

International Petroleum Limited

(ABN 76 118 108 615)

*Half-year Financial Report
for the Period Ended
30 June 2015*

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CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN

Antony Sage

NON-EXECUTIVE DIRECTORS

Frank Timis

Timothy Turner

COMPANY SECRETARY

Jason Brewer

PRINCIPAL & REGISTERED OFFICE

32 Harrogate Street

West Leederville

WA 6007

Telephone: (08) 9388 0744

Facsimile: (08) 9382 1411

AUDITORS

Stantons International

Level 2, 1 Walker Avenue

West Perth

WA 6005

Telephone: (08) 9481 3188

Facsimile: (08) 9321 1204

SHARE REGISTRAR

Computershare Investor Services Pty Ltd

Level 2, 45 St George's Terrace

Perth

WA 6000

Telephone: (08) 9323 2000

Facsimile: (08) 9323 2033

STOCK EXCHANGE LISTING

National Stock Exchange of Australia (NSX)

Code: IOP

DIRECTORS' REPORT

Your Directors present their report on International Petroleum Limited (“International Petroleum” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the half-year ended 30 June 2015.

Directors

The names of the Company’s directors in office during the half-year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr Antony Sage
Mr Timothy Turner
Mr Frank Timis

PRINCIPAL ACTIVITIES

The Group’s principal activity is oil and gas exploration.

REVIEW OF OPERATIONS**PROJECTS****Kazakhstan Project**

The Company, through its wholly owned subsidiary, North Caspian Petroleum Ltd, operates and owns a 50% interest in subsoil use rights for the exploration of hydrocarbons in an early stage project in Kazakhstan (“Alakol Licence Area” or “Kazakhstan Project”). The remaining 50% is owned by Remas Corporation LLP, a privately owned Kazakhstan company.

The Alakol Licence Area is located in eastern Kazakhstan and borders the western boundary of the People’s Republic of China. The main target reservoirs in the Alakol basin are carbonates or sandstones of Paleozoic age occurring at depths ranging between 1,600 and 3,500 metres. The Alakol basin is considered to be similar to the Junggar and Zaisan basins across the border in China which are both proven oil provinces.

During 2013, the Company conducted in house geological study of the blocks and worked on a new geological model, in communication with third parties. The new geological model was to be used for re-evaluation of resources and an update of the exploration program.

In 2014 the Company planned to carry out a further seismic study in order to assist with targeting the reservoir-quality sands and selecting the locations of future exploration wells.

On 4 August 2014, the Company received a notification from the Ministry of Energy of the Republic of Kazakhstan (formerly the Ministry of Oil and Gas) (“ME”) that its rights to the Alakol licence had been withdrawn by ME unilaterally. The Company did not accept this as being justified and filed a lawsuit against ME demanding that the licence be reinstated back to the Company. A first instance court hearing was held on 16 January 2015 to address our claim for the licence to be reinstated and was decided in our favour. It was also recommended by the court of first instance that the licence expiry date be extended to account for lost time since the date the licence was withdrawn. ME appealed this decision, and won. Immediately following this appeal court decision, the Company submitted a cessation appeal against it on 28 April 2015 and an official ruling against this was issued on 10 June 2015. The Company had one year, till the 10 June 2016, to submit its appeal to the Supreme Court.

Due to new legislation, specifically the Civil Procedural Code of the Republic of Kazakhstan, which was to be applied retrospectively, the deadline to submit an appeal to the Supreme Court changed to 10 December 2015. During December 2015 the Company lodged its appeal and the Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation has subsequently been lodged through the General Prosecutors office in relation to this decision. A decision is still pending and is expected by the end of Quarter 3, 2016.

Garatau and Tubatse Project

During October 2009, the Company entered into a sale agreement (the “Sale Agreement”) with Nkwe Platinum Limited (ASX: NKP) (“Nkwe”) relating to the Company’s interest in a South African platinum project (“Tubatse Project”).

Hoepakrantz 291 KT, together with prospecting licenses Nooitverwacht 324 KT and Eerste Geluk 327 KT, were known as the Tubatse Project (a South African platinum project). Hoepakrantz 291 KT now forms part of the Garatau Project, with two other prospecting licences. The Company has no interest in the other two prospecting

DIRECTORS' REPORT

licences forming part of the Garatau Project. Due to the continued uncertainty surrounding ownership title, the Company assigns no value to its 10% interest in prospecting licences Nooitverwacht 324 KT and Eerste Geluk 327 KT.

Owing to the continued delays to the settlement of the dispute about the ownership of two of the three mineral farms that comprise the Tubatse Project and the negotiations with suitable joint venture partners, Nkwe had not been able to pay the A\$45 million consideration to the Company by the revised agreement date of 31 December 2012. Company has fully impaired the carrying value of Hoepakrantz 291 KT as at 30 June 2015.

Niger Project

On 30 November 2012, four production sharing contracts (the "PSCs") between the Republic of Niger and International Petroleum Limited, a wholly-owned subsidiary of the Company incorporated in the Cayman Islands (the "Contractor"), were signed. The PSC's relate to four blocks known as Manga 1, Manga 2, Aborak and Ténéré Ouest (the "Blocks"). The areas of the Blocks are as follows: Manga 1: 12,900 sq km; Manga 2: 11,490 sq km; Aborak: 24,640 sq km; Ténéré Ouest: 21,920 sq km.

The Blocks are located in the south east of Niger in the West African Rift Subsystem, which is a component of the Western Central African Rift System and include parts of the Termit and N'Dgel Edgi rift basins, which contain continental to marine Early Cretaceous to Recent clastic sediments.

