charge is largely expected to be from mature Cenomanian/Turonian shales, with some vertical contribution from Upper Albian/Aptian source rocks. The acquisition of 3D is critical to assess the volume uncertainty and to mitigate risk.

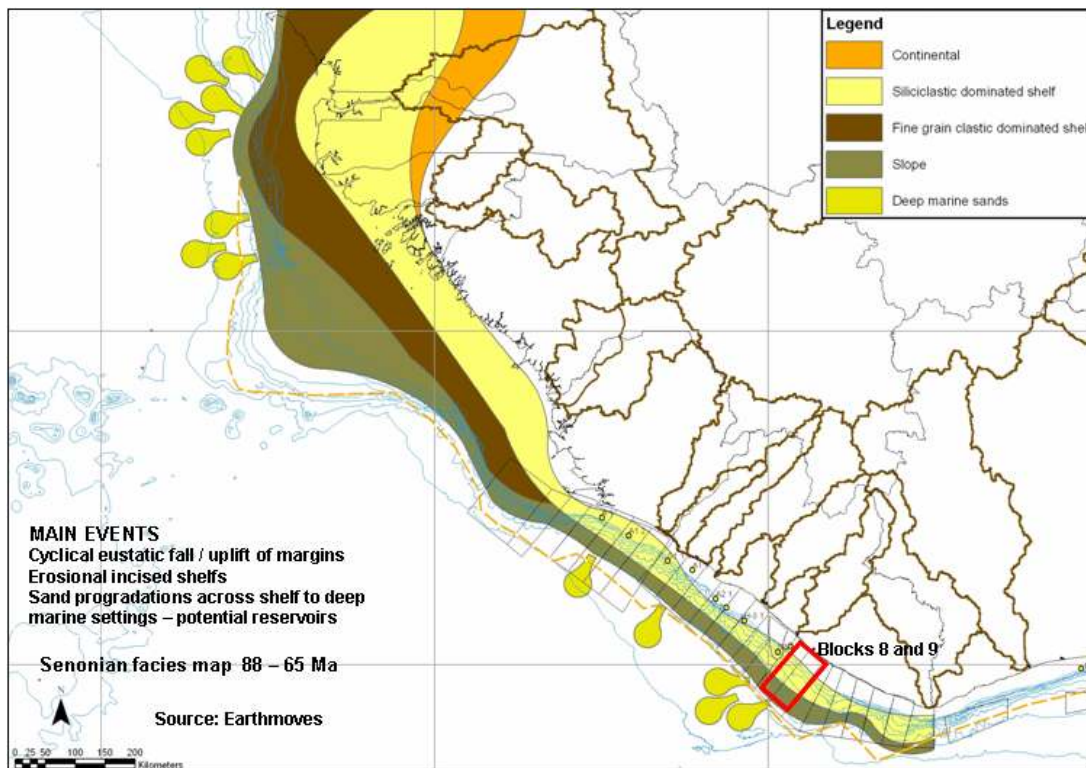


Figure 8: Senonian (Upper Cretaceous) play fairways and facies distribution in proximity of Blocks 8 and 9.

3.3 Source Rock Presence

The presence of source rocks in the Sierra Leone-Liberia Basin has been inferred for a number of years. Studies on exploration wells drilled from 1970-1985 indicated these often had organic rich shales that were approaching or had at least reached early maturity. This was also indicated by the presence of oil shows, including the three wells closest to Blocks 8 and 9. Even if reduced in thickness and potential in locations relative to the paleoshelf regions, all source rocks are likely to be better developed at depth in the outer deeper slope regions, under increased overburden and temperature to assist thermal cracking.

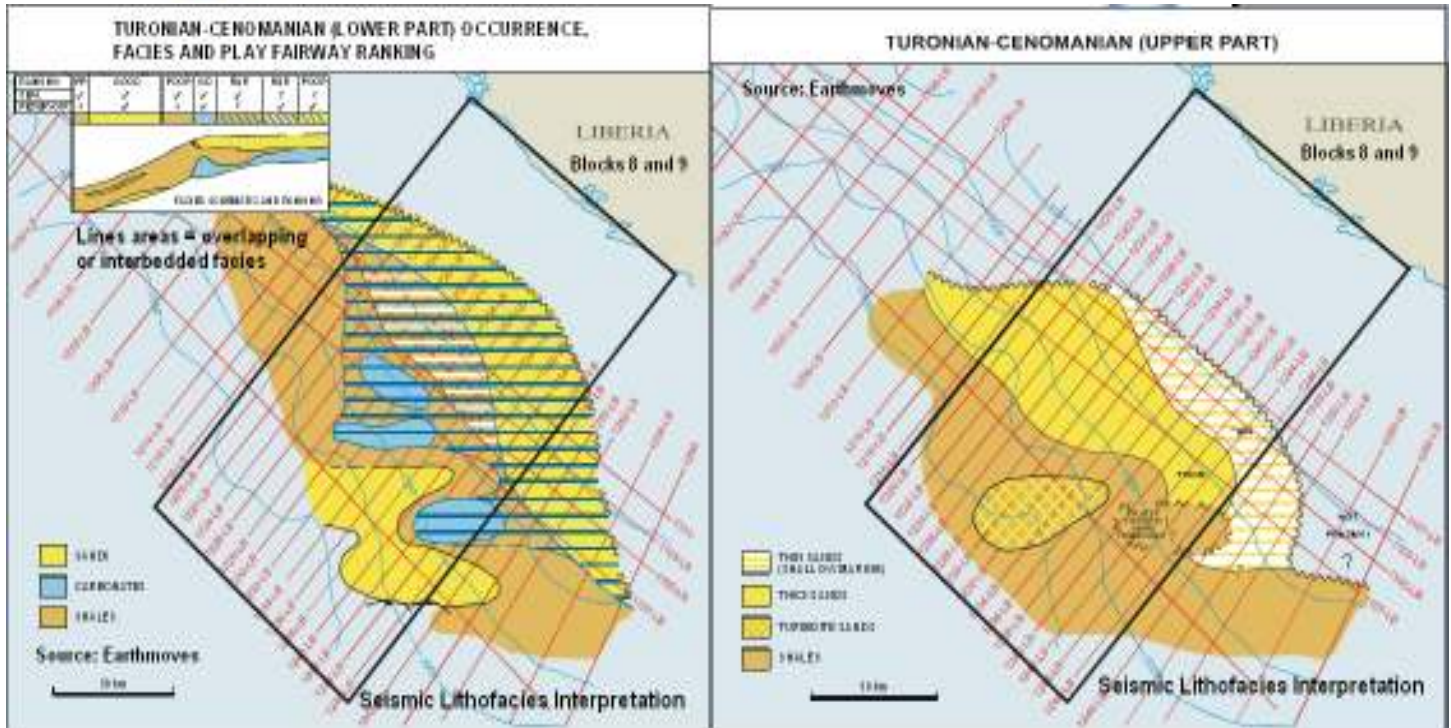


Figure 9: Lower and Upper Cretaceous source rock limits and maturity map over Block 8 and 9.

Three 'oil kitchen' sequences of anoxic organic rich sequences of lacustrine and marine shales are interpreted to exist:

a) Syn-rift Aptian-Albian lacustrine shales which were deposited and/or preserved locally. These are present in Cestos-1 (as rich terrestrial shales) and H3-1, which show moderate levels of Total Organic Carbon (TOC) of 2.6-0.35% and (HI) Hydrogen Indices of 110-631, making them likely to be more oil prone, especially as the wells are located in a higher palaeoslope location. By comparison, TOC levels in these shales in the Ivory Coast Basin average 2.1%.

b) Syn-rift deposition over extensive areas of the shelf and slope of Upper Albian transgressive shales. While these are not seen in the Liberian wells due erosion at the MCU, they would be expected to be preserved in significant thicknesses in deeper water. As a comparison, average TOC levels for the same shales penetrated off the Ivory Coast reach 6.5%, indicating significance oil potential.

b) Post-rift Cenomanian-Turonian anoxic marine shales. These are also missing from the shelf wells but are also expected to be thickly developed in deeper water. Organic content in comparable Ivory Coast shales also have high TOC average content of 6%. Kerogen content for marine shales is expected to be a mixture of Type II and II, whilst the Albian lacustrine shales are more likely to be Type I.

3.4 Source Rock Maturity

Oil window vitrinite reflectance data in shelf wells indicate an average value of 0.8%Ro at the top and 1.2%Ro at the base. This implies in general terms that in Cestos-1, S3-1, and H3-1 sidewall cores particularly, that the base of the Albian section is only marginally mature and that oil has migrated from more mature rocks at depth.

TOC levels are extremely favourable in comparison to other source rocks further afield, such as in parts of the North Sea. Average geothermal gradients are indicated to be 40°C/km in the present upper slope ('inboard') areas, indicating an oil window from 2,500 (+/- top Turonian) to 3,700m below sea floor, although this gradient could cool slightly to around 35°C/km further into the basin

('outboard'). This puts a large proportion of all three source rock sequences in the centre of Blocks 8 and 9 comfortably within the window at present day (Figure 10). The top window also varies along strike from 1,250-2,500m so that source rocks in some wells are thermally more mature, such as A2-1 and IIB-1 where top window is only 1250m below seabed. Projection of the window into the deeper offshore indicates it could straddle the Albian-Turonian at depths of between 5,500 and 7,000m, so that parts of the section have passed below it.

Data from wells along the Ivory Coast puts the top of this window at a slightly deeper depth, between 2,400-3000m, possibly influenced by the presence of wells penetrating the deeper offshore. Source rocks in the Ghana Tano basin also show evidence of tracking up the slope to shelf regions, where all Upper Cretaceous turbidite fans are comfortably enveloped in an area of mature source rocks. There are scant oil chemistry data for blocks 8 and 9 but regional information indicates that oil gravity is likely to be approximately 35-38° API.

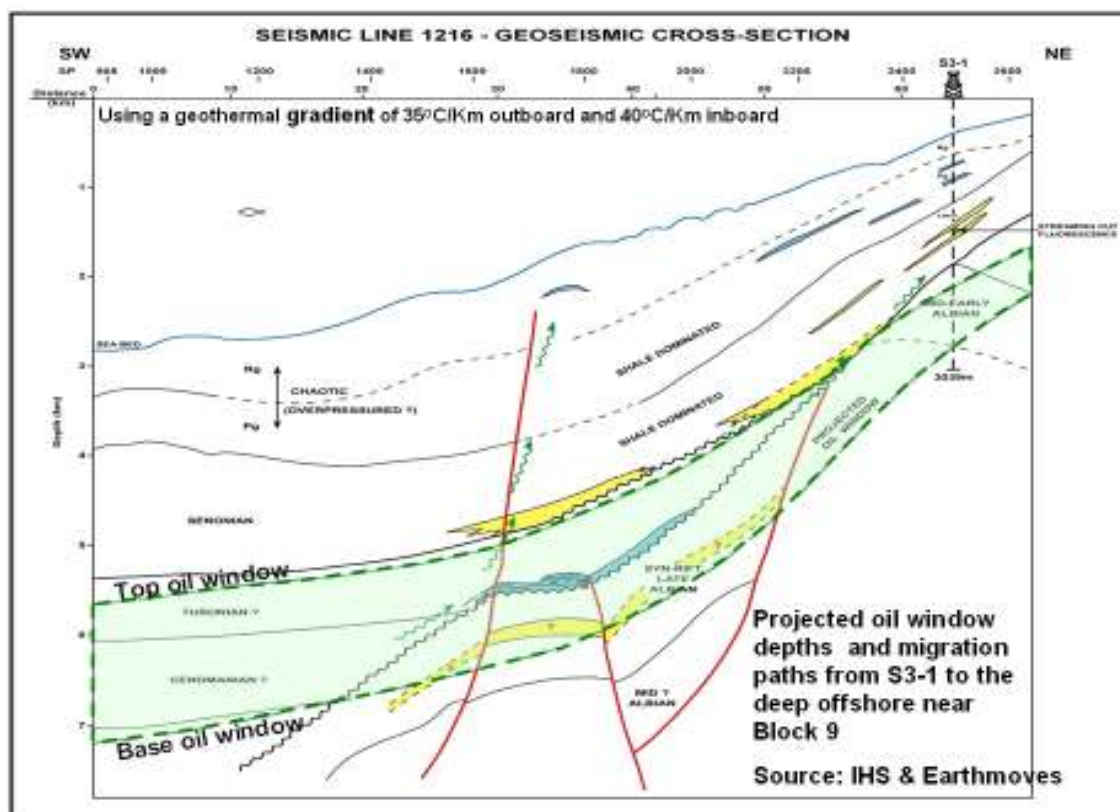


Figure 10: Interpreted migration paths towards and projected oil window near S3-1, bordering Block 9.

3.5 Migration

Migration of hydrocarbons into the sands on both Lower and Upper Cretaceous plays is dependent on expulsion from marine source rocks in the deeper basin oil kitchen within the oil window, where buried under sufficient overburden and subject to the correct temperatures to generate oil. Likely sources are Aptian, Albian, Cenomanian, Turonian and Santonian shales. As overburden built up during the Late Cretaceous and Tertiary, source rocks progressively entered the oil window and would most likely communicate with active carrier beds.

