NSX Announcement
15 August 2011

Operational and Financial Update

International Petroleum Limited (NSX: IOP) (“International Petroleum” or the “Company”), an oil and gas exploration company with assets in Russia and Kazakhstan, is pleased to update the market on recent activities.

Signing of Share Purchase Agreement to acquire a project in Khanty-Mansiysk Autonomous Region, Western Siberia

The Company has signed a Share Purchase Agreement (the “Agreement”) to acquire (the “Acquisition”) 100% of the shares in Vamaro Investments Limited (“Vamaro”) with its current shareholder (the “Seller”). Vamaro owns (a) 100% of the shares in Yuzhno-Sardakovsoye LLC, which holds a licence for geological study of subsoil, prospecting and extraction of oil and gas within the territory of the Yuzhno-Sardakovsky block and (b) 100% of the shares in Zapadno-Novomolodezhnoye LLC, which holds a licence for geological study of subsoil, prospecting and extraction of oil and gas within the territory of the Zapadno-Novomolodezhniy block (together, the “Vamarov Project”).

Consideration for the Acquisition will comprise US$3 million in cash and the issuance of 55 million newly-issued shares in International Petroleum (the “Vamarov Shares”). The Company will also assume certain liabilities of Vamaro, including US$1 million payable by 9 November 2011 and a further US$4 million payable by 27 December 2011.

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

13 wells have been drilled on the Zapadno-Novomolodezhniy block and the Company is currently evaluating wells to work over and bring into production, subject to completion of the Acquisition, by the end of December 2011. A communication corridor passes through the northern part of the Zapadno-Novomolodezhniy block and includes pipelines and a hard-surface all-weather road, which can be used throughout the year, and a power transmission line.

8 wells have been drilled on the Yuzhno-Sardakovsky block and commencement of oil production in this block is expected to occur in the first quarter of 2012. The nearest oil pipelines are 16 km from the block and the nearest hard-surface road is 11 km from the block.
Subject to a successful completion of the Acquisition, the Company intends to issue a reserve report on the Vamarov Project in accordance with the PMRS standards by the end of December 2011. Completion of the Acquisition is subject to satisfaction of certain conditions, including the following:

a) receipt of requisite approvals from the Russian Federal Anti-Monopoly Service and relevant governmental authorities to implement the transactions contemplated by the Agreement;
b) approval by the Company’s shareholders to implement the transactions contemplated by the Agreement and, in particular, the issuance of the Vamarov Shares;
c) completion of confirmatory due diligence satisfactory to the Company; and
d) receipt of all such other consents as are necessary to authorise the execution and performance of the Agreement and the transactions contemplated by it.

There can be no assurance that each of these conditions will be satisfied and that the Acquisition will be completed on time or at all.

Memorandum of Understanding to acquire a further exploration project in Siberia

On 5 August 2011, the Company announced that it had signed a memorandum of understanding to acquire 75% of the shares in OOO VostokNefteGaz (the “VNG Acquisition”), a company that owns an exploration licence in the Tomsk region of Western Siberia (the “Tomsk Exploration Licence” or the “Druzhny Project”).

The consideration for the VNG Acquisition will comprise the issuance of 6,666,667 shares in International Petroleum (“Druzhny Shares”) and a commitment to fund all of the exploration work necessary to fulfil the minimum work programme as stipulated in the Tomsk Exploration Licence. The Druzhny Shares will be subject to escrow until the earlier of:

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

The VNG Acquisition is subject to completion of due diligence to the satisfaction of the Company and the execution of legally binding documentation, among other conditions, and is expected to take place by the end of September 2011.

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

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<th>Commitment</th>
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<td>a) Develop, negotiate and obtain the approval of the programme of exploration and appraisal work</td>
<td>October 2011</td>
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<td>b) Carry out at least 1,000 line km of 2D seismic survey</td>
<td>October 2012</td>
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<td>c) Carry out at least 2,000 line km of 2D seismic survey (including 1,000 line km to be done by October 2012)</td>
<td>October 2013</td>
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<td>d) Commence drilling of the first exploration well</td>
<td>October 2014</td>
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<td>e) Complete drilling of at least three exploration wells</td>
<td>October 2015</td>
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<td>f) Implement a full program of exploration and appraisal of hydrocarbon reserves in line with the programme of exploration and appraisal work</td>
<td>October 2015</td>
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If deposits are discovered, the Company intends to carry out an operational estimate of hydrocarbon reserves and file the estimate for Russian state expert evaluation not later than six months after the production well test date.