On 13 February 2013 the Government of Niger issued Exclusive Research Authorizations ("EEA") to the Contractor. Following the payment of signature bonuses and other mandatory payments in early 2013, the production sharing contracts came into force.

The EEA was granted for an initial period of four years and can be renewed twice for a period of two years per renewal period, provided that the total duration of the validity of the EEA resulting from the aggregation of the initial period of four years and renewal periods does not exceed eight years. If a commercial deposit is established, an application is made for allocation of an Exclusive Development Authorisation ("EDA") with an initial duration not exceeding 25 years and renewal for a maximum of ten years.

During the initial four year period of the EEA, the minimum work program is to conduct a gravity and magnetic survey, reprocess and reinterpret existing seismic lines, acquire and interpret new 2D seismic profiles and conduct exploration well drilling.

In 2013 the Company gathered historic geological and geophysical ("G&G") data on the blocks and conducted in house G&G studies of the area, including reinterpretation of existing G&G data. The Company undertook a reconnaissance survey of the area in June 2014.

During June 2016, the Company relinquished the exploration permits due to the continuing threats to security along the Niger-Nigerian border and the Republic of Niger's declaration of a state of emergency in this region, including areas contained within the Company's exploration blocks, a force majeure has been in place since February 2015. This security risk, combined with the deterioration of the global oil market, means the Company cannot continue with planned exploration in Niger.

FINANCIAL SUMMARY

The Group incurred a loss after income tax of US\$5,077,153 (2014: US\$2,011,755); of which US\$5,077,153 (2014: US\$191,934) related to continuing operations and nil (2014: US\$1,819,821) related to discontinued operations. The Group's result from continuing operations includes the following:

- Impairment expense on exploration and evaluation expenditure of US\$3,658,233 (2014: reversal of US\$281,219) reflecting the Group's ongoing evaluation of its exploration portfolio. Detail surrounding impairments are included in note 5 to the financial statements.
- Net foreign exchange gains of US\$191,290 (2014: gains of US\$1,769,219) primarily related to the movements in the carrying values of loans and bank accounts denominated in a foreign currency.

The exploration activities are set out in the Review of Operations - Projects above.

CASH FLOWS, LIQUIDITY AND FUNDING

Net cash flows used in operations during the 6 months ended 30 June 2015 were US\$1,314,766 (6 months ended 30 June 2014: US\$595,702).

No funding was received by the Group during the 6 months ended 30 June 2015 (6 months ended 30 June 2014: nil).

DIRECTORS' REPORT

CHANGES TO CONTRIBUTED EQUITY

No shares were issued during the 6 months ended 30 June 2015 (year ended 31 Dec 2014: 503,340,577 shares were issued upon conversion of the Company's loans with African Petroleum Corporation Limited, Varesona Participation Corporation and Range Resources Limited).

A total of 1,500,000 options were granted during the 6 months ended 30 June 2015 (year ended 31 December 2014: 20,000,000). 2,500,000 options expired during the current period (year ended 31 December 2014: 200,000). 500,000 options were forfeited or cancelled during the current period as a result of employees ceasing employment (year ended 31 December 2014: 35,500,000). As at 30 June 2015, there were 23,500,000 share options on issue (31 December 2014: 25,000,000).

No performance shares were awarded during the 6 months ended 30 June 2015 (year ended 31 December 2014: 10,000,000). No performance shares expired, were forfeited or cancelled during the 6 months ended 30 June 2015 (year ended 31 December 2014: 20,000,000 performance shares were forfeited, as a result of employees ceasing employment). As at 30 June 2015, there are no performance shares are on issue (31 December 2014: nil).

No dividends were proposed or paid during the 6 months ended 30 June 2015 (30 June 2014: no dividends).

NSX SUSPENSION

At the Company's request the Company's shares have been suspended from trading on the NSX since 27 March 2013. The Company is currently working towards meeting its reporting obligations and will apply to the NSX and request that trading resume in due course. An announcement will be sent to shareholders once the trading suspension is lifted.

SUBSEQUENT EVENTS

The following significant events and transactions have taken place subsequent to 30 June 2015:

- On 22 January 2016, the Company commenced legal proceedings in the Supreme Court of Western Australia against NKWE Platinum Ltd (NKWE) claiming A\$45,000,000 in relation to the failure by NKWE to pay for the purchase of International Petroleum's 10% interest in prospective platinum tenements known as Hoepakrantz 291 KT, Nooitverwacht 324 KT and Eerste Geluk 327 KT located in the Eastern Limb of the Bushveld Complex in the Republic of South Africa (Tubatse Project or IGC Project) in accordance with the Sale Agreement between International Petroleum and NKWE dated 4 October 2009 (Sale Agreement).

Despite International Petroleum's several attempts to resolve this matter without formal legal proceedings and to the mutual satisfaction of both parties, NKWE has failed to honour its commitments to International Petroleum. Accordingly, International Petroleum was left with no choice but to commence legal proceedings against NKWE.

On 29 February 2016, the Company was served with a defence from NKWE together with a counter-claim in the sum of A\$10 million seeking restitution of funds previously paid by NKWE to International Petroleum under the Sale Agreement between International Petroleum and NKWE Platinum dated 4 October 2009.

During May 2016, all legal proceedings were settled with NKWE on the basis that each party agreed to its claim against the other being dismissed, with no orders as to costs. As part of the settlement agreement, an amount of A\$280,000 was paid by NKWE to the Company on 20 May 2016.

