

30 July 2010

QUARTERLY ACTIVITIES REPORT – JUNE 2010

Highlights

- Following the successful completion of the acquisition of Eastern Petroleum Corporation Limited, and raising A\$30 million, International Petroleum Limited (“International Petroleum” or the “Company”) (ASX: IPO, NXS: IOP) was admitted to Official Quotation on the National Stock Exchange of Australia (“NSX”) on 23 June 2010;
- The Company commences drilling second well within the Alakol Licence Area;
- The Company continues discussions with ASX following the Appeal Tribunal decision announced on 18 June 2010.

Corporate

During the quarter, the Company lodged a prospectus with ASIC for the subscription of up to 100 million shares at \$A0.30 each to raise up to A\$30 million and to seek a listing on NSX. On 7 May 2010, the offer pursuant to the prospectus closed fully subscribed with the Company raising the full A\$30 million largely from international funds and institutions.

On 3 June 2010, the Company received Shareholder approval to list on NSX and to acquire Eastern Petroleum Corporation Limited, whose wholly owned subsidiary operates and owns a 50% interest in subsurface use rights for the exploration of hydrocarbons in blocks in eastern and south eastern Kazakhstan covering approximately 32,000km².

On 23 June 2010, International Petroleum was admitted to Official Quotation on NSX under the code IOP.

The Company was advised on 17 June 2010 that its second appeal against ASX’s earlier decisions had been successful and that the ASX Appeal Tribunal had determined the ASX decisions should be set aside. The Company is responding to requests for additional information from ASX to enable ASX to determine the listing conditions that will be applicable to the Company.



Exploration

International Petroleum has continued with its exploration work in the Alakol licence area. For the June quarter, the Company completed all necessary documentation and approvals to allow it to drill the second exploration well in the Alakol licence area. Mobilisation of a drilling rig from China commenced on 16 May and drilling commenced on 14 July. The well is planned to be drilled to a target depth of 3500m and should take in the order of 50 days to drill. The well will target Paleozoic aged sediments underlying the volcanic rocks that were intersected in the A-1 well drilled in 2009.

The Company reviewed the proposed locations of the third and fourth wells to be drilled in the licence area and reprocessed seismic data covering these prospects. The prospects were remapped and the well locations reassessed.

Following drilling of the A-2 well, the rig will be moved to the C prospect to drill the A-3 well, which is approximately 400km from A-2. This rig move will take about one month to complete.

The Company has a commitment to acquire 700km of new seismic data and to complete 8,500m of exploration drilling. A tender for the acquisition, processing and interpretation of the seismic data will be held in the September quarter. Under the license agreement, by the end of the year the Company is required to relinquish 25% of the licence area. Tenders for the seismic acquisition were announced in early July, and the necessary relinquishment report and documentation should be completed and the relinquishment process finalised by the end of the September quarter.

Yours faithfully

Antony Sage
Non-Executive Chairman

For further information, please contact:

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

INTERNATIONAL PETROLEUM LIMITED

ABN

76 118 108 615

Quarter ended ("current quarter")

30 June 2010

Consolidated statement of cash flows

| | Current quarter \$A | Year to date (12 months) \$A |
|--|------------------------|------------------------------------|
| Cash flows related to operating activities | | |
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for | | |
| (a) exploration and evaluation | (4,024) | (683,137) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (718,821) | (1,869,189) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and similar items received | 92,803 | 201,741 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other: other income received | - | - |
| Net Operating Cash Flows | (630,042) | (2,350,585) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.9 Proceeds from sale of: | | |
| (a) prospects | - | 10,000,000 |
| (b) equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (option fee) | - | 100,000 |
| 1.13 Funding provided to Eastern Petroleum Corporation Limited ("EPCL") prior to completion of the acquisition of EPCL | (1,852,215) | (7,049,428) |
| 1.14 Other: transaction costs paid | (255,538) | (958,038) |
| Other: cash acquired through a business combination | 396,957 | 396,957 |
| Net investing cash flows | (1,710,796) | 2,489,491 |
| 1.13 Total operating and investing cash flows (carried forward) | (2,340,838) | 138,906 |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|---|---|-------------|-------------|
| Cash flows related to financing activities | | | |
| 1.14 | Proceeds from issues of shares | 30,000,000 | 30,000,000 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other: payment of capital raising costs | (1,771,631) | (1,771,632) |
| Net financing cash flows | | 28,228,369 | 28,228,369 |
| Net (decrease) in cash held | | 25,887,531 | 28,367,275 |
| 1.20 | Cash at beginning of quarter/year to date | 9,181,258 | 6,701,514 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 35,068,789 | 35,068,789 |

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 \$A |
|------|--|------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 164,329 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

\$146,712 payment of executive and non-executive director fees;

\$17,617 payment for services provided by a firm a partner of which is a non-executive director of the Company.

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

675,965,359 ordinary shares and 135,193,072 unlisted options issued as consideration for the purchase of 100% of the share capital of Eastern Petroleum Corporation Limited. The unlisted options have an exercise price of \$0.25 and expire on 30 June 2012.

20,000,000 ordinary shares issued on conversion of 20,000 converting performance shares.

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

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A | Amount used \$A |
|---------------------------------|-------------------------|--------------------|
| 3.1 Loan facilities | - | - |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$A |
|--------------------------------|-------------------|
| 4.1 Exploration and evaluation | 10,235,000 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 1,852,000 |
| Total | 12,087,000 |

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 \$A | Previous quarter \$A |
|--|------------------------|-------------------------|
| 5.1 Cash on hand and at bank | 11,901,838 | 8,235,866 |
| 5.2 Deposits at call | 23,166,951 | 945,392 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 35,068,789 | 9,181,258 |

Changes in interests in mining tenements / exploration assets

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|--|---|--|----------------------------------|
| 6.1 | Interests in mining tenements / exploration assets relinquished, reduced or lapsed | | | |
| 6.2 | Interests in mining tenements / exploration assets acquired or increased | Subsoil use rights for the exploration of hydrocarbon | - | 50% |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

* Includes 675,965,359 ordinary shares subject to a 12 month escrow period.

| | Total number on issue | Number quoted on ASX | Number quoted on NSX | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|---|---|----------------------|--------------------------------|---|--|
| 7.1 Preference securities <i>(description)</i> | | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | | |
| 7.3 +Ordinary securities | 948,365,364* | 152,400,005 | 272,400,005 | | |
| 7.4 Changes during quarter (a) Increases through issues 20,000,000 (b) Decreases through returns of capital, buy-backs | 675,965,359* 100,000,000 20,000,000 | - - - | - 100,000,000 20,000,000 | N/A 30 cents N/A | N/A Nil N/A |
| 7.5 +Convertible debt securities <i>(description)</i> | | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | | |
| 7.7 Options <i>(description and conversion factor)</i> | 135,193,072 | - | - | <i>Exercise price</i> 25 cents | <i>Expiry date</i> 30 June 2012 |
| 7.8 Issued during quarter | 135,193,072 | - | - | <i>Exercise price</i> 25 cents | <i>Expiry date</i> 30 June 2012 |
| 7.9 Exercised during quarter | | | | | |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | | | |
|------|--|-----|---|---|--|
| 7.10 | Expired during quarter | | | | |
| 7.11 | Debentures <i>(totals only)</i> | | | | |
| 7.12 | Unsecured notes <i>(totals only)</i> | | | | |
| 7.13 | Converting Performance Shares | Nil | - | - | |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 30 July 2010
Company secretary

Print name: Timothy Turner

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 “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX 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.

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