

8 August 2016

## **Quarterly activities report for the quarters ending 31 December 2015 & 31 March 2016**

International Petroleum Limited (NSX: IOP) (“International Petroleum” or the “Company”), an oil and gas exploration company presents its activities report for the three months ending 31 December 2015 and three months ending 31 March 2016.

### **UPDATE ON KEY ISSUES**

- US\$1,372k cash at bank at 31 December 2015, US\$1,070k cash at bank 31 March 2016
- Update on Corporate Matters
- Update on Niger project
- Update on Kazakhstan project
- NSX suspension from official quotation

### **Corporate Matters**

During May 2016, the Company settled a long outstanding legal case with Nkwe Platinum Limited (Nkwe) on the basis that each party has agreed to its claim against the other being dismissed, with no orders as to costs. Nkwe had failed 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). International Petroleum accepted a cash settlement of A\$280,000, which has been received by the Company during 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.



---

## **Niger project**

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.

## **Kazakhstan project**

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.

## **NSX suspension from official quotation**

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.

Yours faithfully

Tony Sage  
**Non-Executive Chairman**

For further information, please contact:

Tony Sage  
Non-Executive Chairman  
International Petroleum Limited  
Ph: +61 8 9388 0744

Jason Brewer  
Company Secretary  
International Petroleum Limited  
Ph: +61 8 9388 0744

---

## About International Petroleum

International Petroleum is an oil and gas exploration and production company. The Company is listed on the National Stock Exchange of Australia (**NSX: IOP**).

The Company owns:

1. a 50% interest in an early stage project covering 24,649 km<sup>2</sup> in eastern Kazakhstan (the “**Alakol Project**”), which borders the western boundary of the People’s Republic of China. See update on Kazakhstan project above for details of licence dispute.

## Quarterly Report

Name of entity

<b>INTERNATIONAL PETROLEUM LIMITED</b>
--

ABN

76 118 108 615
----------------

Quarter ended ("current quarter")

31 December 2015
------------------

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (12 months)
	\$US'000	\$US'000
1.1 Receipts from customers	79	283
1.2 Payments for		
(a) staff costs	(269)	(999)
(b) advertising and marketing	-	-
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(446)	(1,603)
(f) legal costs <sup>1</sup>	(464)	(675)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	1
1.5 Income taxes paid	(4)	(39)
1.6 Other (provide details if material)		
(a) business development/costs associated with sale of assets	(127)	(127)
(b) VAT/GST received/(paid)	23	(20)
<b>Net operating cash flows</b>	<b>(1,208)</b>	<b>(3,179)</b>

<sup>1</sup> Legal costs for the current quarter and 2015 year are related to a) costs associated with the legal proceedings against NKWE Platinum Ltd ('NKWE') 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); and b) legal costs associated with a wrongful dismissal claim and other employment related claims which have been brought against the Company and its Directors by a former employee of the Company.

	Current quarter \$US'000	Year to date (12 months) \$US'000
1.7	<b>(1,208)</b>	<b>(3,179)</b>
<b>Cash flows related to investing activities</b>		
1.8	Payment for acquisition of:	
	(a) businesses (item 5)	-
	(b) equity investments	(72)
	(c) intellectual property	-
	(d) physical non-current assets	(18)
	(e) other non-current assets	-
	(f) exploration and evaluation expenditure	(938)
1.9	Proceeds from disposal of:	
	(a) businesses (item 5)	-
	(b) equity investments	-
	(c) intellectual property	-
	(d) physical non-current assets	-
	(e) other non-current assets	-
1.10	Loans to other entities	-
1.11	Loans repaid by other entities	-
1.12	Other (provide details if material)	
	(a) performance bonds put in place	-
	(b) performance bonds relinquished	-
	(c) security for facilities put in place	-
	(d) security for facilities relinquished	-
	(e) cash subjected to restrictions	-
	<b>Net investing cash flows</b>	<b>(94)</b>
<b>1.13</b>	<b>Total operating and investing cash flows</b>	<b>(4,207)</b>
<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc (net of costs)	
	-	-
1.15	Proceeds from sale of forfeited shares	
	-	-
1.16	Proceeds from borrowings	
	-	-
1.17	Repayment of borrowings	
	-	-
1.18	Dividends paid	
	-	-
1.19	Interest and other costs of finance paid	
	-	(3)
1.20	Other (provide details if material)	
	-	-
	<b>Net financing cash flows</b>	<b>(3)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(4,210)</b>
1.21	Cash at beginning of quarter/year to date	
	<b>2,696</b>	<b>5,689</b>
1.22	Exchange rate adjustments	
	(22)	(107)
1.23	<b>Cash at end of quarter</b>	
	<b>1,372</b>	<b>1,372</b>

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

		Current quarter \$US'000
1.24	Aggregate amount of payments to the parties included in item 1.2	27
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	US\$26,970 has been paid to directors during the quarter for the provision of their services as directors, all of which has been included within item 1.2 (a) within operating cash flows.	