- Towards the end of 2014, a wrongful dismissal claim and other employment related claims were brought against the Company and its Directors by a former employee of the Company. A judgment has recently been handed down by the UK Employment Tribunal, provisionally awarding £843,373 plus taxes to the former employee. No amounts have been paid in respect of this award by the Company. The Company and its Directors strongly dispute the claims and have lodged an appeal.
- During June 2016, the Company advised that the Manga-1, Manga-2, Ténéré Ouest and Aborak Oil exploration permits have been relinquished by the Company. Due to the continuing threats to security along the Niger-Nigerian border and the Republic of Niger's declaration of a state of emergency in this region, including areas contained within the Company's exploration blocks, a force majeure has been in place since February 2015. This security risk, combined with the deterioration of the global oil market, means the Company cannot continue with planned exploration in Niger.

DIRECTORS' REPORT

- On 4 August 2014, the Company received a notification from the Ministry of Energy of the Republic of Kazakhstan (formerly the Ministry of Oil and Gas) ("ME") that its rights to the Alakol licence had been withdrawn by ME unilaterally. The Company did not accept this as being justified and filed a lawsuit against ME demanding that the licence be reinstated back to the Company. A first instance court hearing was held on 16 January 2015 to address our claim for the licence to be reinstated and was decided in our favour. It was also recommended by the court of first instance that the licence expiry date be extended to account for lost time since the date the licence was withdrawn. ME appealed this decision, and won. Immediately following this appeal court decision, the Company submitted a cessation appeal against it on 28 April 2015 and an official ruling against this was issued on 10 June 2015. The Company had one year, till the 10 June 2016, to submit its appeal to the Supreme Court.

Due to new legislation, specifically the Civil Procedural Code of the Republic of Kazakhstan, which was to be applied retrospectively, the deadline to submit an appeal to the Supreme Court changed to 10 December 2015. During December 2015 the Company lodged its appeal and the Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation has subsequently been lodged through the General Prosecutors office in relation to this decision. A decision is still pending and is expected by the end of Quarter 3, 2016.

No other event has arisen between 30 June 2015 and the date of this report that would be likely to materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

RISK MANAGEMENT AND CORPORATE GOVERNANCE

The Group's risk management and corporate governance statements were included in the 2014 annual report. These statements remain current.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

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



Antony Sage
Director

Perth, 12 August 2016

12 August 2016

Board of Directors
International Petroleum Limited
32 Harrogate Street
West Leederville, WA 6007

Dear Sirs

RE: INTERNATIONAL PETROLEUM LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of International Petroleum Limited.

As Audit Director for the review of the financial statements of International Petroleum Limited for the period ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Martin Michalik
Director

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2015**

	Note	30 June 2015 US\$	30 June 2014 US\$
Continuing operations			
Revenue	3(a)	68,521	392
Consulting expenses		(625,096)	(273,006)
Compliance and regulatory expenses		(78,323)	(35,910)
Other expenses	3(b)	(204,022)	(312,770)
Occupancy costs		(78,644)	(21,204)
Employee expenses	3(c)	(612,492)	(44,152)
Travel costs		(63,002)	-
Foreign currency gains		191,290	1,769,219
Depreciation expense		(5,175)	(1,919)
Loss on derivative financial instruments		-	(559,960)
Realised gain on disposal of available-for-sale financial assets		-	231,914
Finance costs	3(d)	(10,487)	(1,234,903)
Impairment reversals / (allowances for impairment)	3(e)	(3,658,233)	290,365
Loss before tax		(5,075,663)	(191,934)
Income tax expense		(1,490)	-
Loss for the period from continuing operations		(5,077,153)	(191,934)
Discontinued operations			
Loss for the period from discontinued operations		-	(1,819,821)
Loss for the period		(5,077,153)	(2,011,755)
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Fair value gain / (loss) on financial assets available-for-sale		-	41,131
Realised fair value gain on disposal of available-for-sale financial assets transferred to profit or loss		-	(231,914)
Foreign exchange loss on translation of foreign operations		(33,836)	(1,749,156)
Foreign currency translation reserve reclassified to loss on disposal of subsidiaries		-	4,141,124
Items that may not be reclassified subsequently to profit and loss		-	-
Other comprehensive (loss)/ income for the period, net of tax		(33,836)	2,201,185
Total comprehensive (loss)/ income for the period		(5,110,989)	189,430

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2015 (CONTINUED)**

	Note	30 June 2015 US\$	30 June 2014 US\$
Loss for the period is attributable to:			
Owners of the parent		(5,077,153)	(2,011,755)
Non-controlling interest		-	-
		(5,077,153)	(2,011,755)
Total comprehensive (loss)/income for the period is attributable to:			
Owners of the parent		(5,110,989)	189,430
Non-controlling interest		-	-
		(5,110,989)	189,430
Earnings per share			
From continuing and discontinued operations			
Basic/diluted loss per share (cents)		(0.30)	(0.17)
From continuing operations			
Basic/diluted loss per share (cents)		(0.30)	(0.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	30 June 2015 US\$	31 December 2014 US\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	3,462,443	5,688,513
Trade and other receivables		109,749	74,951
Prepayments		40,263	336,686
TOTAL CURRENT ASSETS		3,612,455	6,100,150
NON CURRENT ASSETS			
Restricted cash		48,337	48,361
Plant and equipment		21,023	8,990
Financial assets available-for-sale		839	893
Exploration and evaluation expenditure	5	-	3,307,099
TOTAL NON CURRENT ASSETS		70,199	3,365,343
TOTAL ASSETS		3,682,654	9,465,493
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	4,779,047	5,406,003
Income tax payable		189,555	234,518
TOTAL CURRENT LIABILITIES		4,968,602	5,640,521
NON CURRENT LIABILITIES			
Provisions		24,786	25,309
TOTAL NON CURRENT LIABILITIES		24,786	25,309
TOTAL LIABILITIES		4,993,388	5,665,830
NET (LIABILITIES)/ASSETS		(1,310,734)	3,799,663
SHAREHOLDERS' (DEFICIT)/EQUITY			
Contributed equity	7	285,751,343	285,751,343
Reserves	8	(94,332,474)	(94,299,230)
Accumulated losses		(192,729,603)	(187,652,450)
Equity attributable to equity holders of the parent		(1,310,734)	3,799,663
Non-controlling interest		-	-
TOTAL SHAREHOLDERS' (DEFICIT)/EQUITY		(1,310,734)	3,799,663