Primary migration is easily afforded by the large amounts of laterally continuous turbidite fan/channel systems as sand prone avenues in incised paleo channels, interpreted in the deeper basin and slope regions from seismic and identified in offset wells. Migration paths could exist from deeper marine



shale source areas up the slope, possibly into the shelfal region into shallow marine and lacustrine sands (Figure 10). Where such carrier beds terminate, simple stratigraphic trapping occurs; if continuous, migration would continue to fill a variety of shallower traps. The presence of structures on or onlapping structural highs, act as a focus for concentrating oil leaving the kitchen, either via primary or secondary migration. water-washing is also possible, leaving heavy oil at depth, allowing lighter accumulations in shallower structures. Such activity is observed along the Ivory Coast area where there is a multivariate association of heavy to light oil and gas and condensate in varied trap styles.

In the Liberia basin area, the main expulsion phase is thought to have occurred during the late Oligocene to early Miocene (20-30 Ma). This was mainly along a predominantly SW to NE migration front, followed by secondary local movement up and along the shelf margin, depending on interruption by reservoir absence, encountering NW-SE sealing faults or structural relief. It is likely the main migration front was to the NE along the whole Liberia coastal region, occasionally mixing, where local conditions allowed, with local lacustrine sources on the shelf.

Secondary migration is possible if either deeper primary stratigraphic seals are compromised by later faulting, or reactivation of existing WNW-ESE extension fault planes and ridges (Figure 10), to allow deviation of the migrating oil vertically. Where the Turonian and Cenomanian upper play intervals abut Lower Cretaceous fault ridges there is also potential for stepped vertical migration through successive reservoirs and non-sealing faults. Both primary and secondary mechanisms are proven to operate in the Ivory Coast Basin. A more detailed mapping of oil quality vs. reservoir age, when data are available, may help identify more specific patterns.

3.6 Blocks 8 and 9 Seismic Interpretation

The only available seismic data for interpretation are the 2001 TGS NOPEC lines. The Lower Cretaceous has twice been interpreted on these original lines. The latest interpretation prior to reprocessing is from June 2006 and forms the basis of the current Top Lower Cretaceous structure. The focus of interpretation after the 2008 reprocessing has been the Base Tertiary and Upper Cretaceous markers using standard event correlation.

The main four markers identified and used for interpretation are:

- a) Mid Cretaceous Unconformity-(Late Aptian-Early Cenomanian) (MCU)
- b) Lower Intra-Cretaceous Marker 1 (Mid Cenomanian?)
- c) Upper Intra-Cretaceous Marker 2 (Late Cenomanian-Early Turonian)
- d) Base Tertiary

Cestos-1, the only well on the two blocks, is inshore of the end of the nearest seismic line LB-1220, while H3-1 lies 100 km NW of Block 8. Well S3-1 is the only tied well, on line LB-1216 (Figure 11), which allows ties to three of the main markers, Base Tertiary, Upper Intra-Cretaceous Marker 1 and MCU. The interval between the Upper Cretaceous and MCU is represented by a thinned transgressing sand package lying directly on Lower Aptian clastics. However, there appears to be good stratigraphic correlation with strike well H3-1 and updip Cestos-1, which bottomed in Late Jurassic (Volgian?) volcano-clastics.

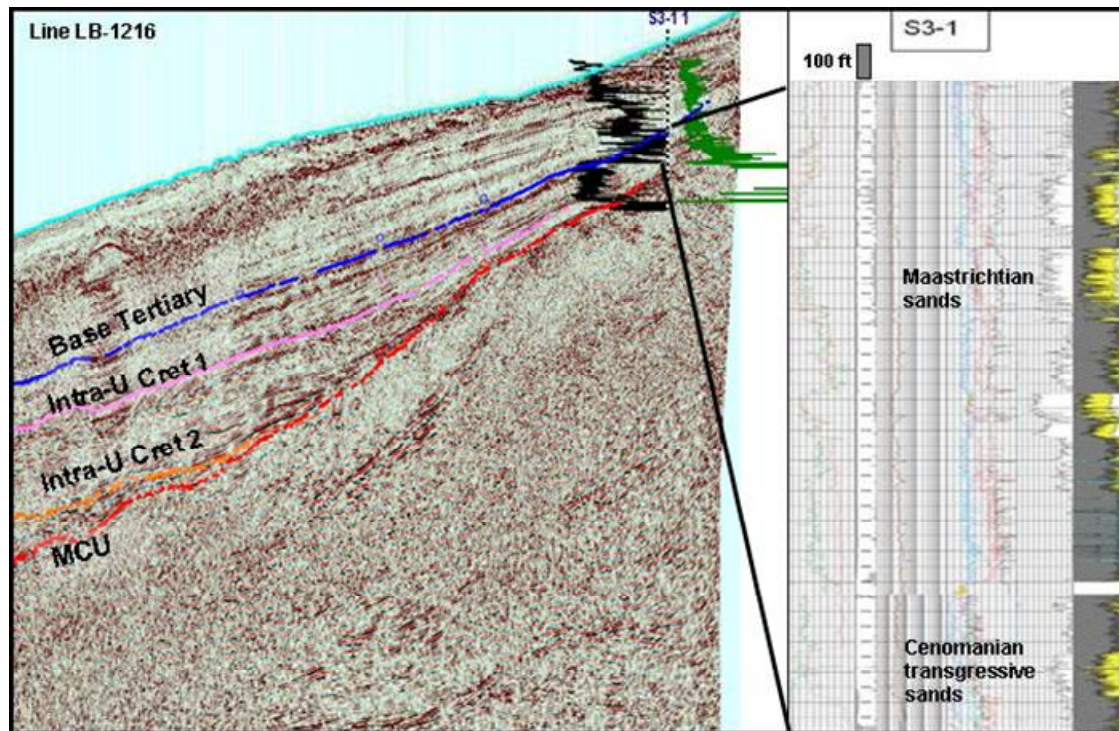


Figure 11: Reprocessed seismic line LB 1216 showing S3-1 well tie and Cretaceous log section (Source EH).

3.6.1 Description of key seismic markers

The four horizons have been interpreted and correlated using post stack migrated data, followed by re-correlation using a smaller set of Pre-Stack Time Migrated (PSTM) lines processed by Fugro in 2008. AVA responses representing high amplitude/energy are seen in the main Cretaceous prospective intervals. The presence of reduced frequency can partly be ascribed to gas migration, while gas chimneys can be interpreted above some of the major faults. Flat spots are also evident on some sections. Event interpretation was via auto-snapping to closest peak or trough, whichever was appropriate and checked for mis-ties. Manual smoothing and editing was then undertaken after filtering the data. Some event jumping and crossing however, is still evident and would require correction.

Using the reprocessed Fugro AVA seismic data, the markers were analysed for a variety of key seismic attributes including instantaneous frequency, filtering and amplitude extraction. The positive AVA responses are seen to correlate well with the good signal to noise areas, but poor areas need not yet be discounted. The upper, Tertiary interval can often be hard to interpret due to the chaotic nature of the seismic data and the signal to noise ratio. These shallower regions may be affecting energy and frequency levels in some of the underlying target areas. The markers are described below and their relationship illustrated in Figure 11.

Reconnaissance seismic facies analysis was also been done on two dip (LB-1226/1228) and one strike sample lines (LB-1109). Interpretation is difficult in the deep water regions where a water wedge effect is recognisable. In general, while seismic noise is also apparent in the deeper parts of sections, mid sections show high energy, high frequency packages with fair to good event peak and trough resolution and alternation of stronger amplitudes.



Base Tertiary

The Base Tertiary is a major event, tied to well S3-1 and markedly visible on all lines with little evidence of major fault interruption. It can be traced far into the deeper basin and represents the base of a thick Tertiary quiet open marine sand and shale section filling the basin following major uplift of the African Plateau and shedding of sediment into the Sierra Leone-Liberia Basin. Small fault movements are visible on some lines in the some shallower updip shelf sections. However, for the most part, Tertiary sediments drape the reactivated syn-rift reactivated fault blocks, with some sag visible in the intervening graben and half graben. This is particularly noticeable in the upper Tertiary paleo-slope areas of Block 8.

Intra Upper Cretaceous Upper Marker 1

Within the Upper Cretaceous is a strong marker that can be interpreted over the seismic dataset as a clear event. This marker most likely equates to the early- to mid-Turonian and appears to sub-parallel the Base Tertiary over much of Blocks 8 and 9 by approximately 500 milliseconds, indicating a reduction of the major basin fill activity below this interval. However, the Base Tertiary-U Cret. Marker 2 interval does show thickening over the mid slope regions on several lines, mostly in Block 8, possibly representing sediment piling due to low energy depositional systems and reduced bypassing across the shelf at this point. This interval thins or condenses stratigraphically to the NE, where the Upper Marker 1 also exhibits updip onlap terminations to the MCU.

Intra Upper Cretaceous Lower Marker 2

This event, of probable Late Aptian- Early Cenomanian age, is interpretable over only parts of Block 8 and 9. Where identifiable, it is a strong clear event timed close to Late Cenomanian. It onlaps strongly to the NE onto the MCU surface, where it is largely absent due to non-deposition or erosion. This event onlap is the driving factor in providing a seal to large turbidite package plays in the lower slope regions, as illustrated in all lines with good data quality at this depth and typically on line 1236 (Figure 12). Unfortunately, the noise to signal ratio is poor on several lines and the event is hard to interpret.

Mid Cretaceous Unconformity (MCU)

This event represents the base of the post-rift depositional section and is approximately dated to Late Aptian to possibly earliest Cenomanian and signifies a significant time gap that witnessed both non-deposition of earliest Upper Cretaceous and erosion of the Aptian syn-rift section in the upslope regions. On the current 2D seismic data it is poorly identified in the north of Block 9 due to poor data quality and amplitude resolution at depth, but better visualised over Block 8,

The Lower Cretaceous interval below the MCU exhibits a high degree of horst, graben and half-graben normal faulting resulting from early basin extension, which produces a very broken section that is often hard to fully interpret on the current seismic data set. Most of the faults are downthrown to the SW. The MCU also shows the effects of late post rift drift fault block reactivation of original Aptian-Albian fault blocks, due to rotation of the African massif during the Upper Cretaceous, Santonian. These movements have caused uplift of horsts and further sagging of the graben areas and has re-emphasised the rugged profile of the MCU.

Early Cretaceous Faulted surface

On some seismic lines (i.e. 1236-1242, particularly 1242) another older event is possible to see, which possibly represents a very early Cretaceous faulted surface above likely Jurassic volcanic basement. This surface is likely to be Barremian to earliest Aptian in age or even Latest Jurassic, but is too deep to confirm and there is currently no tie with shallow wells that penetrated the Upper Jurassic. For the

most part, the section deep below the MCU is of poor resolution, with poor seismic data quality, strong noise, and multiple refractions that may be caused by Early Cretaceous fault planes.

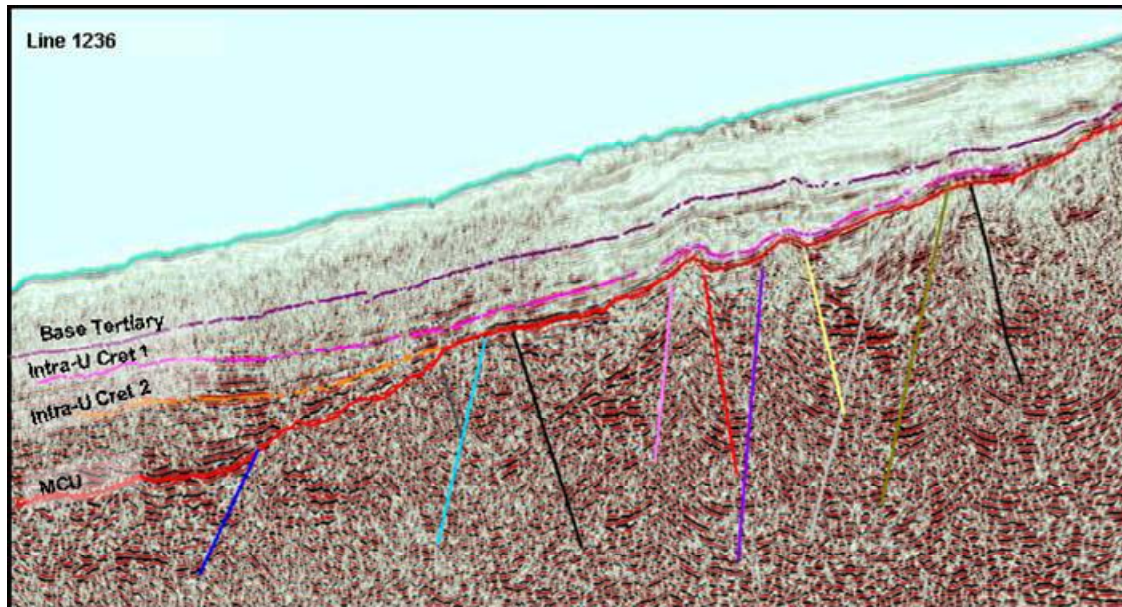


Figure 12: Structural illustration of the four interpreted seismic markers on Line 1236 (Source EH).

3.6.2 Depth Conversion

Depth conversion has been done using a simple layer-cake method involving three main intervals:

- a) Water Thickness (surface to sea bed)
- b) Post Rift Sequence (sea bed to Intra Upper Cretaceous 1)
- c) Syn Rift Sequence (Intra Upper Cretaceous 1 to MCU)

Depths to different levels have been calculated using simple relationship assuming laterally consistent velocity. Sea bed has been taken as a base reference, with a workflow as indicated below. Velocities used in depth conversion were not apparently calibrated to specific wells, but taken from regional data. Velocities are also quoted as having some reasonable regional trends. Depth conversion also addressed the depth of the water wedge and shows that V_{rms} (root mean square velocity) slows in deeper water while the interval velocities in the post rift section above the MCU appear to conform to the section thickness. Velocity increases into the basin, possibly due to compaction effects.