The Company plans to meet the requirements of the minimum work programme by carrying out at least 1,000 line km of 2D seismic survey during the winter of 2011/12.
The Company has a good relationship with the local government of the Tomsk region and believes it will be able to acquire further exploration and producing assets in the region over the next 12 months.

**Testing of Well No. 1 and Well No. 2 at Krasnoleninskiy Project, Western Siberia (Russia)**

On 5 August 2011, the Company announced that it had discovered an oilfield during testing of Well No. 2 at the Krasnoleninskiy project in Khanty-Mansiysk Autonomous Region of Russia (the "Krasnoleninskiy Project"), where International Petroleum has a 75 per cent interest. Oil commerciality was established in the J4 formation at the interval between 2,740 metres and 2,745 metres of Well No. 2, from which an unstimulated daily inflow of 6 cubic meters of oil was received. The Company continues testing of both Well No. 1 and Well No. 2 and expects to complete the testing by the end of September 2011.

International Petroleum plans to frac these two wells in January 2012 and commence oil production thereafter, provided the fracs are successful.

The Company intends to issue a reserve report for the Krasnoleninskiy Project in accordance with the PMRS standards by the end of December 2011.

**Well A-8 at the Kazakhstan Project plugged and abandoned**

The Company has reached the final depth of 2,019 metres at Well A-8 in its licence area covering 24,649 km² in eastern and south eastern Kazakhstan (the "Kazakhstan Project"). Well logging data has been evaluated and drill stem testing of prospective intervals has been carried out.

Well A-8 was the fourth well to be drilled in the licence area of the Kazakhstan Project. Artesian wells in the area are associated with oil seeps and films of oil, proving the Alakol Basin has generated hydrocarbons. Seismic data indicates that potential Jurassic and Triassic reservoirs are present as stratigraphic traps on the flanks of Paleozoic-age volcanic intrusions or basement highs. In a report to evaluate the hydrocarbon resource potential dated 6 June 2011 (the “Ryder Scott Report”), Ryder Scott estimated the unrisked prospective (undiscovered recoverable) resources at 935 (Low Estimate), 1,379 (Best Estimate) and 1,980 (High Estimate) mmboe. Based on the undiscovered unrisked resource estimates from Ryder Scott, the Company believes that the Kazakhstan Project has the exploration potential of 1.4 billion barrels (Best Estimate).

Well A-8 was the first well to test the geological model that formed the basis of the Ryder Scott Report and while it confirmed that reservoir-quality sands are present on the flanks of Paleozoic-age volcanic intrusions or basement highs, no hydrocarbons have been found in this well. Therefore, the Company is in the process of plugging and abandoning Well A-8.

The Company had previously planned to drill Well A-9 after Well A-8 was completed, but, it has now determined to postpone the drilling of Well A-9 in order to carry out a 3D seismic study of 500 km² and gain a better understanding of the potential reservoirs and stratigraphic traps in the area before continuing drilling further wells.

Subject to the results of the 3D seismic study, the Company will decide whether to proceed with drilling of Well A-9. If the 3D seismic survey does not identify any prospects suitable for future drilling, the Company could delay or postpone further exploration at the Kazakhstan Project.

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1 It should be noted that the resources prospects evaluated are all seismic features, and Well A-8, which has just been drilled, is the first well to penetrate these features. It should be clearly understood that the resources are undiscovered and the project is a medium-high risk exploration play. There is no certainty that any portion of the undiscovered resources will be discovered and that, if discovered, may not be economically viable or technically feasible to produce any of the resources.
International Petroleum plans to update the Ryder Scott report for the Kazakhstan Project, which will incorporate the drilling results of Well A-8, by the end of December 2011.

**Sale of a stake in Tubatse Project**

In October 2009 International Petroleum and Nkwe Platinum Limited (ASX: NKP) (“Nkwe”) entered into a sale and purchase agreement for the sale of the Company’s 15% interest in the Tubatse Project (“Sale and Purchase Agreement”). In accordance with the terms of the Sale and Purchase Agreement, Nkwe paid the consideration for an initial 5% interest, and that interest was transferred by International Petroleum to Nkwe. International Petroleum has subsequently agreed with Nkwe to change certain conditions in the Sale and Purchase Agreement and to discount the price of AU$50 million that was agreed for the remaining 10% interest in the Tubatse Project (“Tubatse Transaction”) to AU$45 million on a staged basis.