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2015

Note	Contributed equity US\$	Accumulated losses US\$	Share-based payment reserve US\$	Merger reserve US\$	Foreign currency translation reserve US\$	Total US\$
AS AT 1 JANUARY 2015	285,751,343	(187,652,450)	5,639,686	(101,516,017)	1,577,101	3,799,663
Loss for the period	-	(5,077,153)	-	-	-	(5,077,153)
Translation of foreign operations from functional currencies to presentation currencies	-	-	-	-	(33,836)	(33,836)
Total comprehensive loss for the period	-	(5,077,153)	-	-	(33,836)	(5,110,989)
Share based payments	-	-	592	-	-	592
AS AT 30 JUNE 2015	285,751,343	(192,729,603)	5,640,278	(101,516,017)	1,543,265	(1,310,734)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2014

Note	Contributed equity US\$	Accumulated losses US\$	Share-based payment reserve US\$	Revaluation reserve US\$	Merger reserve US\$	Foreign currency translation reserve US\$	Other reserve US\$	Non-controlling interest US\$	Total US\$
AS AT 1 JANUARY 2014	272,412,761	(191,459,189)	7,920,077	190,783	(101,516,017)	2,123,483	(281,625)	365,360	(10,244,367)
Loss for the period	-	(2,011,755)	-	-	-	-	-	-	(2,011,755)
Revaluation of financial assets available for sale	-	-	-	41,131	-	-	-	-	41,131
Realised fair value gain on disposal of available-for-sale financial assets transferred to profit or loss	-	-	-	(231,914)	-	-	-	-	(231,914)
Foreign currency translation reserve reclassified to loss on disposal of subsidiaries	-	-	-	-	-	4,141,124	-	-	4,141,124
Translation of foreign operations from functional currencies to presentation currencies	-	-	-	-	-	(1,749,156)	-	-	(1,749,156)
Total comprehensive income for the period	-	(2,011,755)	-	(190,783)	-	2,391,968	-	-	189,430
Share based payments	-	-	(2,344,078)	-	-	-	-	-	(2,344,078)
Disposal of subsidiaries	-	-	-	-	-	-	-	(365,360)	(365,360)
AS AT 30 JUNE 2014	272,412,761	(193,470,944)	5,575,999	-	(101,516,017)	4,515,451	(281,625)	-	(12,764,375)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2015**

	Note	30 June 2015 US\$	30 June 2014 US\$
Cash flows from operating activities			
Receipts from customers		143,721	-
Payments to suppliers and employees		(1,424,619)	(596,181)
Interest received		974	479
Income tax paid		(34,842)	-
Net cash flows used in operating activities		(1,314,766)	(595,702)
Cash flows from investing activities			
Net cash inflow on disposal of subsidiaries		-	11,510,826
Proceeds from disposal of financial assets available-for-sale		-	374,146
Receipt of security deposits		-	22,316
Payment for plant and equipment		(17,299)	-
Payment for exploration and evaluation expenses		(856,965)	(917,638)
Net cash flows (used in)/from investing activities		(874,264)	10,989,650
Cash flows from financing activities			
Interest paid		(3,373)	-
Net cash flows used in financing activities		(3,373)	-
Net (decrease)/increase in cash and cash equivalents		(2,192,403)	10,393,948
Cash and cash equivalents at the beginning of the period		5,688,513	211,242
Effects of exchange rate changes on the balances of cash held in foreign currencies		(33,667)	(43,238)
Cash and cash equivalents at the end of the period		3,462,443	10,561,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of International Petroleum Limited and its subsidiaries (“the Group”) for the half-year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Board of Directors on 9 February 2015.

International Petroleum Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the National Stock Exchange of Australia.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

This general purpose condensed financial report for the half-year ended 30 June 2015 has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2014 and considered together with any public announcements made by International Petroleum Limited during the half-year ended 30 June 2015 in accordance with the continuous disclosure obligations of the NSX Listing Rules.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group’s 2014 annual financial report for the financial year ended 31 December 2014, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

From 1 January 2015 the Group has adopted all new and amended Standards and Interpretations that are relevant to their operations and effective for the current reporting period. None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2015 affected any of the amounts recognised in the current period or any prior period, although it caused minor changes to the Group’s disclosures.

The Group has not elected to early adopt any new standards or amendments.

The financial report is presented in United States dollars (“US\$” or “US dollars”).

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the period ended 30 June 2015, the Group incurred a net loss after tax of US\$5,077,153 and a cash outflow from operating activities of US\$1,314,766. The cash and cash equivalents balance at 30 June 2015 was US\$3,462,443. The Group’s net liability position at 30 June 2015 was US\$1,310,734 and its net current liability position was US\$1,356,147.