<u>Interval</u>	<u>Velocity (m/sec)</u>	<u>Process</u>
Depth to Sea bed	1450	One way time interval velocity to SB
Depth to base Tertiary	2000	$SB\ depth + (Base\ Tertiary\ Time - SB\ time) / 2 \times V_{interval\ Velocity}$
Depth to MCU	2450	$SB\ depth + (MCU\ time - WB\ time) / 2 \times V_{interval\ velocity}$.

Intermediate velocities of 2000 m/s and 2300 m/s have also been utilised for U Cret. Markers 1 and 2, respectively.

3.6.3 Review of Seismic Interpretation and Data Quality

IHS independently reviewed the seismic data and key seismic interpretations used to define the Leads from Base Cretaceous to Base Tertiary. Due to data quality, it is difficult to place full confidence in the picks of the horizons. Whilst, the seismic suggests tilted fault blocks in the pre-rift and possible pinch-out and stratigraphic/fault plays, fans and ponded sediments it is difficult to go beyond lead or form-mapping in this data set due to uncertainty involved in picking and correlating the Cretaceous events. The supplied documentation suggests that Low Pass filtering should enable improved seismic correlation but with line spacing of 5 kms and line to line seismic response variations the dataset is not conducive to reliable seismic event correlation.

With regard to the attributes, there are indications of 'warm' amplitudes but no Prestack data has been provided to comment on the AVA aspects. Within the Upper Cretaceous, the seismic data show good indications of seismic anomalies with soft kicks (inversion, low Amplitude Impedance) coincident with structural closures, down-fault plays and stratigraphic/pinch-out plays. Line 1228 is taken as an example to highlight a few of the amplitude anomalies on the original processing as illustrated below:

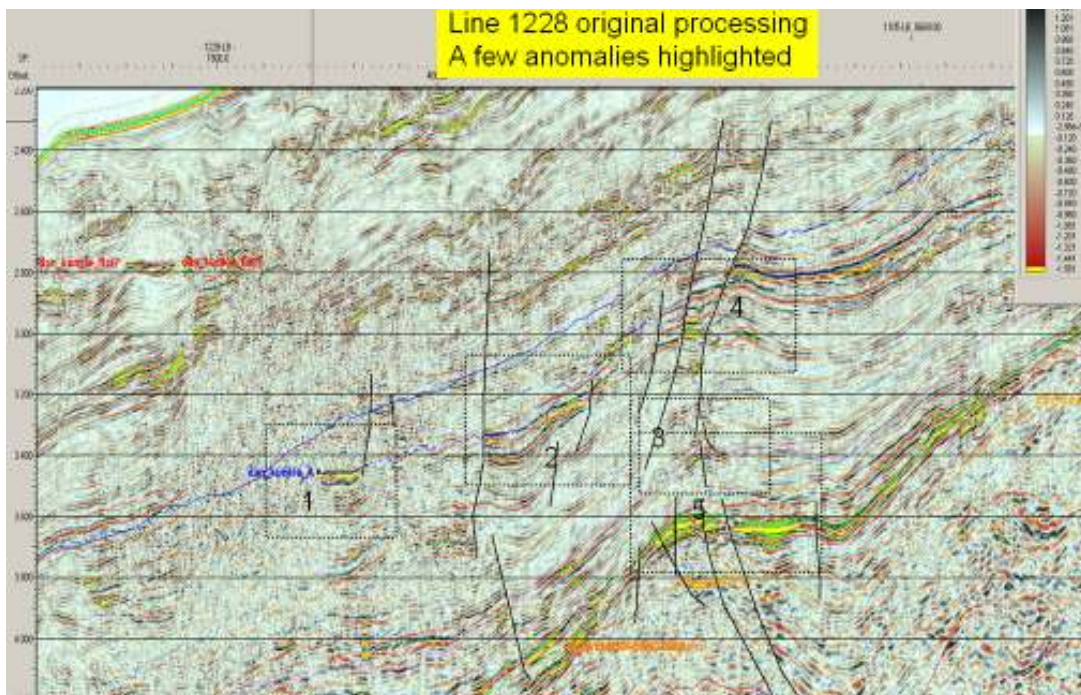


Figure 13: Line 1228 with examples of seismic anomalies (Source IHS from EH dataset)

Fault related anomalies are noted above in anomaly numbers, 1, 3 (downthrown) and 4 (upthrown). Elements of stratigraphic wedge with updip pinchout can be seen in anomaly 2 and a combination of stratigraphic thickening and structural closure is illustrated in anomaly 5.

Based on the reservoir parameters of porosity, depth etc, it is expected that one would be able to see AVO anomalies associated with hydrocarbons with good quality seismic data. The current leads are not however supported by anomalies. It would be expected that the Upper Cretaceous leads should exhibit anomalies once the 3D data set is acquired.

Because the sedimentary pile shows fair degree of faulting (soft sediment and transform fault related) it is expected that prospect size will depend on overlying Trapping Shale thickness to provide side seal & top seal and might NOT have the areal closures, however vertical stacking of individual channel bodies is likely.

The data quality in the Lower Cretaceous pre-MCU is poor. There are some areas showing/implying rotated blocks and horsts but they are difficult to define at present. In the interpretation, care has to be



taken to be sure that there is no confusion between MCU vs. overlapping events vs. subcropping events.

Data Quality Issues:

Seismic imaging/gain is one of the main issues in the original data set, Processed Migrated(time) in the SMT project. The supplied documentation on the 7 lines Prestack time migrated by Fugro, show some improvement (SEG Y data were not supplied) but still seem inadequate.

The seismic data is very poor in the upper layer in deeper waters demonstrating significant data deterioration caused by 'the chaotic layer' below the mudline. Detailed analysis of the layering and sea floor topography suggest that the 'chaotic' layer is mostly likely to be caused by overpressures in the sandier intervals between 300 to 500ms below the mudline not being released, rather than being a gas chimney. Outside the disturbed zone, particularly in the east where most of the leads are, shallow, listric faulting seems to have released the formation pressures, with minimal disturbance to layering, and hence improved seismic data quality.

The acquisition and processing parameters should be studied in detail to minimise the loss of data quality (source, streamer modelling using the 2D data; scatter noise cancellation) and it is agreed that both PSDM and PSTM should be considered as a part of 3D planning.

Summary of comments on seismic interpretation and data quality:

The 2D data show indications of the play types that worked in the neighbouring basins. The 2D data quality is such that any further work is unlikely to generate Advanced Leads/Prospects. The complexity of the overburden, the subtleties of the structural/stratigraphic definition in blocks 8 and 9 are such that 3D seismic acquisition is essential. However, the acquisition and the processing parameters need to be carefully designed to address the effects of sea floor rugosity and the shallow disturbed zones below the mudline. It is recommended that the 3D covers the block all the way to the block boundary in the deep water in the West. It is likely that 3D will be shot only once before any relinquishment and therefore there is the risk of 'good plays' being relinquished in the deep water.

3.6.4 Magnetic and Gravity Survey Data

Accurate resolution of fault trends and lineaments is difficult with such widely spaced 2D data, with several possible interpretations. Gravity and magnetic data are available for the Sierra Leone-Liberia Basin and have been utilised in recognising more distinct structural lineaments. Both the magnetic and gravity displays show similar features.

Magnetic survey data.

Magnetic data have been helpful in determining indicative fault lineaments. These mainly trend NW-SE across the survey with some E-W and N-S trends in the south. NW-SE trends are particularly evident and appear to reflect major strike slip transforms of the Sierra Leone Transform system including, from north to south, the Buchanan, Greenville and Liberia Hinge fault zones, as they intersect the Liberian shelf and Liberian high under Blocks 8 and 9. The trend effects of these faults are seen to varying extent in the fault patterns of the Lower Cretaceous.

Gravity survey data

A gravity display is shown in Figure 14 below. Data are more muted in response and do not show the NW-SE fault lineaments as strongly as magnetic data, due to the overprint by effects of higher gravity igneous basement and low gravity sedimentary wedges extending across the Liberian High into the deeper basin. Medium-low gravity areas occur in the SW of Blocks 8 and 9, possibly indicating sedimentary packages in the slope and base of slope regions, where there is a significant 'embayment' at the basin-ward side of the blocks.

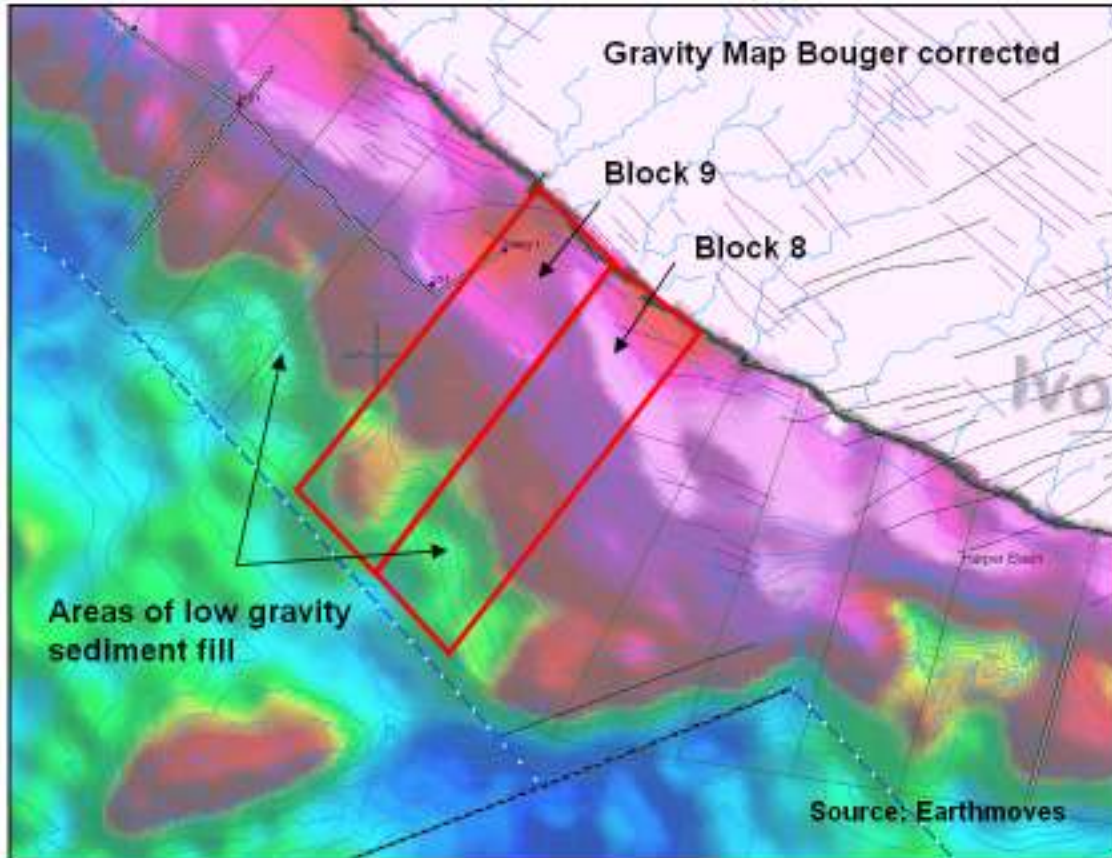


Figure 14: Corrected Free air Bouger gravity map of offshore southern Liberia.

The line of the shelf edge is pronounced, with some NNW-SSE elements. The Liberian High is seen as a south-westerly bulge and a wider shelf region SE of Block 8. The major element however, is the apparent WSW-ENE trend in the far south, reflecting the Grand Cess transform system which defines the Harper sub-basin south of Liberia. This transform, with others to the south (St Paul's, Chain etc), connects directly to the Mid Atlantic ridge.

3.7 Resources Evaluation of Structural Leads

A wide range of trap types comprising two largely mutually exclusive groups (structural and stratigraphic) have been identified and classified for the Lower and Upper Cretaceous. These are listed below and annotated in Figure 15.

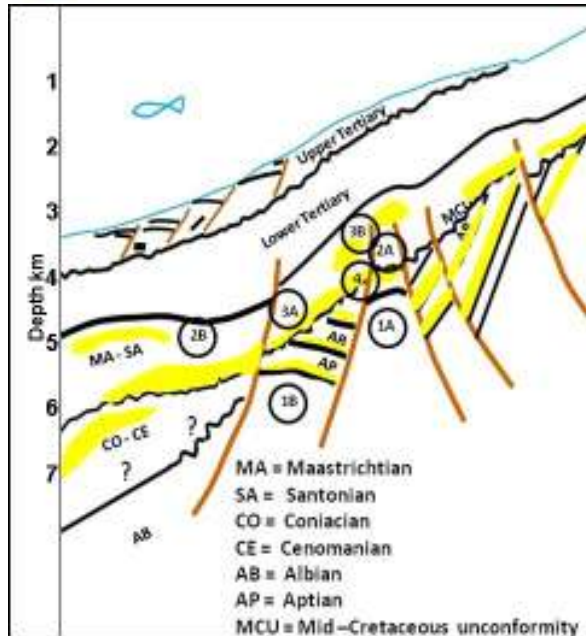


Figure 15 Typical Geoseismic section illustrating trap types.