**Non-cash financing and investing activities**

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

N/A

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

N/A

**Financing facilities available**

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

		Amount available \$US'000	Amount used \$US'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$US'000	Previous quarter \$US'000
4.1	Cash on hand and at bank	1,372	2,696
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>1,372</b>	<b>2,696</b>

## Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

## Compliance statement

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

Print name: Jason Brewer

Date: 8 August 2016

## Notes

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

## Quarterly Report

Name of entity

INTERNATIONAL PETROLEUM LIMITED

ABN

76 118 108 615

Quarter ended ("current quarter")

31 March 2016

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (3 months)
	\$US'000	\$US'000
1.1 Receipts from customers	38	38
1.2 Payments for		
(a) staff costs	(75)	(75)
(b) advertising and marketing	-	-
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(137)	(137)
(f) legal costs <sup>1</sup>	(121)	(121)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Income taxes paid	-	-
1.6 Other (provide details if material)		
(a) business development/costs associated with sale of assets	-	-
(b) VAT/GST received/(paid)	17	17
<b>Net operating cash flows</b>	<b>(278)</b>	<b>(278)</b>

<sup>1</sup> Legal costs for the current quarter are related to a) costs associated with the legal proceedings against NKWE Platinum Ltd ('NKWE') 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); and b) legal costs associated with a wrongful dismissal claim and other employment related claims which have been brought against the Company and its Directors by a former employee of the Company.

	Current quarter \$US'000	Year to date (3 months) \$US'000
1.7	<b>(278)</b>	<b>(278)</b>
<b>Cash flows related to investing activities</b>		
1.8	Payment for acquisition of:	
	(a) businesses (item 5)	-
	(b) equity investments	-
	(c) intellectual property	-
	(d) physical non-current assets	-
	(e) other non-current assets	-
	(f) exploration and evaluation expenditure	(10)
1.9	Proceeds from disposal of:	
	(a) businesses (item 5)	-
	(b) equity investments	-
	(c) intellectual property	-
	(d) physical non-current assets	-
	(e) other non-current assets	-
1.10	Loans to other entities	-
1.11	Loans repaid by other entities	-
1.12	Other (provide details if material)	
	(a) performance bonds put in place	-
	(b) performance bonds relinquished	-
	(c) security for facilities put in place	-
	(d) security for facilities relinquished	-
	(e) cash subjected to restrictions	-
	<b>Net investing cash flows</b>	<b>(10)</b>
<b>1.13</b>	<b>Total operating and investing cash flows</b>	<b>(288)</b>
<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc (net of costs)	
	-	-
1.15	Proceeds from sale of forfeited shares	
	-	-
1.16	Proceeds from borrowings	
	-	-
1.17	Repayment of borrowings	
	-	-
1.18	Dividends paid	
	-	-
1.19	Interest and other costs of finance paid	
	-	-
1.20	Other (provide details if material)	
	-	-
	<b>Net financing cash flows</b>	<b>-</b>
	<b>Net increase (decrease) in cash held</b>	<b>(288)</b>
1.21	Cash at beginning of quarter/year to date	<b>1,372</b>
1.22	Exchange rate adjustments	(14)
1.23	<b>Cash at end of quarter</b>	<b>1,070</b>

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

		Current quarter \$US'000
1.24	Aggregate amount of payments to the parties included in item 1.2	3
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	US\$3k has been paid to directors during the quarter for the provision of their services as directors.	

**Non-cash financing and investing activities**

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

N/A

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

N/A

**Financing facilities available**

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

		Amount available \$US'000	Amount used \$US'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$US'000	Previous quarter \$US'000
4.1	Cash on hand and at bank	1,070	1,372
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>1,070</b>	<b>1,372</b>

## Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

## Compliance statement

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

Print name: Jason Brewer

Date: 8 August 2016

## Notes

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