On 9 May 2014, the Company (through its wholly owned subsidiary) entered into a share purchase agreement with a third party (“buyer”) for the sale of 100% of the issued shares of IPL Siberia Limited (a company incorporated in the Cayman Islands) (“IPL Siberia”) and International Petroleum Company LLC (a company incorporated in Russia) (“IPL Russia”) for proceeds of US\$13million (“Russian Asset Sale”). As part of the transaction, the buyer has the right to lodge financial claims with the Seller, not later than the second anniversary of the date of Completion of the transaction, in respect of undisclosed third party debts of IPL Siberia and IPL Russia (and their subsidiaries) as at the date of the transaction. The aggregate liability of the Seller in respect of all claims is limited to the consideration amount of US\$13 million. As at the date of signing of this financial report no financial claims have been lodged by the buyer.

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue as a going concern. In forming this view, the directors have considered the Group’s current

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

position, funding objectives, a wrongful dismissal claim (and other employment related claims) brought against the Company and its Directors, and the probability of legitimate financial claims being lodged pertaining to the Russian Asset Sale. The Group's funding objectives include:

- i) negotiating with certain creditors to revise payment amounts and terms, and
- ii) the sale of certain assets

There are a number of inherent uncertainties relating to the completion of the funding objectives as listed above, including but not limited to:

- i) creditors not agreeing to revise payment amounts and terms and filing legal claims to recover the amounts owed to them, and
- ii) unfavourable market conditions resulting in difficulties in achieving a sale of certain assets.

It is the directors' opinion that the list of liabilities presented to the buyer as part of the share purchase agreement in respect of the Russian Asset Sale was complete, and therefore to the best of their knowledge, they do not expect material legitimate financial claims to result from the Russian Asset Sale.

Furthermore, a wrongful dismissal claim and other employment related claims were brought against the Company and its Directors by a former employee of the Company. A judgment has recently been handed down by the UK Employment Tribunal, provisionally awarding £843,373 plus taxes to the former employee. No amounts have been paid in respect of this award by the Company. The Company and its Directors strongly dispute the claims and have lodged an appeal.

Should significant legitimate financial claims arise from the Russian Asset Sale, in contrast to the directors' current view, or should the Group's funding objectives not be achieved, or an appeal by the Company in respect to the wrongful dismissal claim (and other employment related claims) is unsuccessful, the directors will have to seek alternative sources of financing. In the event that such financing is not available, there would exist a significant uncertainty as to whether the Group would be able to continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

3. REVENUE AND EXPENSES

Components of revenue and expenses related to continuing operations that require separate disclosure are as follows:

	Period ended 30 June 2015 US\$	Period ended 30 June 2014 US\$
(a) Revenue		
Rental income	55,353	-
Interest revenue	974	392
Other income	12,194	-
	68,521	392
(b) Other expenses	(204,022)	(312,770)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND EXPENSES (CONTINUED)

Other expenses for the current year consists of general administration costs for the Group. Included in other expenses for the prior period are penalties of \$203,882 charged by a Kazakhstan supplier.

	Period ended 30 June 2015	Period ended 30 June 2014
	US\$	US\$
(c) Employee expenses		
Employee benefits expense ⁽ⁱ⁾	(785,195)	(318,085)
Directors' remuneration ⁽ⁱⁱ⁾	147,496	(231,297)
Share based payments ⁽ⁱⁱⁱ⁾	25,207	505,230
	(612,492)	(44,152)

⁽ⁱ⁾US\$158,546 of employee benefits expense for the half year ended 30 June 2014 was capitalised to exploration expenditure as at 30 June 2014, but then recognised in the Statement of Comprehensive Income for the year ended 31 December 2014.

⁽ⁱⁱ⁾The directors' remuneration for the current period includes a reversal of previously accrued director fees of US\$229,727.

⁽ⁱⁱⁱ⁾The share based payments relate to unlisted equity-settled options and performance shares.

The options have been valued using the Black-Scholes option pricing model. The share based payment expense recognised for the six months ended 30 June 2015 is US\$592 (30 June 2014: reversal of US\$900,648), of which US\$25,799 (30 June 2014: US\$505,230) is recognised as a reversal in the Statement of Comprehensive Income and US\$25,799 has been capitalised to exploration and evaluation expenditure and subsequently written off (30 June 2014: reversal of US\$395,418).

The performance shares were awarded during prior periods and valued using the share price on the grant date. The issue of these shares is subject to various service and performance conditions such that none of these shares have yet been issued. There is no share based payment expense recognised for the six months ended 30 June 2015 (30 June 2014: reversal of US\$1,443,430 of which US\$449,509 is recognised in the Statement of Comprehensive Income and US\$993,921 has been captured as a reversal of capitalised exploration and evaluation expenditure).