Lower Cretaceous multiple structural traps:

- 1A Simple prominent horsts
- 1B Rotated fault blocks with or without dip closure
- 1B Fault terraces

Upper Cretaceous structures:

- 2A Transpressional reactivated syn-rift faults anticlinal drapes
- 2B Compaction drape over Early Cretaceous structures: low relief dip closures

Upper Cretaceous Stratigraphic traps

- 3A Onlap pinchouts
- 3B Deep water seismic mounds and channels (poorly defined)
- 3B Deepwater basin floor fans 3B
- 3B Ponded Turbidites
- Shelf Carbonate build-ups

Upper Cretaceous/Tertiary Stratigraphic

- 4 Structural/stratigraphic traps

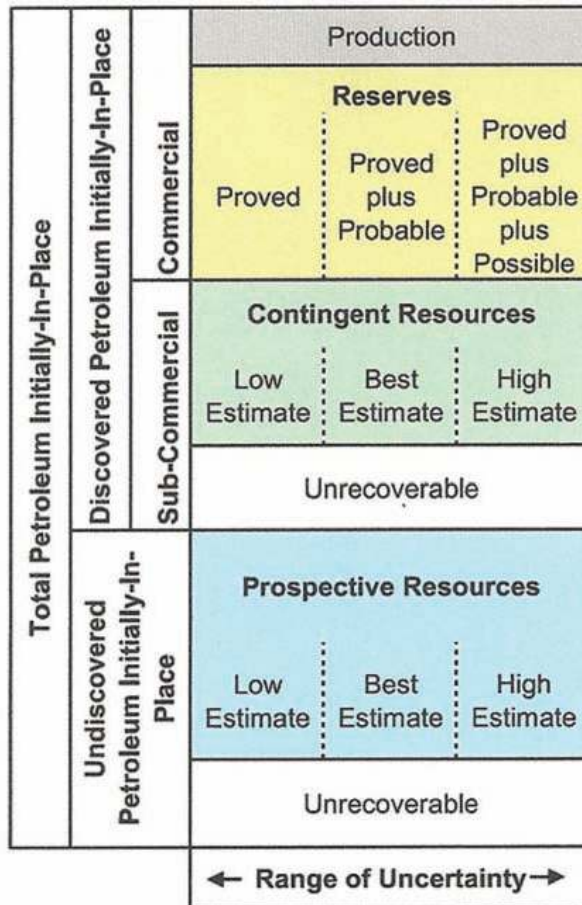
Volumetrics Standard Used for the Report

The resources evaluation was undertaken using generally accepted petroleum engineering and evaluation principles as set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers (SPE PRMS 2007).

The SPE resources classification system is presented in the diagram below. The quantities estimated to be initially-in-place are defined as “total petroleum” initially-in-place, “discovered petroleum” initially-in-place and “undiscovered petroleum” initially-in-place, and the recoverable portions are defined separately as “reserves”, “contingent resources”, and “prospective resources”. Reserves constitute a subset of resources, being those quantities that are discovered (i.e. in known accumulations), recoverable, commercial and remaining.

In this evaluation, all the resources are considered to be prospective resources which are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity.

The range of uncertainty of the recoverable and/or potentially recoverable volumes may be represented by either deterministic scenarios or by a probability distribution. When the range of uncertainty is represented by a probability distribution, a low, best, and high estimate shall be provided such that: There should be at least a 90% probability (“P90”) that the quantities actually recovered will equal or exceed the low estimate. There should be at least a 50% probability (“P50”) that the quantities actually recovered will equal or exceed the best estimate. There should be at least a 10% probability (“P10”) that the quantities actually recovered will equal or exceed the high estimate.



IHS Volumetrics Strategy

IHS accepted that at this stage, volumetrics calculations on the main leads from the range of play types was an acceptable indication of the hydrocarbon potential of the block.

EH deterministic data of different vintages were provided as Maximum and Minimum cases for the Upper Cretaceous (2009) and Minimum (Min), Most Likely (ML) and Maximum (Max) data for the Lower Cretaceous (2006). IHS undertook its own adjusted volumetrics in the following way:

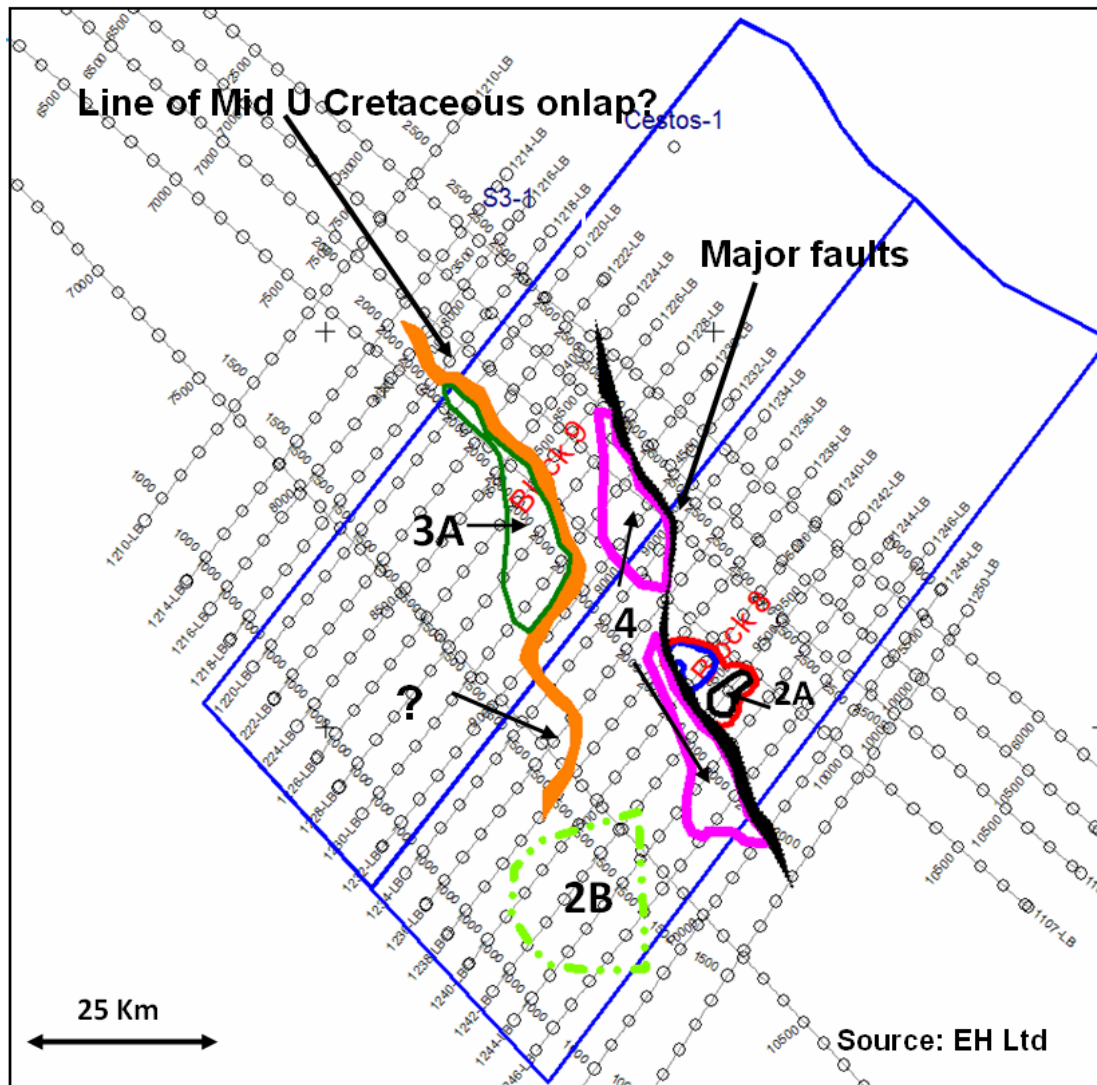
- a) IHS recalculated areal closures. Calculated Gross Rock Volumes (GRV) using an Area/Depth relationship related to the minimum and maximum values as indicated on the Lead maps illustrated below.
- b) As a cross-check, IHS also undertook new deterministic cases for both Upper and Lower Cretaceous leads.
- c) Undertook a probabilistic estimation (Monte Carlo) of resources using revised structural closure and adjusted reservoir parameter ranges. These are presented below for each lead.

Simple calculation using all 'minimum' or 'maximum' values parameters for deterministic means for the relevant low or high cases is not entirely appropriate in terms of the value distributions of possible outcomes. Therefore a final probabilistic approach was performed. As a representative volume, all three mapped Upper Cretaceous leads and the two largest Lower Cretaceous leads were assessed and are outlined below. It is recognized that there are other leads in the blocks but those assessed here, and specifically in the Lower Cretaceous, are the largest and best defined.

3.7.1 Upper Cretaceous Stratigraphic-Structural Leads and Volumetrics

Upper Cretaceous structural stratigraphic leads consist of thick sedimentary packages of shallow to deep marine turbidite sands and shales, built up at the foot of and down the Upper Cretaceous paleo-slope, during several time intervals from Cenomanian to Turonian-Santonian. Sediment supply appears to be sourced via bypass routes across the wider shelf region from the adjacent Liberian part of the African massif and geographical hinterland.

The potential reservoir sequences represent the product of post rift drift sedimentation accompanying transform strike slip extension and seafloor spreading from early Cretaceous to the Tertiary and beyond. Older early Cretaceous turbidite plays are interpreted to gradually onlap the MCU surface in the SW of Blocks 8 and 9, while younger Turonian/Coniacian-Santonian turbidites form stratigraphic faulted combination traps plays updip to the NE against Early Cretaceous faults, as illustrated for the currently identified features in Figure 16.





Trap 2A (Structural trap)

Trap type 2A appears as a simple anticlinal rollover with updip fault closure in the form of a thin drape of Upper Cretaceous Cenomanian sands updip of one of the Type 4 traps, as illustrated in Figure 17. Seismic line 1240 passes directly through the structure. The lead has a closure of between 16 and 39 km² and is approximately 10km long and 3 - 5km wide. Vertical closure ranges between 50m and 100m. Reservoir quality is expected to be moderate to very good, with net:gross ranging from 20-40% and high porosity from up to 30%.

This and other anticlines over which these thin sands are seen to drape are the result of Late Cretaceous fault reactivation in response to transpressional reactivation of existing syn-rift faults. This activity is likely to have been initiated during Late Cretaceous sea floor extension causing NW-SE orientated fault blocks to rotate due to spatial restriction, causing fault block uplift. Indicative resource estimations show this particular trap type to be of relatively minor volumetric significance.

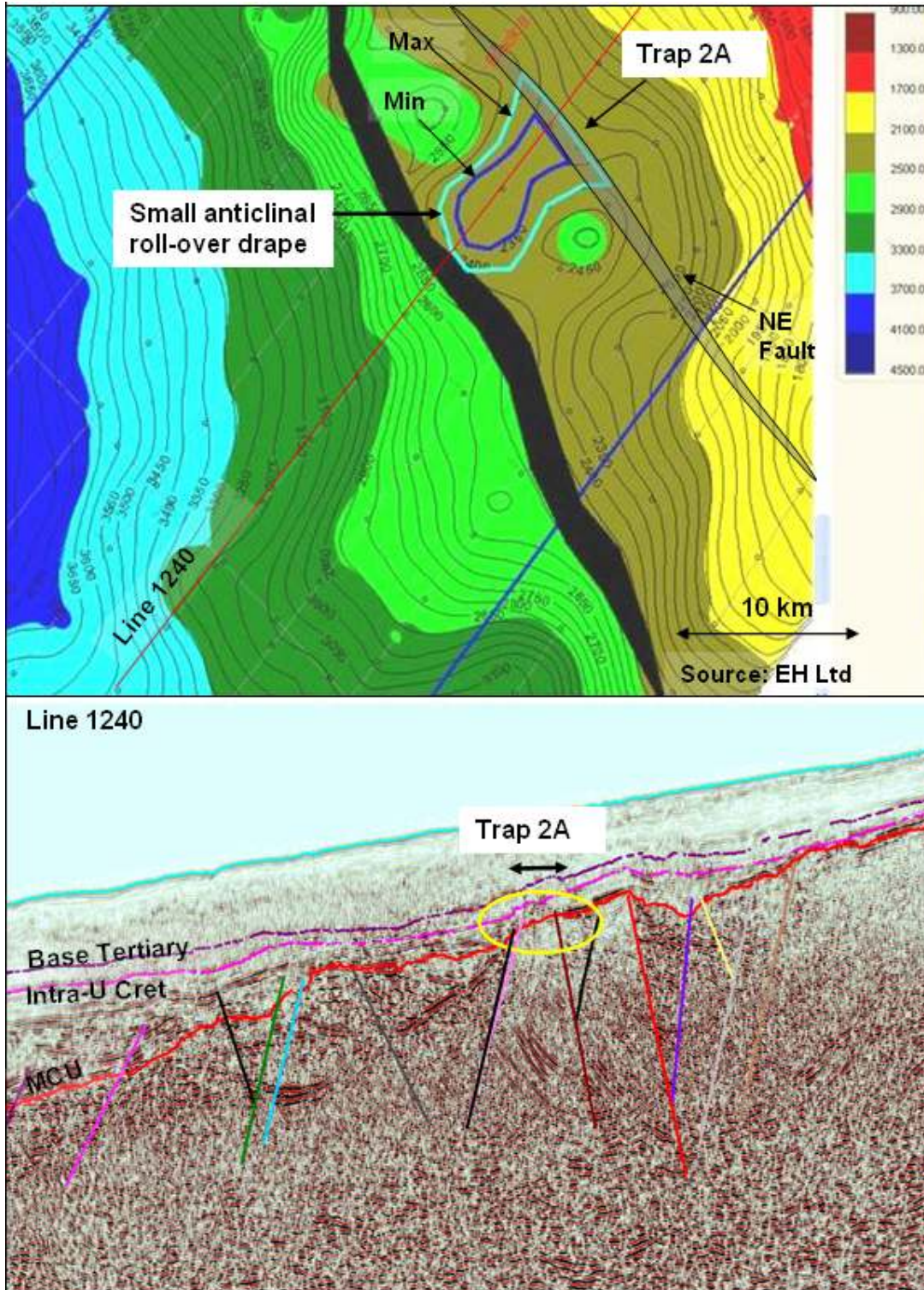


Figure 17: Structural map and seismic line 1240 across Upper Cretaceous Turbidite play Trap type 2A



