

NSX Announcement  
31 July 2013

## **Quarterly Reports**

Please find attached the following reports relating to the quarter ended 30 June 2013:

- Quarterly Activities Report; and
- Quarterly Cash Flow.

Yours faithfully  
International Petroleum Limited

Tony Sage  
**Non-Executive Chairman**

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## **Quarterly Activities Report for the quarter ended 30 June 2013**

International Petroleum Limited (**NSX: IOP**) ("**International Petroleum**" or the "**Company**"), an oil and gas exploration and production company with assets in Russia, Kazakhstan and Niger, is pleased to present its quarterly activities report for the quarter ended 30 June 2013.

### **HIGHLIGHTS**

- US\$356,000 cash at bank at 30 June 2013
- Potential strategic merger with Range Resources Limited
- Agreed US\$15 million loan from Range Resources Limited
- Potential sale of Russian assets for cash consideration
- Company's shares suspended from official quotation on NSX market
- Varied terms of US\$10 million loan from African Petroleum Corporation Limited
- Production Sharing Contracts over four licence blocks in Niger came into force
- Extended Alakol exploration rights by two years
- Acquisition of remaining 25% interest in Souville Investments Limited
- Temporarily suspended production and sales of oil from well number 52 at the Zapadno-Novomolodezhny field

### **CORPORATE**

#### **Potential strategic merger with Range Resources Limited**

On 24 April 2013, Range Resources Limited (**ASX: RRS, AIM: RRL**) ("**Range**") announced ("**RRS Announcement**") its intention to undertake a strategic merger to acquire all of the issued shares in International Petroleum ("**Merger**") by offering three Range shares for every two International Petroleum shares ("**Offer**").

On 17 June 2013, Range announced that the Offer is likely to be conducted as an off-market takeover offer by Range to International Petroleum shareholders.

As stated in the RRS Announcement, the Merger would create a leading ASX & AIM listed oil and gas company with a strong production growth profile from the ongoing development of its significant reserves and resources base. The key near-term focus of the merged entity would be the expansion and development of the projects in Trinidad, Russia and onshore Africa.

In the absence of a superior proposal, the Board of International Petroleum supports and recommends the Offer.

Range has indicated that the Offer is likely to be subject to the satisfaction of the following conditions:

- (a) minimum acceptance by International Petroleum shareholders of 51%;
- (b) confirmatory due diligence by Range on International Petroleum and its assets;
- (c) an acceptable relationship agreement ("**Relationship Agreement**") being entered into with Mr Frank Timis, a director and the major shareholder of International Petroleum, with a current 37.7% shareholding via Safeguard Management Limited. As a result of the proposed Merger and the issue of new Range shares pursuant to a proposed A\$20 million equity placing, Mr Timis would ordinarily end up with a shareholding of approximately 14% in the enlarged Range. The Relationship Agreement will be entered into pursuant to which (i) Mr Timis's shareholding in Range at the time of completion of the proposed Merger will be below 10% through a sell down or other arrangement, and (ii) Mr Timis will not seek to appoint any directors to the board of Range or otherwise influence or become involved in the management of Range. The precise terms of such Relationship Agreement are yet to be agreed, but will be disclosed in the proposed takeover or scheme documentation.
- (d) all necessary consents and approvals for the Merger (if any) including any regulatory approvals being obtained;
- (e) Range maintaining its ASX and AIM listings; and
- (f) Range completing a capital raising of A\$20 million at A\$0.059 (GB£0.04) and providing US\$15 million to International Petroleum by way of a loan secured over International Petroleum's Russian assets.

#### **Loan from Range Resources Limited**

During April 2013, Range agreed to advance a total of US\$15 million to International Petroleum by way of a secured loan ("**Loan**").

To date, Range has advanced a total of approximately US\$8 million to International Petroleum by way of the Loan and, recently, Range indicated that, once it receives further cash from some transactions that are nearing completion, it would be able to advance further amounts under the Loan to the Company.

Amounts drawn under the Loan have been, and will continue to be, used to pay the Company's trade creditors and meet working capital requirements and will attract interest at the rate of 8% per annum and, in the event that the proposed Merger is not completed, will be repayable by the earlier to occur of (a) 30 April 2014 and (b) in the event of a default by International Petroleum, five business days after the date on which International Petroleum receives a notice from Range requesting repayment. Security over International Petroleum's Russian assets will be provided by International Petroleum to Range.

### Potential sale of Russian assets for cash consideration

During July 2013, the Company announced that it is in discussions with a third party concerning a potential sale of its Russian assets for cash consideration ("**Asset Sale**") to accelerate the resolution of its indebtedness position and finance its exploration for oil and gas and working capital.

The Company has informed Range of the status of the Asset Sale discussions and Range has indicated that it remains interested to pursue the Merger transaction once the terms of the Asset Sale have been confirmed.