	Period ended 30 June 2015	Period ended 30 June 2014
	US\$	US\$
(d) Finance costs		
Interest expense	(10,487)	(1,234,903)
(e) Impairment reversals / allowances for impairment		
Other impairment reversals	-	9,146
Impairment (loss) / reversals on exploration and evaluation expenditure	(3,658,233)	281,219
	(3,658,233)	290,365

4. CASH AND CASH EQUIVALENTS

	30 June 2015	31 December 2014
	US\$	US\$
Cash at bank and on hand	3,462,443	5,688,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. EXPLORATION AND EVALUATION EXPENDITURE

	30 June 2015	31 December 2014
	US\$	US\$
At cost	87,912,094	90,269,598
Less: impairment provisions	(87,912,094)	(86,962,499)
Net Carrying value	-	3,307,099
Reconciliation of movement		
At 1 January ¹	3,307,099	5,518,791
Current period exploration expenditure incurred	351,134	1,210,905
Impairment reversal / (allowance for impairment) ²	(3,658,233)	(3,483,119)
Foreign exchange differences on translation of foreign operations	-	60,522
At end of reporting period	-	3,307,099
Movement in impairment provision:		
At 1 January	(86,962,499)	(93,651,511)
Impairment reversal / (allowance for impairment)	(3,658,233)	(3,483,119)
Foreign exchange differences on translation of foreign operations	2,708,637	10,172,131
At end of reporting period	(87,912,094)	(86,962,499)

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

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

¹ The carrying value of exploration and evaluation expenditure as at 31 December 2014 solely relates to the Company's Niger Project, consisting of four blocks known as the Manga 1, Manga 2, Aborak and Ténére Ouest. Due to the continuing threats to security along the Niger-Nigeria border and the Republic of Niger's declaration of the state of emergency in this region, including areas contained within the Company's exploration blocks, a force majeure was officially declared by the Company in February 2015 in accordance with the PSCs and accepted by the Ministry of Energy and Petroleum of Niger. As at 30 June 2015, the Company has impaired the carrying value of the Niger Project to US\$nil.

² The Company has estimated the recoverable amount of the capitalised exploration and evaluation expenditure in respect of its 10% interest in prospecting licence Hoepakrantz 291 KT at nil (31 December 2014: nil). Hoepakrantz 291 KT, together with prospecting licences Nooitverwacht 324 KT and Eerste Geluk 327 KT, were known as the Tubatse Project (a South African platinum project). Hoepakrantz 291 KT now forms part of the Garatau Project, with two other prospecting licences. The Company has no interest in the other two prospecting licences forming part of the Garatau Project. Due to the continued uncertainty surrounding ownership title, the Company's 10% interest in prospecting licences Nooitverwacht 324 KT and Eerste Geluk 327 KT has been fully impaired. Due to the continued delay of the receipt of proceeds from the sale of the Company's 10% interest in the Hoepakrantz 291 KT prospecting licence in conjunction with the continued uncertainty on the status and feasibility of the project, Management have decided to fully impair the carrying amount as at 31 December 2014. Accordingly, an allowance for impairment of US\$3,609,600 has been recognised in the prior year.

On 4 August 2014, the Company received a notification from the Ministry of Energy of the Republic of Kazakhstan (formerly the Ministry of Oil and Gas) ("ME") that its rights to the Alakol licence had been withdrawn by ME unilaterally. The Company did not accept this as being justified and filed a lawsuit against ME demanding that the licence be reinstated back to the Company. A first instance court hearing was held on 16 January 2015 to address our claim for the licence to be reinstated and was decided in our favour. It was also recommended by the court of first instance that the licence expiry date be extended to account for lost time since the date the licence was withdrawn. ME appealed this decision, and won. Immediately following this appeal

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

court decision, the Company submitted a cessation appeal against it on 28 April 2015 and an official ruling against this was issued on 10 June 2015. The Company had one year, till the 10 June 2016, to submit its appeal to the Supreme Court.

Due to new legislation, specifically the Civil Procedural Code of the Republic of Kazakhstan, which was to be applied retrospectively, the deadline to submit an appeal to the Supreme Court changed to 10 December 2015. During December 2015 the Company lodged its appeal and the Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation has subsequently been lodged through the General Prosecutors office in relation to this decision. A decision is still pending and is expected by the end of Quarter 3, 2016.

Based on the uncertainty pertaining to the status of the licence the capitalised exploration and evaluation expenditure relating to the Alakol permit was impaired to nil as at 31 December 2014. Accordingly, an allowance for impairment of US\$25,799 has been recognised during the current period to bring the capitalised exploration and evaluation expenditure relating to the Alakol permit to US\$nil as at 30 June 2015 (year ended 31 December 2014: impairment reversal of US\$126,482).

6. TRADE AND OTHER PAYABLES

	30 June 2015	31 December 2014
	US\$	US\$
Current liabilities		
Trade payables	2,165,183	2,541,321
Other payables	2,613,864	2,864,682
	4,779,047	5,406,003

7. CONTRIBUTED EQUITY

	30 June 2015	31 December 2014
	US\$	US\$
Issued ordinary shares	266,250,687	266,250,687
Shareholder equity contribution – convertible loans (a)	6,162,074	6,162,074
Shareholder equity contribution – loans (b)	13,338,582	13,338,582
	285,751,343	285,751,343

(a) Shareholder equity contribution – convertible loans

The equity contribution is the difference between the initial fair value of the convertible loans recognised as debt and the loan proceeds received. There were no new convertible loan agreements entered into during the current period.

(b) Shareholder equity contribution – loans

The equity contribution is the difference between the fair value of loans and the 503,340,577 shares in the Company issued in settlement of the Company's loans with African Petroleum Corporation Limited, Range Resources Limited and Varesona Participation Corporation in 2014. There were no loans required to be repaid during the current period.