Nkwe has suffered delays to their plans to complete the Tubatse Transaction owing to certain licence disputes in South Africa and JV negotiations aiming to raise funding for the Tubatse Transaction. The Company understands that Nkwe will be able to proceed with the Tubatse Transaction once it has been able to raise the funding (either by completing a JV transaction, which is expected to occur during the third quarter of 2011, or by raising equity financing). Given the uncertainties with timing of the above activities, the Company expects, but can not be certain, that the Tubatse Transaction will be completed before the end of December 2011. If Nkwe is unable to complete the Tubatse Transaction, the Company may need to raise additional funding to finance its ongoing activities.

**Standby Facility**

The Company has the benefit of a US$10 million standby facility to fund exploration expenditure and working capital (the “Standby Facility”).

Amounts drawn down under the Standby Facility (the “Facility Amount”) are repayable by the Company in full on the earlier of 17 November 2012, receipt by the Company of cash consideration from the Tubatse Project or receipt by the Company of other funds. Any funds received by the Company must first be applied to reduce the Facility Amount. However, the Company and the provider of the Standby Facility have agreed to vary the Standby Facility, such that the Facility Amount will not be repayable until the earlier of 1 June 2012 and receipt by the Company of the AU$45 million from the Tubatse Transaction.

Interest is payable on the Facility Amount at the cash rate plus 3%. The Standby Facility is secured by a fixed and floating charge over the Company’s assets. A US$250,000 commitment fee for the provision of the Standby Facility is payable by the Company.

As at 15 August 2011, the Company had drawn down US$9.0 million of this Standby Facility. The Company intends to draw down the remaining US$1.0 million of the Standby Facility by the end of August 2011.

**Funding**

In order to finance its ongoing activities in the Krasnoleninskiy Project and the Kazakhstan Project, as well as proposed acquisition and operation of the Vamarov Project and the Druzhny Project, the Company is currently considering different funding alternatives, such alternatives may include the issuance of new share capital.
Financial statements

International Petroleum plans to issue its unaudited, reviewed financial statements for six months ended 30 June 2011, on or about 13 September 2011. The Company’s annual audited financial statements for the year ended 31 December 2011 will be issued in the second quarter of 2012.

The Company believes that there are no other material developments or information relating to the Company and its operations and prospects that have not been disclosed in this or previous public announcements.

Chris Hopkinson, International Petroleum CEO said “The Vamarov Project is the Company’s first oil-producing project and its second project in the Khanty-Mansiysk Autonomous Region of Western Siberia and we expect to build on this success with further discoveries in the Krasnoleninskiy Project when other prospective intervals in Well No. 1 and Well No. 2 have been tested. The proved and probable reserves in the Vamarov Project and the potential reserves in the Krasnoleninskiy Project underpin the current value of the company, while there is plenty of exploration upside from the Company’s three projects in Western Siberia and one project in Kazakhstan. Since the Kazakhstan Project has reservoir-quality sands and oil seeps on the surface, the 3D seismic study will provide better information to enable us to try to find potential oil-bearing reservoirs.”

Yours faithfully

Tony Sage
Non-Executive Chairman

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About International Petroleum

International Petroleum is an oil and gas exploration company.

The Company is listed on the National Stock Exchange of Australia (NSX: IOP).

The Company owns a 75% equity interest in the exploration rights to four blocks in Western Siberia. The four blocks comprising the Krasnoleninskiy Project cover a total area of 1,467 km² and are located in the Khanty-Mansiysk Region in Western Siberia, the largest oil-producing region of Russia.
On 10 August 2011, the Company signed a Share Purchase Agreement to acquire 100% of the shares in Vamaro with its current shareholders. Vamaro owns two licences for geological study of subsoil, prospecting and extraction of oil and gas within the territory of the Vamarov Project.

The Company also owns a 50% interest in the Kazakhstan Project, an early stage project covering 24,649 km² in eastern and south eastern Kazakhstan, which borders the western boundary of the People’s Republic of China. International Petroleum’s subsidiary company, North Caspian Petroleum Limited, has exclusive exploration rights to the Kazakhstan Project until November 2012.

Whilst the Company is focused on exploration at its projects in Russia and Kazakhstan, it continues to evaluate other projects for potential acquisition.

This announcement does not constitute or form part of an offer of securities for sale or solicitation of an offer to purchase securities in the United States or in any other jurisdiction where such offer may be restricted. The securities referred to in this announcement have not been, and will not be, registered under the US Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold in the United States or to or for the account or benefit of US persons (as such term is defined in Regulation S under the Securities Act), except on the basis of an applicable exemption from registration or in a transaction not subject to the registration requirements of the Securities Act. There will be no public offering of securities in the United States.