INPUT RANGES	Minimum	Most Likely	Maximum
Gross Rock Volume (MMcm)	621	1206	1792
Net:Gross (%)	20	30	40
Porosity (%)	22	26	30
HC saturation (%)	60	65	70
Formation Volume Factor (FVF)	1.2	1.3	1.4
Recovery factor (%)	25	30	40

Table 2: Input parameters for indicative hydrocarbon volumetric calculation for Trap 2 type Lead

LEAD 2A MONTE CARLO RESULTS		
Probability	STOIIP MMbbls	Recoverable Oil MMbbls
P90	235	72
P50	331	105
P10	474	152

Table 3: Indicative Probabilistic Prospective Resources Trap 2A type Lead

Trap 3A Lead (Stratigraphic onlap trap)

Trap type 3A consists of a thinning turbidite-like seismic package which is observed to pinchout via onlap gradually from SW to NE onto the SW dipping Middle Cretaceous Unconformity (MCU) as seen in Figure 18. The feature represents the proximal (up-current) part of a large deep sea base of slope fan extending into the basin. with a vertical relief of up to 350m across the crest of the feature on seismic line 1230 and an areal closure between 36 and 132 km² as illustrated in Figure 18. Areal extent is approximately 15km wide and 30km long. Reservoirs are expected to comprise Upper Cretaceous Cenomanian turbidite sands interbedded with shales, re-deposited across the Cretaceous shelf via input channels, down the paleo slope as stratigraphic fan developments.

The lead appears un-faulted and is mapped with a structural closure to the NW and SE, which may be a function of local fan geometry combined with compaction differences. The reservoirs may also be subject to lateral facies changes to shales also to the NW and SE, indicating the possibility that the limit of the trap may extend beyond the current maximum mapped spill point (as has been found at Jubilee). Other onlap elements exist as smaller features along the same line of onlap, along strike to the NW and SE, as separate minor leads of 15 and 36 km² respectively.

Reservoir quality and parameters are expected to be moderate to good with porosities from 18-28% and net: gross from 20-40%, similar to other turbidite sequences of the same age range present in the Ivory Coast-Ghana Basin to the east. A better visualisation of this Trap play can be seen in a grey scale display (Figure 19 below) which shows the turbidite package occupying the interval between the MCU and intra Upper Cretaceous events and the stronger amplitude layering in the yellow envelope between them.

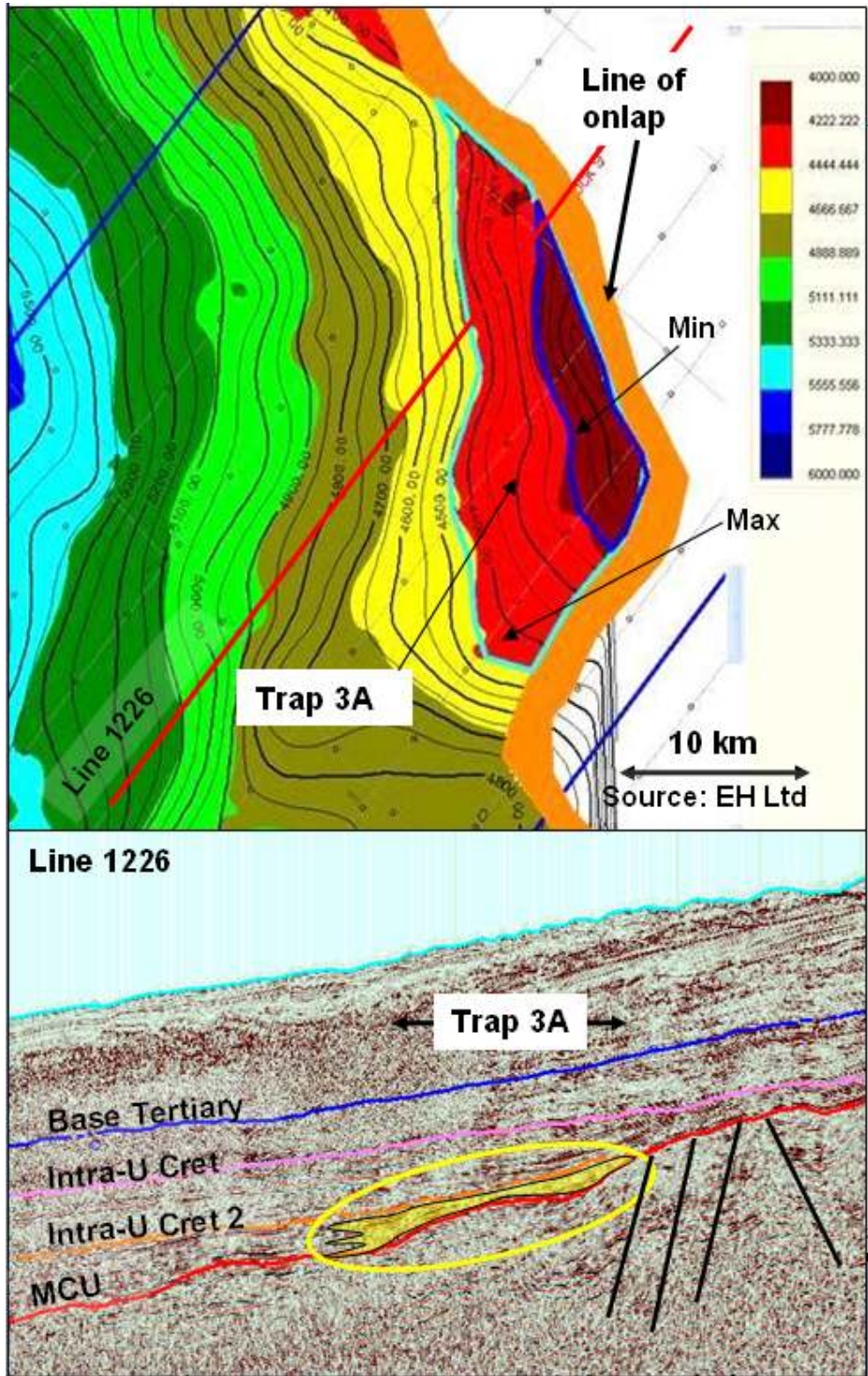


Figure 18: Structural map and seismic line 1226 across Turbidite play Trap type 3A.

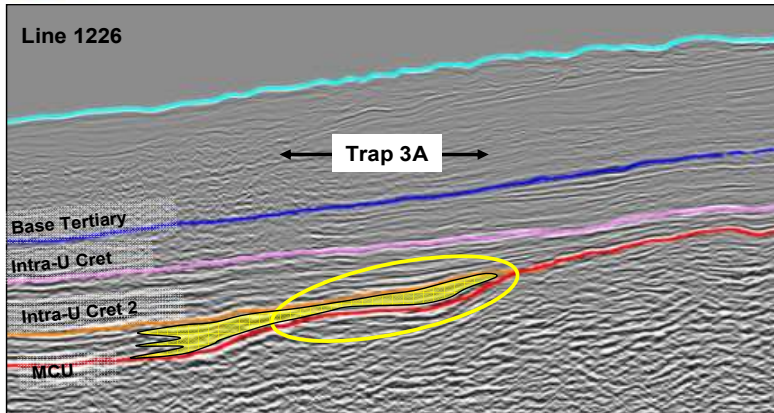


Figure 19: Seismic line 1226 in grey scale showing definition across Turbidite play Trap type 3A

<u>INPUT RANGES</u>	<u>Minimum</u>	<u>Most Likely</u>	<u>Maximum</u>
Gross Rock Volume (MMcm)	2433	12787	23142
N:G (%)	20	30	40
Porosity (%)	18	23	28
HC saturation (%)	60	65	70
Formation Volume Factor (FVF)	1.2	1.2	1.2
Recovery factor (%)	25	30	40

Table 4: Input parameters for indicative hydrocarbon volumetric calculation for Trap 3A type Lead

LEAD 3A MONTE CARLO RESULTS		
	STOIIP	Recoverable Oil
Probability	MMbbls	MMbbls
P90	1694	528
P50	3199	1013
P10	5196	1660

Table 5: Probabilistic Prospective Resources for Trap 3A Lead

Trap 4 Lead (Combination faults-stratigraphic trap)

Trap style 4 is the major play in the area and is cited as a close analogy to the Jubilee discovery in Ghana and is located in the south of Block 9. The trap is one of two large combination structural-stratigraphic features involving a thick basal Upper Cretaceous package of likely Cenomanian age turbidite sands, akin to those proposed for Trap 3A lead. However, seismic event mapping indicates that the Trap 4 lead sequence is younger than Trap 3A lead, as it lies updip and above the lower Intra-Cretaceous marker. The sequence forms a thinning wedge occupying the interval between the younger Upper Intra-Cretaceous event and the MCU events. This southern structure has a relief of between 75 and 250m and the current mapped closure measures 35km long and 10 km wide. In the maximum case, a lateral facies change is required to provide strat closure to the SE. It is believed that closure of this kind is actually present in the Jubilee field.

The package tracks northeast along the MCU event before becoming downfaulted against a major NW-SE fault with a displacement of several hundred metres. The play is visible to varying degrees on

seismic lines 1226 to 1246, with the main mapped southern structure illustrated with seismic line 1240 in Figure 20 below. A grey scale display is also inserted in Figure 20, showing the interval between the Upper Cretaceous and MCU, which again shows stronger amplitude layering in the yellow envelope.

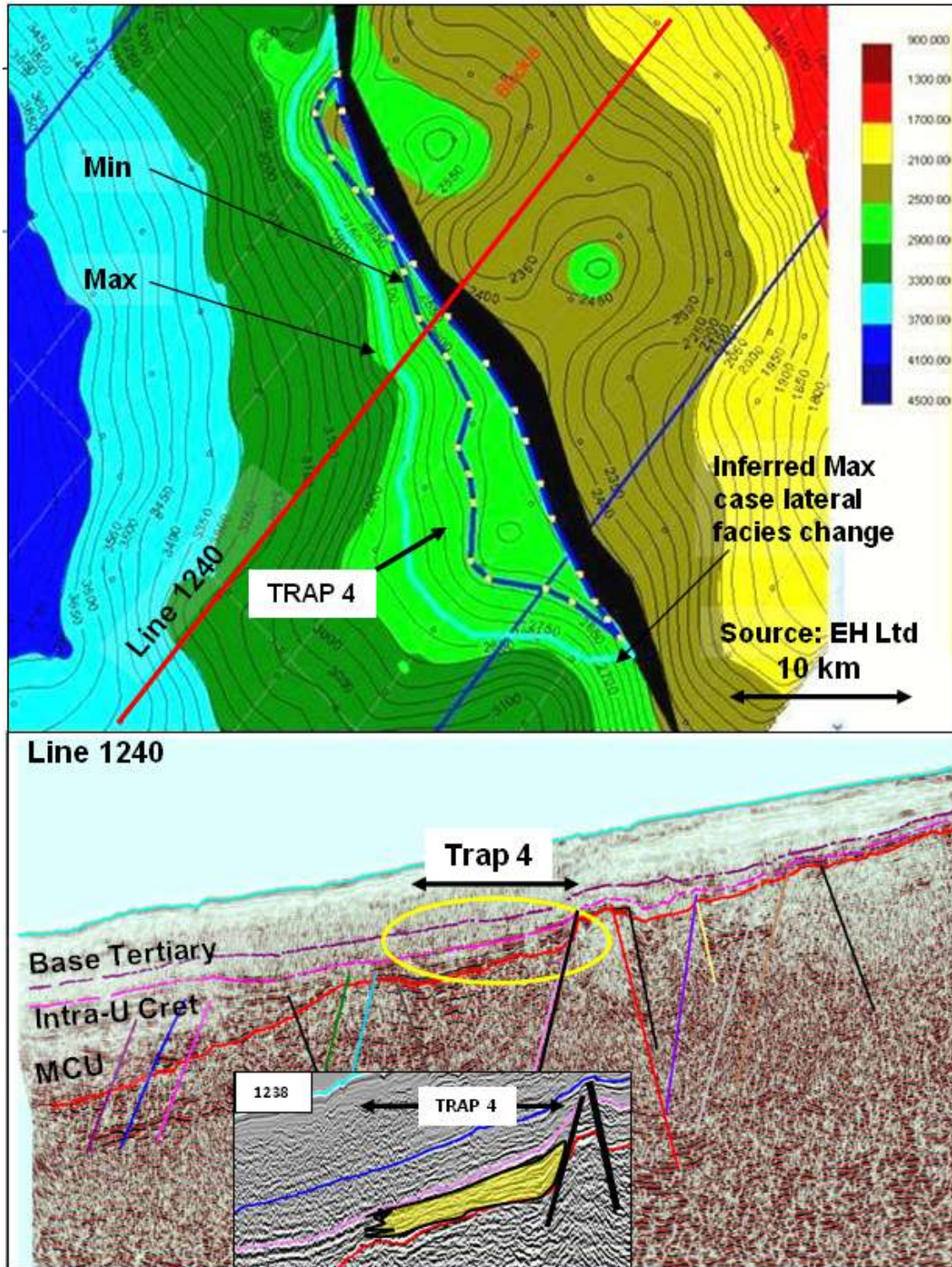


Figure 20: Structural map and seismic line 1240 across turbidite play Trap type 4, Jubilee analogue
 The reservoir section is again likely to contain turbidite sand packages with interbedded shales similar to Trap 3A, with similar reservoir quality (net:gross of 20-40% and porosity at 18 -28%). Sands are



likely to have been introduced into the basin along bypass routes across the Upper Cretaceous paleo-shelf, deposited down the slope and banked up against the main NW-SE fault. The Maximum closure requires a facies change to the south east. Reactivation history of Lower Cretaceous syn-rift faults also suggests that the upper parts of the section may have been uplifted by fault block movement and eroded.