(c) Options and performance rights

During the current period the following share options were granted:

Number of options	Exercise Price A\$	Expiry Date	Fair Value at Grant Date A\$	Fair Value at Grant Date US\$
1,500,000	0.06	8 June 2017	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. CONTRIBUTED EQUITY (CONTINUED)

During the year ended 31 December 2014 the following share options were granted:

Number of options	Exercise Price A\$	Expiry Date	Fair Value at Grant Date A\$	Fair Value at Grant Date US\$
10,000,000	0.01	29 July 2019	0.06	0.05
10,000,000	0.06	2 October 2016	0.04	0.04

2,500,000 options expired during the current period (year ended 31 December 2014: 200,000). 500,000 options were forfeited or cancelled during the current period as a result of employees ceasing employment (year ended 31 December 2014: 35,500,000). As at 30 June 2015, there were 23,500,000 share options on issue (31 December 2014: 25,000,000).

No performance shares were awarded during the 6 months ended 30 June 2015 (year ended 31 December 2014: 10,000,000). No performance shares expired, were forfeited or cancelled during the 6 months ended 30 June 2015 (year ended 31 December 2014: 20,000,000 performance shares were forfeited as a result of employees ceasing employment). As at 30 June 2015, there are no performance shares are on issue (31 December 2014: nil).

8. RESERVES**Nature and purpose of reserves***Share-based payment reserve*

The share based payment reserve is used to recognise the fair value of options and performance shares issued.

Revaluation reserve

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

Merger reserve

The merger reserve balance relates entirely to the acquisition of North Caspian Petroleum Ltd by Eastern Petroleum Corporation Ltd in 2007.

Foreign currency translation reserve

The Foreign currency translation reserve is used to recognise foreign currency exchange differences arising on translation of balances from functional currencies to presentation currency.

Other reserve

The Other reserve balance relates to the acquisition of the remaining 25% shareholding in Souville Investments Limited on 17 June 2013. The 25% ownership of the shares was transferred prior to 31 December 2013, while the completion date of the agreement was post 31 December 2013. Therefore the minority interest balance was reclassified from Non-controlling interest to Other reserve at the share transfer date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. SEGMENT REPORTING

For management purposes, the Group is organised into one main operating segment, which involves exploration for hydrocarbons. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based on analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Group only has one operating segment being exploration for hydrocarbons.

The analysis of the location of non-current assets is as follows:

	30 June 2015	31 December 2014
	US\$	US\$
Australia	839	893
United Kingdom	31,637	-
Africa	2,360	3,307,099
Kazakhstan	35,363	57,351
	70,199	3,365,343

10. COMMITMENTS AND CONTINGENCIES**Capital commitments**

The Group had capital commitments in respect of its licence obligations of US\$32,250,000 (31 December 2014: US\$44,762,514) at the end of the reporting period. Other than the licence obligation commitments there are no other material changes between 31 December 2014 and 30 June 2015 to the commitments, as disclosed in the most recent annual financial report.

There have been no material changes between 31 December 2014 and 30 June 2015 to the contingent assets and contingent liabilities, as disclosed in the most recent annual financial report.

Contingent Liabilities

On 9 May 2014, the Company (through its wholly owned subsidiary) entered into a share purchase agreement with a third party ("buyer") for the sale of 100% of the issued shares of IPL Siberia Limited (a company incorporated in the Cayman Islands) ("IPL Siberia") and International Petroleum Company LLC (a company incorporated in Russia) ("IPL Russia") for proceeds of US\$13 million. As part of the transaction the buyer has the right to lodge financial claims with the Seller, not later than the second anniversary of the date of Completion of the transaction, in respect of undisclosed third party debts of IPL Siberia and IPL Russia (and their subsidiaries) as at the date of the transaction. The aggregate liability of the Seller in respect of all claims is limited to the consideration amount of US\$13 million. As at the date of signing this half year report no financial claims have been lodged by the buyer.

Furthermore, as disclosed in Note 11, a wrongful dismissal claim and other employment related claims were brought against the Company and its Directors by a former employee of the Company. A judgment has recently been handed down by the UK Employment Tribunal, provisionally awarding £843,373 plus taxes to the former employee. No amounts have been paid in respect of this award by the Company. The Company and its Directors strongly dispute the claims and have lodged an appeal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events and transactions have taken place subsequent to 30 June 2015:

- On 22 January 2016, the Company commenced legal proceedings in the Supreme Court of Western Australia against NKWE Platinum Ltd (NKWE) claiming A\$45,000,000 in relation to the failure by NKWE to pay for the purchase of International Petroleum's 10% interest in prospective platinum tenements known as Hoepakrantz 291 KT, Nooitverwacht 324 KT and Eerste Geluk 327 KT located in the Eastern Limb of the Bushveld Complex in the Republic of South Africa (Tubatse Project or IGC Project) in accordance with the Sale Agreement between International Petroleum and NKWE dated 4 October 2009 (Sale Agreement).

Despite International Petroleum's several attempts to resolve this matter without formal legal proceedings and to the mutual satisfaction of both parties, NKWE has failed to honour its commitments to International Petroleum. Accordingly, International Petroleum was left with no choice but to commence legal proceedings against NKWE.

On 29 February 2016, the Company was served with a defence from NKWE together with a counter-claim in the sum of A\$10 million seeking restitution of funds previously paid by NKWE to International Petroleum under the Sale Agreement between International Petroleum and NKWE Platinum dated 4 October 2009.

During May 2016, all legal proceedings were settled with NKWE on the basis that each party agreed to its claim against the other being dismissed, with no orders as to costs. As part of the settlement agreement, an amount of A\$280,000 was paid by NKWE to the Company on 20 May 2016.

- Towards the end of 2014, a wrongful dismissal claim and other employment related claims were brought against the Company and its Directors by a former employee of the Company. A judgment has recently been handed down by the UK Employment Tribunal, provisionally awarding £843,373 plus taxes to the former employee. No amounts have been paid in respect of this award by the Company. The Company and its Directors strongly dispute the claims and have lodged an appeal.
- During June 2016, the Company advised that the Manga-1, Manga-2, Ténéré Ouest and Aborak Oil exploration permits have been relinquished by the Company. Due to the continuing threats to security along the Niger-Nigerian border and the Republic of Niger's declaration of a state of emergency in this region, including areas contained within the Company's exploration blocks, a force majeure has been in place since February 2015. This security risk, combined with the deterioration of the global oil market, means the Company cannot continue with planned exploration in Niger.
- On 4 August 2014, the Company received a notification from the Ministry of Energy of the Republic of Kazakhstan (formerly the Ministry of Oil and Gas) ("ME") that its rights to the Alakol licence had been withdrawn by ME unilaterally. The Company did not accept this as being justified and filed a lawsuit against ME demanding that the licence be reinstated back to the Company. A first instance court hearing was held on 16 January 2015 to address our claim for the licence to be reinstated and was decided in our favour. It was also recommended by the court of first instance that the licence expiry date be extended to account for lost time since the date the licence was withdrawn. ME appealed this decision, and won. Immediately following this appeal court decision, the Company submitted a cessation appeal against it on 28 April 2015 and an official ruling against this was issued on 10 June 2015. The Company had one year, till the 10 June 2016, to submit its appeal to the Supreme Court.

Due to new legislation, specifically the Civil Procedural Code of the Republic of Kazakhstan, which was to be applied retrospectively, the deadline to submit an appeal to the Supreme Court changed to 10 December 2015. During December 2015 the Company lodged its appeal and the Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation has subsequently been lodged through the General Prosecutors office in relation to this decision. A decision is still pending and is expected by the end of Quarter 3, 2016.

No other event has arisen between 30 June 2015 and the date of this report that would be likely to materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

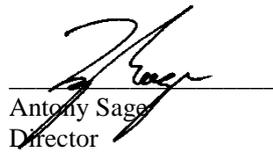
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of International Petroleum Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of International Petroleum Limited for the period ended 30 June 2015 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of its financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*
- (b) subject to the matters set out in note 2 in the financial statements, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Antony Sage
Director

Perth, 12 August 2016

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
INTERNATIONAL PETROLEUM LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of International Petroleum Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for International Petroleum Limited. The consolidated entity comprises both International Petroleum Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of International Petroleum Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of International Petroleum Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of International Petroleum Limited on 12 August 2016.

Basis for Disclaimer of Conclusion

Impact of the sale of IPL Siberia Limited and International Petroleum Company LLC on Opening Balances

In 2014, the Group entered into a transaction to dispose of 100% of the issued shares of IPL Siberia Limited and International Petroleum Company LLC (the "Russian Subsidiaries"). The accounting books and records of the Russian Subsidiaries were provided to the acquirer on 30 May 2014.

The directors of the Company were unable to obtain access to the accounting books and records of the Russian Subsidiaries to enable the prior auditor to carry out sufficient and appropriate audit procedures to verify balances. As a result, the opening balances and comparative figures may be misstated.

In addition, as described in Note 9 to the half-year financial report, pursuant to the sale of the Russian Subsidiaries, the acquirer has the right to lodge legitimate financial claims against the Company in respect of undisclosed third party debts of the Russian Subsidiaries as at the date of the transaction. As the directors were unable to access the accounting books and records of the Russian Subsidiaries, the financial information relating to the Russian Subsidiaries was not appropriately audited and therefore, the likelihood of any such claims arising was not adequately assessed. As at the date of signing this half year report no financial claims have been lodged by the buyer.

Going Concern

As referred to in Note 2 to the half-year financial statements, the half-year financial statements have been prepared on a going concern basis. The consolidated entity comprising the Company and its subsidiaries incurred a loss of US\$5,077,153 for the half-year ended 30 June 2015 and had net cash outflows of US\$2,192,403 for the half-year ended 30 June 2015. The consolidated entity had a working capital deficiency as at 30 June 2015 of US\$1,356,147. The Company is appealing against a judgement handed down in favour of a past employee awarding the employee £843,373.

The ability of the consolidated entity to continue as a going concern and meet its planned exploration, administration and other commitments is dependent upon:

- i. The consolidated entity raising further working capital, sale of certain assets and/or successfully exploiting its mineral assets;
- ii. The consolidated entity achieving its funding objectives which include negotiating with certain trade creditors to revise payment amounts and terms;
- iii. There being no material legitimate claims being made against the Company by the acquirers of the Russian Subsidiaries as outlined above; and
- iv. The Company being successful in its appeal against a wrongful dismissal claim and other employment related claims that have been brought against the Company by a former employee.

In the event that the consolidated entity is not successful in raising further equity, selling certain assets or successfully exploiting its mineral assets, or is unable to negotiate with certain creditors to revise the liabilities and credit terms, or material legitimate claims are made against the Company by the acquirers of the Russian Subsidiaries or the consolidated entity is not successful

in defending a wrongful dismissal claim by a former employee, the consolidated entity may not be able to meet its liabilities as and when they fall due and the realisable value of the consolidated entity's current and non-current assets may be significantly less than book values.

Disclaimer of Conclusion

Because of the significance of the matters described in the Basis for Disclaimer of Conclusion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for a review conclusion. Accordingly, we do not express a conclusion on the Half Year Financial Report.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
12 August 2016