An additional opportunity that can be evaluated once 3D seismic has been acquired is a similar northern feature (Figure 16) related to Play type 4 which has not yet been fully mapped, but indications are that it is of a similar areal closure to the mapped feature; between 120 and 150 km², with a similar vertical relief and thus potential volume.

Both trap plays 3A and 4 have also been investigated using seismic AVA - AVO amplitude extraction and numerous filtering methods to reduce seismic noise visualisation. Results reveal a variety of strong event layering within these turbidite packages, likely to be the result of possible Direct Hydrocarbon indicators (DHI's). Other minor trap styles in the area also appear to contain 'flat spots', which are horizontal events within the seismic possibly reflecting fluid contacts. The overall structural style pervading the Upper Cretaceous and Lower Tertiary is quite muted, compared to the complexity of the underlying Lower Cretaceous leads.

INPUT RANGES	Minimum	Most Likely	Maximum
Gross Rock Volume (MMcm)	2264	10092	17921
N:G (%)	20	30	40
Net pay (m)	30	40	50
Porosity (%)	18	24	28
HC saturation (%)	60	65	70
Formation Volume Factor (FVF)	1.2	1.2	1.2
Recovery factor (%)	25	30	40

Table 6: Input parameters for indicative hydrocarbon volumetric calculation for Trap 4 type Lead

LEAD 4 MONTE CARLO RESULTS		
Probability	STOIIP MMbbls	Recoverable Oil MMbbls
P90	1103	345
P50	2396	757
P10	3853	1231

Table 7: Probabilistic prospective resources for Trap 4 type Lead

3.7.2 Lower Cretaceous Structural leads and Volumetrics

The eight leads identified by EH in the Lower Cretaceous section are a product of syn rift sedimentation followed by syn rift tectonics which produced a wide range of structural features in response to early rift-drift extension and plate movements. Multiple trap structures include horst blocks, half and full graben, fault terraces and sand drapes over these structures which are mapped at the top Middle Cretaceous Unconformity Level. Due to the wide spaced seismic grid and the lower quality of the data below the MCU, there is certainly a risk that the faults are not mapped correctly between the seismic lines. It is to be expected that the fault mapping will change substantially once 3D seismic has been acquired and interpreted. Therefore the leads identified are certain to change in shape and size. A fill factor has been applied to these two leads to take into account the structural risk.

There is the possibility that the blocks may have undergone Late Cretaceous rejuvenation that may have compromised the fault traps. Eight fault-related leads are currently identified, most in Block 8, in water depths of 500-1700m (Figure 21). These plays are comparable with those in the Ivory Coast-Ghana Basin to the east but of much smaller sizes except for Leads 6 and 7, the two addressed in this report. The top Lower Cretaceous structure map also indicates additional fault traps of variable size are likely to be present.

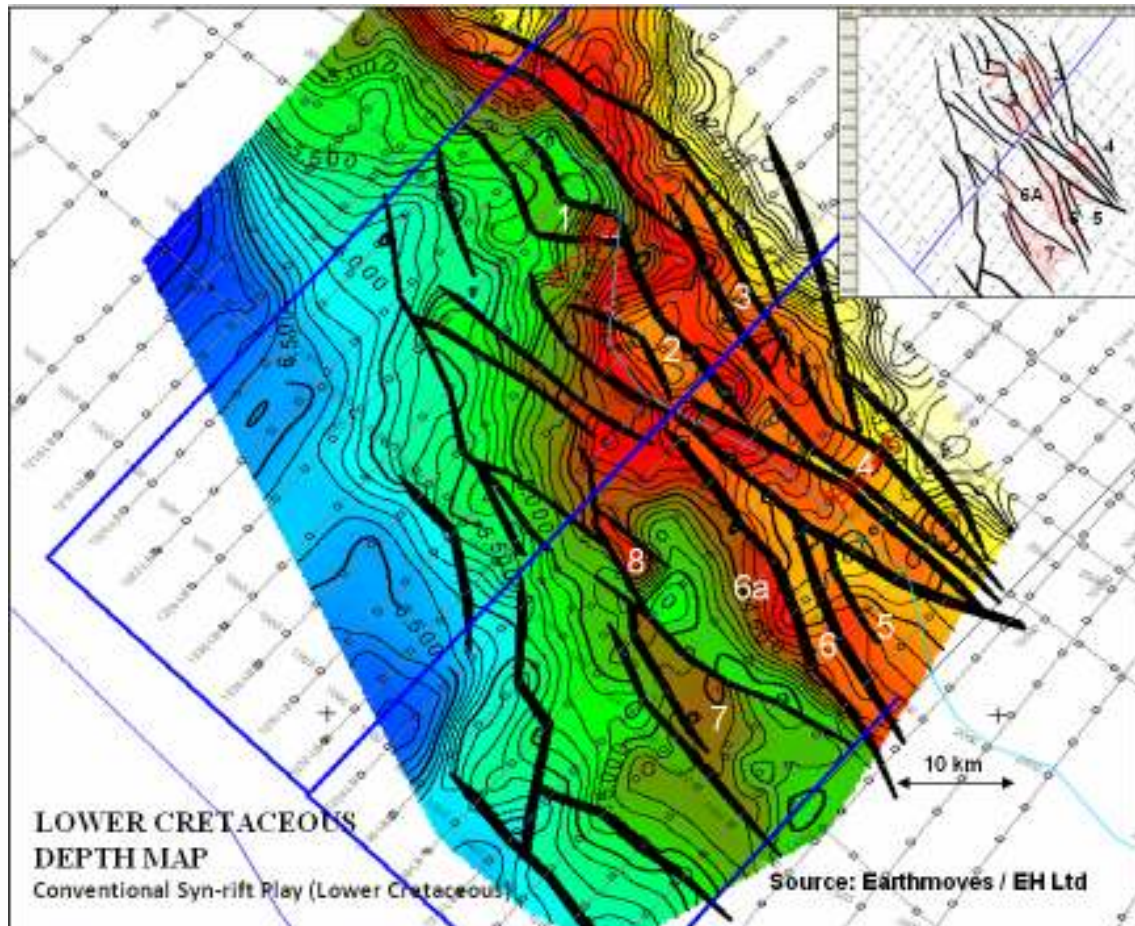


Figure 21: Top Lower Cretaceous structure map with locations of Leads 1 to 8

Reservoirs are likely to be fluvial and shallow marine sand dominated, interbedded with shales, with wider range of net:gross (30-50%) and poorer porosities between 12% and 18%. Some thin carbonates may also be found within the Lower Cretaceous section which are considered here to be non reservoir. Nominal gross thicknesses of 75m, 150m and 225m have been adopted for reservoir thickness since there is no well stratigraphic reference for the Lower Cretaceous section. The structural-sedimentary setting enables contained reservoirs to be sourced by the dominant Lower Cretaceous Albian and Aptian source rocks deeper in the basin, via communicating carrier beds. There is also the possibility of carbonates within the section, although these are not considered at this stage. The less dense seismic coverage imposes a degree of uncertainty in the overall trap size, amount of vertical closure, fault definition, lineaments and merging/divergence. Fault displacements are generally quite large.

Structures 6 and 6A

Structure 6: Structure 6 consists of a linear, narrow horst block trending NW-SE, approximately 40km long and 2-4 km wide. It has vertical closure of approximately 500m and a maximum area of closure of some 69 km². Closure is affected to the north and south within the horst and lateral seal by the NW-SE normal faults with throws of 200-250m to the NE and 400-500m to the SW.

The trap is expected to contain shallow marine and fluvial sands of Albian-Aptian age and reservoirs are expected to be lower quality with porosities from 12-18% and a wider range of net: gross than the Upper Cretaceous (30-50%). Gross reservoir thickness is estimated at between 75 and 225m. As an indication of structure risk and fault seal, a fill factor has been applied to the Lower Cretaceous leads.

Structure 6A: Structure 6A forms a three-way downfaulted faulted closure against the SW normal fault defining structure 6, also orientated NW-SE. It has 450m of vertical closure and covers approximately 35 km² and forms an elongate half dome geometry. In areal extent it is approximately 14km long and 3-4 km wide. Dip closure is to the NW, SW and SE, with lateral seal updip against the major structure 6 horst. The trap is expected to contain the same sequences as structure 6, with comparable reservoir parameters.

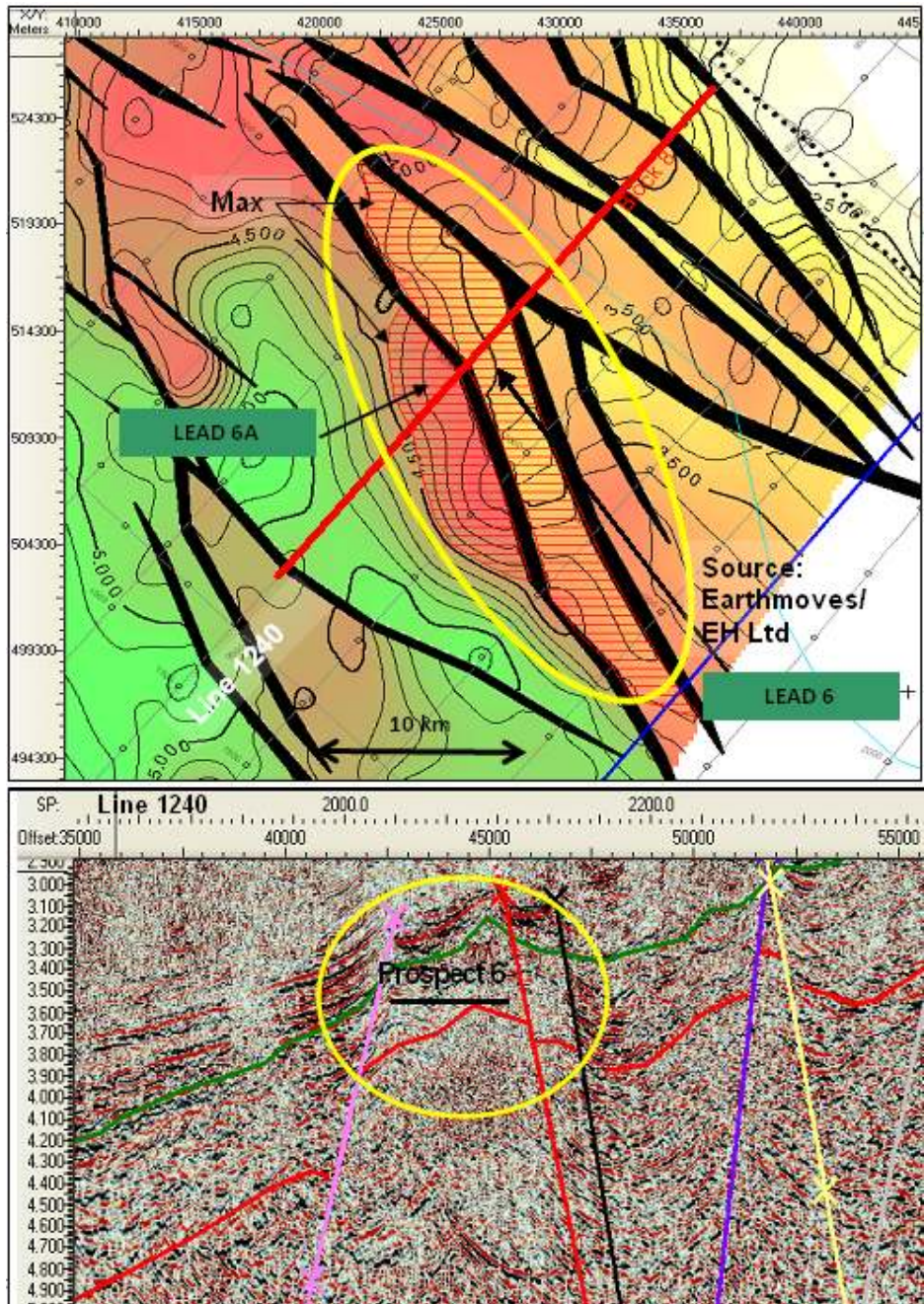


Figure 22: Structural map and seismic line 1240 across Leads 6 and 6A



<u>INPUT RANGES</u>	<u>Minimum</u>	<u>Most Likely</u>	<u>Maximum</u>
Gross Rock Volume (MMcm)	6346	11206	14796
N:G (%)	30	40	50
Degree of Fill (%)	50	75	100
Porosity (%)	12	15	18
HC saturation (%)	60	70	75
Formation Volume Factor (FVF)	1.2	1.3	1.4
Recovery factor (%)	20	35	30

Table 8: Input parameters for hydrocarbon volumetric calculation for Lead 6 and 6A (combined)

LEAD 6 & 6A MONTE CARLO RESULTS		
Probability	STOIIP MMbbbls	Recoverable Oil MMbbbls
P90	799	209
P50	1461	386
P10	2225	593

Table 9: Probabilistic prospective resources for Leads 6 and 6A combined

Structure 7

Structure 7 comprises a triangular fault block to the SW of structures 6 and 6A. The trap is formed by a NW-SE normal fault thrown to the NE and two echelon normal faults orientated NNW-SSE, downthrown to the WSW. The structure is dip closed to the SE at its widest extent while the NW part of the trap between the en echelon faults forms a small dip closed nose.

Vertical closure is approximately 500m, a maximum area of 145 km² and areal extent of 15km wide at the SE closure and 25 km long along the crest. Throws range from 150-500m to the NE and of 200-400m to the WSW. The trap is expected to contain the same Albian-Aptian reservoir sequence and parameters as 6 and 6A. Gross reservoir thickness is again anticipated to be between 75 and 225m. An unmapped low relief dip-closed faulted terrace is also observed to the SW of structure 7, downfaulted against the NNW-SSE structure 7 defining fault.

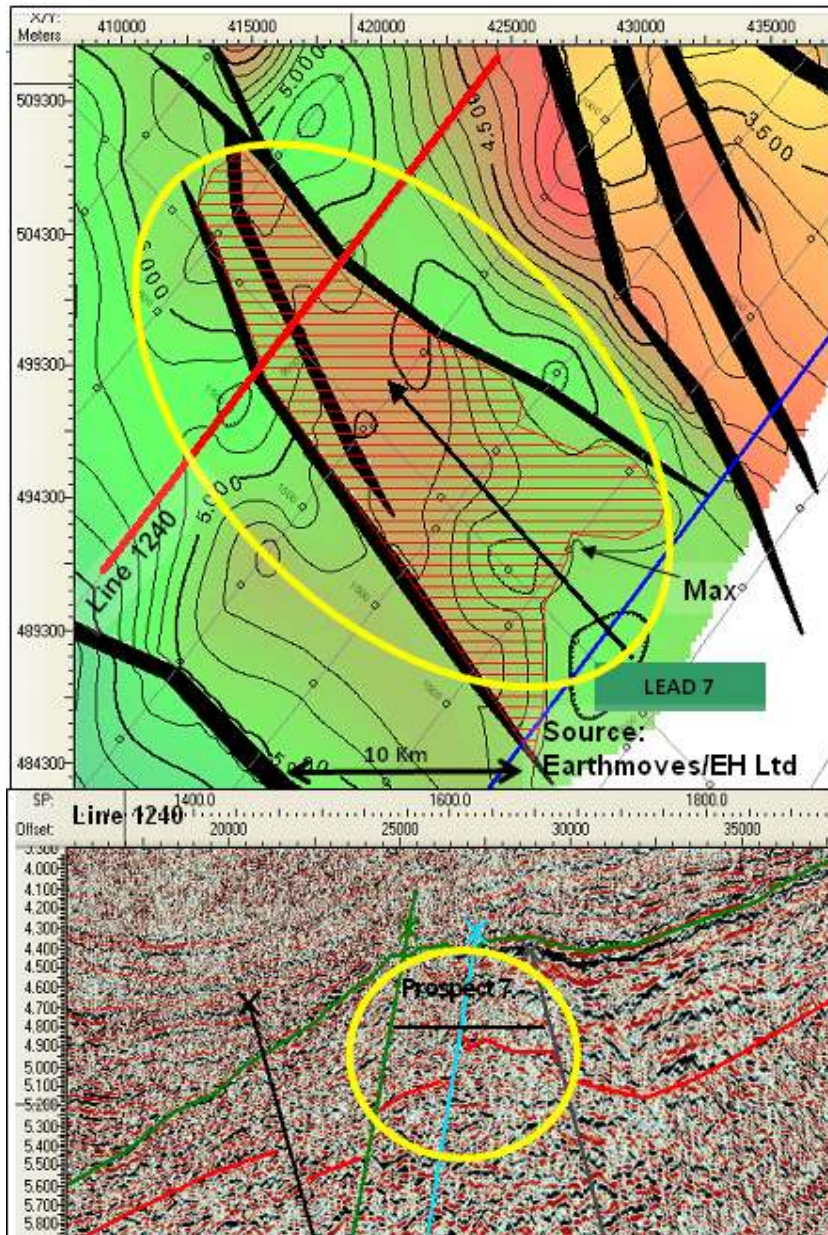


Figure 23 Structural map and seismic line 1240 across Lead 7

INPUT RANGES	Minimum	Most Likely	Maximum
Gross Rock Volume (MMcm)	9257	16005	22402
N:G (%)	30	40	50
Degree of Fill (%)	50	75	100
Porosity (%)	12	15	18
HC saturation (%)	60	70	75
Formation Volume Factor (FVF)	1.2	1.3	1.4
Recovery factor (%)	20	25	30

Table 10: Input parameters for indicative hydrocarbon volumetric calculation for Lead 7



LEAD 7 MONTE CARLO RESULTS		
Probability	STOIIP MMbbls	Recoverable Oil MMbbls
P90	1199	296
P50	2125	529
P10	3230	812

Table 11: Probabilistic indicative prospective resources for Lead 7

3.8 Summary

Blocks 8 & 9 are located in an attractive but largely unexplored section of the West African deepwater margin. Six of the seven wells drilled on the shelf and upper slope had oil shows, suggesting the presence of a viable petroleum system. Prospects lead and play diversity in the Sierra Leone - Liberia basin suggests low mutual risk dependency of system elements.

As at this stage of the exploration cycle, the leads identified are in the prospective resource category and so are not at the stage where there is sufficient clarity, especially in the structural closure, to be able to give each lead a risk factor. However, now that Anadarko has made a non-commercial discovery in the basin with its Sierra Leone Venus-1 well, the play risk has decreased in the basin.

IHS has looked at the range of plays and leads identified and for indicative purposes, has made probabilistic reserve calculations for five of the most interesting leads, that represent the main targets. Table 12 below summarises these indicative resource estimates.

Lead	Recoverable Prospective Resources Gross mmb oil & liquids			Recoverable Prospective Resources Net mmb oil & liquids attributable to EH *			Risk	Operator
	Low Est.	Mid Est.	High Est.	Low Est.	Mid Est.	High Est.		
	Upper Cretaceous							
Lead 2A	72	105	152	45	65	94	na	EH
Lead 3A	528	1013	1660	327	628	1029	na	EH
Lead 4	345	757	1231	214	469	763	na	EH
Lower Cretaceous								
Lead 6/6A	209	386	593	130	239	368	na	EH
Lead 7	296	529	812	184	328	503	na	EH
Indicative Total	1450	2790	4448	899	1730	2758		

Table 12: Summary Table: Indicative Prospective Resources (gross and net MMbbls attributable to EH) for main leads in Blocks 8 and 9.

**The Net prospective resources attributable to the group will vary depending on the production flow rate of the field as defined in the terms of the production sharing contract but is taken as an average of 62%.*

In view of the relative immaturity of the exploration of the blocks it was agreed between EH and IHS that no risk factor would be applied to the leads in the block. It is expected that following the acquisition of 3D seismic data, the structures will be better defined and a risk factor can then be more clearly determined.



Post rift Summary: An extensive thickness of Upper Cretaceous clastics was deposited in the syn-rift section from Cenomanian to Maastrichtian. A wide range of trap settings have been identified in the deep offshore region but the major plays comprise turbidite sand and shale packages with possible excellent reservoir quality, in stratigraphic, structural-stratigraphic combination and drape anticline settings. Although seismic data are poor quality, it does convey the possible existence of positive AVA indicators, flat spots and strong amplitude events associated with hydrocarbons.

The main petroleum system elements are indicated to be present: Regional presence of effective and excellent oil-prone source rocks at various stratigraphic levels at depth (most are eroded on the upper slope or above the oil window); thickly developed clastics with some thin carbonates on the shelf and very thick turbidite sequences along/down the slope/base of slope; many identified trap types and sufficient transgressive shales to provide seals at all depths; high probability of migration along carrier beds from depth. These factors are particularly significant after the recent Venus discovery has significantly reduced risk on the Upper Cretaceous plays.

At least four turbidite plays have been identified, two of which are of significant size. These are similar to the sizeable discoveries such as Jubilee Field in the Tano sub-basin in Ghana. A fourth trap has not been fully mapped by EH Ltd but is of similar size and volume to the two large ones and offers significant future potential. The three plays mapped have been evaluated and un-risked resources are estimated to range from 945 to 3043 MMbbls, with a P50 of 1875 MMbbls. Risked resources are not presented due to the uncertainty in the accuracy of the interpretation of trap size, closure and STOIP calculations. However, it should be noted that the technical success of Anadarko's Venus B-1 well in the north of the basin has effectively reduced Upper Cretaceous play risk.

Syn-rift Summary: All elements of a viable Lower Cretaceous petroleum system appear to be present to varying degrees, although sourcing from Upper Cretaceous source rocks is also a possibility. There is a strong analogy with the same successful play type in productive discoveries in the Ivory Coast-Ghana Basin, including Baobab and Espoir (Ivory Coast) and Saltpond (Ghana); the last one involving a Devonian reservoir in the same fault setting.

Eight identified fault block related leads, located in water depths of 500-1600m have been reviewed. All leads appear to have had immediate communication with oil mature Albian-Aptian source rocks. Although Albian-Aptian shales in the fault blocks are above the oil window and significantly condensed in thickness, the structures are assumed to be in contact with similar aged source rocks at depth in the deeper parts of the basin and have been charged via suitable carrier beds up the slope into the leads. Sand quality is expected to be low, due to nature of deposition of the fluvial and shallow marine sections with lower porosity, under 20%. The traps are defined by faults with throws from 100-500m and two are of significant size.

From the eight leads, the largest two, 6/6A and 7, have been evaluated. Un-risked prospective resources for these two together are estimated to range from 505 to 1405 MMbbls, with a P50 of 915 MMbbls. As mentioned above, there is inherent uncertainty in the accuracy and range of trap size, closure, fault lineaments, STOIP and reserves, due to poor quality, widely spaced 2D data. Risked resources are thus not presented.



4 Professional Qualifications

This Competent Persons Report was carried out by IHS Global's consulting group, which is a technical consultancy specialising in the valuation of assets for acquisition and divestiture with expertise in geology, geophysics, petrophysics, petroleum engineering and economic analyses. IHS consulting has been undertaking reserves reporting and valuation functions for over ten years and all its personnel involved in such exercises have at the very minimum a second degree in geoscience or petroleum engineering and many have doctorates. All personnel involved in this project have a minimum of ten years relevant valuation experience.

IHS has acted independently in the preparation of this Report. This company and its employees have no direct or indirect ownership in the properties appraised or the area of study described, or own any publicly or privately traded stock of the Client.

IHS is contracted to produce this report for a fixed fee that is not dependent on the amount of resources estimated.

The data for this review was sourced from European Hydrocarbons Limited and consists of their own original material plus that supplied to them by their contractors. We believe that these data represent a comprehensive dataset for the situation on 31 October 2009. This report is reporting prospective resources for the most clearly defined leads for each play type calculated on a probabilistic basis.

All interpretations and conclusions presented herein are therefore opinions based on inferences from these geological, geophysical, engineering or other data. IHS has accepted without independent verification the completeness and validity of such data.

The report represents the IHS's team's professional judgement and should not be considered a guarantee or prediction of future results. In order to fully understand the nature of the information and conclusions contained within this report it is strongly recommended that it should be read in its entirety.

All three of the technical team members satisfy the Professional Qualifications of Reserves Auditors, as published by the Society of Petroleum Engineers (SPE).

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Appendix 1: Glossary

Abbreviation	Meaning
\$MM	Million US Dollars
API	American Petroleum Institute
AVO	Amplitude versus Offset
AVA	Amplitude versus Angle
bbl	Barrel
b/d	Barrels Per Day
Bscf	Billion standard cubic feet (gas)
CALM	Catenary Anchor Leg Mooring (offloading system)
CAPEX	Capital Expenditure
DRILLEX	Drilling Expenditure
E&A	Exploration and Appraisal
EMV	Expected Monetary Value
EPC	Engineering Procurements & Construction
FEED	Front End Engineering & Design
FOD	First Oil Date
FPSO	Floating Production Storage and Off-loading
ft	Foot
FVF	Formation volume factor
G&G	Geology & Geophysics
GIIP	Gas Initially In Place
GIP	Gas In Place
GOR	Gas-oil Ratio
kbpd	Thousand barrels per day
kbwpd	Thousand barrels water per day
Km	Kilometres
m	Metres
MMbbl	Million barrels
MMcm	Million cubic metres
MMScf/d	Million Standard cubic feet per day



Scf	Standard Cubic feet
MMScf	Million Standard Cubic feet
MMstb	Million Stock Tank Barrels
NPV	Net Present Value
N:G	Net To Gross
OPEX	Operations Expenditure
POS	Probability of success
PSDM	Pre-stack depth migration
PSTM	Pre-stack time migration
RF	Recovery Factor
Scf/bbl	Standard cubic feet per barrel
SPE Standards	Society of Petroleum Engineers Standards
sq km	Square kilometre
STOIIP	Stock Tank Oil Initially in Place
Swi	Initial Water Saturation
tcf	Trillion cubic feet
TVDSS	True Vertical Depth SubSea



Appendix 2: Company Background

IHS Strategy and New Ventures Consulting Group

IHS is a global company that is listed on the New York Stock Exchange with 3,800 employees in 22 countries. In November 2009 its Market Capitalisation was US\$3.4 billion and Annual revenue for 2008 was US\$844 million. IHS customers include 48% of the United States Fortune 1000 and 76% of the Global Fortune 500.

IHS Global's consulting practices provide a fully integrated range of technical support services to the international E&P industry with clients that include governments and multi-national companies to smaller companies and technical professionals in more than 180 countries.

We provide support to Petroleum Industry clients through all phases of their assets' lifecycles: from Due diligence, Asset Valuation, Reserves Certification, Screening of Acquisition Opportunities to Initial Field Development Concept Evaluation and Selection, Facilities Design, Construction/Commissioning, Operations/Maintenance, Expansion Projects and Decommissioning.

- ❑ IHS's consulting practice is an independent group, without association or industry ties, and can guarantee to provide EH an impartial and objective service.
- ❑ Industry Knowledge and Experienced Technical Personnel – we are able to expertly resource the project using a combination of:
 - ❑ In-house personnel with expertise in surface and subsurface technical disciplines. Our Consultants have a wide ranging collective experience in the petroleum industry. Ranging from exploration and development geological and interpretation disciplines to economics, commercial and deal making expertise. On the engineering side, we have specialist experience in conceptual design, detailed design, construction/commissioning and operations/maintenance on world class offshore and onshore projects.
 - ❑ Alliances/strategic agreements with other independent expert consultants.
 - ❑ Proprietary software specifically designed for application to the petroleum industry with which our consulting team is uniquely qualified.
 - ❑ A wide range of Petroleum Industry standard software packages.

APPENDIX C

**RISC PTY LTD VALUATION REPORT DATED 25 MAY 2010 ON OFFSHORE
LIBERIA BLOCKS 8 AND 9**

26th May 2010

The Directors,
Global Iron Limited,
18, Oxford Close,
Leederville,
WA 6007.

The Directors,
Stantons International Securities,
Level 1, Havelock Street,
West Perth,
WA 6005.

The Directors,
European Hydrocarbons Limited,
12, St. James Square,
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RISC Pty Ltd
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ACN 065 389 497

Dear Sirs,

We understand that Global Iron Limited ("Global Iron") has entered into a Share Sale Agreement with African Petroleum Corporation Limited ("APCL") and that European Hydrocarbons Limited ("EHL") is a wholly owned subsidiary of APCL. Regal Liberia Limited ("RLL") is a wholly owned subsidiary of EHL. EHL and RLL are the 75% and 25% respectively, licencees ("Contractors") of exploration Blocks LB-8 and LB-9, offshore Liberia.

Global Iron has requested RISC Pty Ltd ("RISC") to provide a valuation of the Contractors interest in the offshore exploration blocks LB-8 and LB-9.

Asset	Operator	Working Interest	Status	Licence expiry date	Licence area km2	Comments
LB-8	European Hydrocarbons Ltd	100%	Exploration	2016	3630	Plan to acquire seismic in 2010 and to drill one well in 2011
LB-9	European Hydrocarbons Ltd	100%	Exploration	2016	3545	Plan to acquire seismic in 2010 and to drill one well in 2011

Basis of Review

RISC has conducted this review in accordance with SPE/WPC/AAPG/SPEE guidelines¹, focussing on the potential for Prospective Resources, i.e. those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.

¹ SPE/WPC/AAPG/SPEE Petroleum Resource Management System (SPE-PRMS) 2007

The assessment of petroleum assets is subject to uncertainty because it involves judgements on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes. Our assessment was carried out only for the purpose referred to above and may not have relevance in other contexts.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, RISC has considered and relied upon confidential information made available by Global Iron. The information contained within this report has been reviewed and accepted by Global Iron.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, neither RISC nor its servants accept any liability for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. In particular, we have not independently verified property title, encumbrances, regulations and exploration expenditure commitments that apply to these assets.

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

RISC is an independent consultancy and has no pecuniary interest, other than to the extent of the professional fees receivable for the preparation of this report, or other interest in the assets evaluated, that could reasonably be regarded as affecting our ability to give an unbiased view of these assets.

Our review has been undertaken by Mr. Graham Jeffery (B.Sc. Hons, Chemical Engineering) who has over 25 years experience in the petroleum industry and Mr Joe Salomon (B.App. Sc. (Geology)), who has over 25 years experience in the petroleum industry and is a member of AAPG and PESA.

RISC has undertaken this evaluation based on a review of existing interpretations and assessments, as supplied by Global Iron, making adjustments as necessary to reflect our own views. RISC has not undertaken reinterpretation of data.

Valuation Methodologies for Exploration Acreage

The industry employs a number of methods to estimate value of exploration acreage, summarised below. Generally, use of more than one method is preferred to support an estimation of fair market value (FMV).

1. **Past Costs:** the accumulated past costs may be used to represent the initial value of the acreage. This method has some shortcomings, notably if the past exploration effort has been minor relative to the size and potential of the acreage, or where past large costs have only served to prove the acreage worthless.
2. **Work programme:** FMV can be based on an estimation of the share of future costs likely to be borne by a reasonable farminee under prevailing market conditions. In Australia this is often expressed as a 'promotion' of seismic and/or drilling costs, and the promotion factor will be dependent upon the perceived property prospectivity, competition and general market conditions.

Side deals or options may be relevant: for example, a farm-in on a seismic option only binds the farminee to contributing to initial seismic and presents an option to retire from further work programme.

3. **Comparable transactions:** recent asset trades may provide a relevant unit metric such as unit value per bbl reserves (2P, or 3P) or contingent resources (2C or 3C), unit value for prospective volumes, or cost paid per acre or % interest where no resources have been defined. Where prospective volumes have been estimated but no engineering work has been performed unit values per risked bbl may be used to translate volumes to value. The unit factors may arise from transaction evidence, from discounted cashflow analysis of a relevant project, or from corporate transactions. The latter may be affected by other assets or liabilities and are most representative when a company value is driven by a single asset.
4. **Discounted cashflow (DCF) analysis:** Where in-place volumes and risk can be estimated for prospects an Expected Monetary Value (EMV) approach is preferred, using the exploration dry hole cost, effective tax rate, chance of success per prospect, and the expected development value. Development value can be calculated from a unit value taken from a representative development. The resultant portfolio (or permit) value is derived from the drillable prospects, i.e those with positive EMV, on the basis that only those attractive prospects will be drilled. Work programme costs additional to well costs implicit in the EMV could also be subtracted. Depending on maturity and commercial appeal, FMV may be a percentage of expected value, typically 30 – 60% for mature basins and 10 – 20% for frontier exploration.

The Liberia LB-8 and LB-9 Blocks

The Contractors have a 100% interest in Block LB-8 and LB-9 offshore Liberia, each about 3600km² area (a total of 1.78 million acres) extending from the shallow inner shelf to the deep offshore region, in water depths of 200 to 3500 meters (655 to 11,480 feet).

The Production Sharing Contracts became law on 23rd June 2008 with a minimum work programme defined for each block over three exploration terms, being for four years, two years, and two years:

1. US\$ 8 million for a seismic survey of at least 1500 km² and drilling one exploration well to 2000 m below seabed;
2. US\$ 10 million for drilling one exploration well;
3. US\$ 10 million for drilling one exploration well.

The permits are located within the Sierra Leone-Liberia Basin and have limited wide spaced 2D seismic indicating Cretaceous leads. Early drilling on the Liberian blocks in the early 1970s and mid-1980's recovered oil shows in six out of seven wells drilled.

Anadarko, Repsol, Woodside Energy, Tullow Oil and others are holders of acreage in the basin, and Anadarko, at least, are optimistic of the potential of the Cretaceous reservoirs given their 2007 Jubilee discovery offshore Ghana to the east and the sub-commercial (September 2009) discovery at Venus in the west. The recent South Grand Lahou exploration well in CI 105 offshore Cote d'Ivoire (east of Liberia) found the Cretaceous target water bearing.

A technical review of the licences has been performed by IHS (Global) Limited ("IHS") on behalf of EHL and the lead inventory is reproduced below. **These estimates have not been validated by RISC.** IHS has also performed some development economics deriving unit development values.

Lead	Low (mmbbls)	Mid (mmbbls)	High (mmbbls)
Upper Cretaceous			
2A	72	105	152
3A	528	1013	1660
4	345	757	1231
Lower Cretaceous			
6/6A	209	386	593
7	296	529	812
TOTAL	1450	2790	4448

Indicative prospective recoverable gross resources estimation by IHS

It is normal practice in the industry and a requirement of certain regulatory regimes that company entitlements to reserves and production held under a PSC are reported on a net economic interest basis, which would typically be significantly less than the working interest basis volumes.

RISC considers the leads to have a geological chance of success of flowing hydrocarbons of any phase to surface of 5-10%. This chance of success is not inconsistent with the current level of technical maturity of the leads, and RISC anticipates that with additional seismic data and further geological and charge modelling, this chance of success could potentially be increased.

Valuation (Blocks LB-8 and LB-9)

The minimum work programme value for the first exploration period is defined in the PSCs as US\$ 8 million per block, or US\$ 16 million in total. The proposed work programme cost is estimated by RISC at a minimum of US\$ 25.75 million (for licencing 5050 km² seismic data) and a contingent US\$ 84 million (for drilling and testing one exploration well in each block in the first term) – a total of about US\$ 110 million (A\$ 137 million). A review of the seismic agreement indicates a potential farminee must licence the seismic data at US\$ 10 million.

In late 2007 EHL acquired the remaining 25% interest in Blocks LB-8 and LB-9 from Regal Petroleum for a 'nominal' sum of GBP 1.48 million². This would value a 100% interest in both permits at a maximum of GBP 5.9 million (US\$ 8.5 million) at that time. Since then both PSCs have become law³ and the Venus discovery has proven the Cretaceous target in Sierra Leone.

EHL's past costs amount to purchase of 4900 km 2D seismic and acquisition of Regal Petroleum's interest and current survey costs, amounting to a total of A\$ 31.8 million. Using a rate of 0.8 US\$/A\$ this results in a cost base of US\$ 25 million for the two permits.

Licence award terms in Liberia are not generally reported but appear to typically demand a seismic survey and a well. Entry at ground floor terms for the seismic programme seems reasonable (as in Elixir's Petroleum's acquisition of an interest in Sierra Leone exploration Block SL-4 in 2008⁴). Also, Repsol apparently had little difficulty in attracting Woodside and Anadarko to their blocks after award, although farm-in terms are not available. Assuming, at this early stage, farminees paid a minimum of own share costs, on this basis the Liberia permits LB-8 and LB-9 would be valued at US\$ 25 million for past costs and US\$ 10 million for licencing the 3D seismic survey - a total of US\$ 35 million for both permits.

² As reported as Sale of Investment, assumed to be Liberia and Greece assets, in Regal Petroleum 2007 Annual Report

³ PSCs became law on June 23 2008

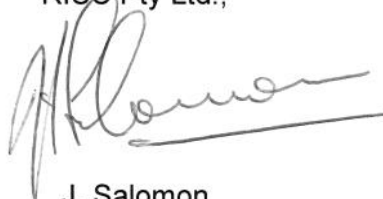
⁴ Elixir Petroleum Ltd acquired 15% of Block SL-4 offshore Sierra Leone from Prontinal for 15% of seismic costs

Other transactions for exploration acreage in West Africa over the last three years show a wide range in unit values for acreage. A recent (April 2010) transaction where Rialto⁵ acquired an interest in block CI-202 offshore Cote d'Ivoire, resulted in a US\$ 317/acre value but this is close to Jubilee and includes unappraised oil/gas discoveries. The Elixir⁶ petroleum acquisition paid US\$ 46/acre in 2008 for SL-4 in Sierra Leone.

Applying prospective volumes and unit development values generated by IHS and reasonable risking and financial assumptions, a total risked value for both permits of US\$ 50 – 100 million is derived, corresponding to US\$ 28 – 56 per acre or US\$ 0.22 – 0.44/risked prospective bbl.

On the basis of the past costs and the conceptual prospectivity RISC believes the two blocks have a low value of US\$25 million, a high value of US\$50 million and a preferred value of US\$ 35 million.

For and on behalf of
RISC Pty Ltd.,



J. Salomon
Principal Advisor

⁵ Rialto Energy Ltd has a binding HOA with C&L Natural Resources for a 75% interest in CI-202 offshore Cote d'Ivoire, April 2010

⁶ Ibid