### NSX suspension from official quotation

Since 27 March 2013, the Company's shares have been suspended from trading on the NSX market, at the Company's request, and suspension from trading is not expected to be lifted until the Asset Sale has been agreed.

### Loan from African Petroleum Corporation Limited

During April 2013, the Company agreed with African Petroleum Corporation Limited ("**APCL**") to vary the terms of the US\$10 million loan ("**APCL Loan**") owed by the Company, such that:

- (a) an additional commitment fee of US\$100,000 is payable by the Company to APCL,
- (b) the repayment date is extended to the earlier of (i) 31 December 2013; (ii) the date of the receipt by the Company of A\$45,000,000 pursuant to the terms of the Nkwe Agreement; and (iii) the date the Company completes a raising of funds by way of a public offering of shares,
- (c) the Company's wholly owned subsidiary company, International Petroleum Limited, registered in the Cayman Islands under company number 244385 ("**IPL Cayman**"), entered into a deed of guarantee in favour of APCL and a deed of charge over certain assets of IPL Cayman in favour of APCL as security for the APCL Loan, and
- (d) APCL released from the fixed and floating charge dated 16 May 2011 between the Company and IPL all the secured property, except all the Borrower's shares in IPL Cayman and any proceeds, dividends, distributions and other rights and benefits arising from or in connection with the Company's shares in IPL Cayman.

### Production Sharing Contracts over four licence blocks in Niger came into force

During April 2013, four production sharing contracts ("**PSCs**") between the Republic of Niger and a wholly-owned subsidiary of the Company, relating to four blocks known as Manga 1, Manga 2, Aborak and Ténéré Ouest ("**Blocks**"), came into force.

The Blocks are located 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.

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
Total:	70,950 sq km

The Blocks are located in the south east of Niger, adjacent to the blocks known as Agadem and Ténéré, which are owned and operated by China National Petroleum Corporation (“CNPC”). On 28 November 2011, phase one of the Agadem upstream and downstream integrated project was completed by CNPC and became operational. It includes a one million tonnes per year oilfield, the one million tonnes per year Zinder Refinery and a 462.5 km oil pipeline, which connects the oilfield to the Zinder Refinery. The Zinder Refinery produces petroleum, diesel, fuel oil, and LPG, which will be first supplied to the domestic market of Niger and then exported to surrounding countries. The Ténéré Block covers the northern portion of the Termit-Ténéré Rift Basin in eastern Niger. The Termit-Ténéré Rift Basin is one arm of a series of rift basins that extend across north-central Africa. Similar basins in Libya, Chad and Sudan are currently in oil production. The southern half of the Termit-Ténéré Rift falls mainly into the Agadem Block, where CNPC has made a series of oil and gas discoveries.

### **Alakol exploration rights extended by two years**

During June 2013, along with its 50% partner, the Company signed a contract to extend its rights to explore for hydrocarbons in an area covering 24,649 km<sup>2</sup> in eastern Kazakhstan (**Alakol Project**) by two years from 28 May 2013 to 28 May 2015.

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 the Alakol Project. The remaining 50% is owned by Remas Corporation LLP, a privately owned Kazakhstan company.

The Alakol Project 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, which are both proven oil-containing basins, across the border in China.

In a report, as of 31 July 2012, DeGolyer and MacNaughton estimated the prospective petroleum resources of 12 oil and gas prospects that have been identified in the Alakol Project in Kazakhstan as:

- Low estimate 305,744,000 barrels
- Best estimate 517,307,000 barrels
- High estimate 980,994,000 barrels

The prospective resources volumes above have not been adjusted for geological or economic risks.

During the second half of 2013, the Company plans to carry out a 3D seismic study in order to assist with targeting the reservoir-quality sands and selecting the locations of future exploration wells.

### **Acquisition of remaining 25% interest in Souville Investments Limited**

During June 2013, the Company acquired the remaining 25% interest in its subsidiary, Souville Investments Limited, the indirect holder of two production licences for the Vostochno-Kamskoye oilfield and the Yanlotskoye oilfield, covering a total area of 161 km<sup>2</sup>, and in the exploration rights to four blocks, covering a total area of 1,467 km<sup>2</sup>, located in the Khanty-Mansiysk Autonomous Region in Western Siberia (the “**Krasnoleninsky Project**”), Russia.

Payment of the cash consideration of approximately US\$4.4m by June 2014 will result in the discharge of an existing debt, with a current carrying value of US\$13.8m, owed to the vendor.

### **Negotiations with Nkwe Platinum Limited about sale of Tubatse Project**

The Company owns a 10% interest in 3 mineral farms located in the eastern limb of South Africa's Bushveld Complex, namely Hoepakrantz, Nooitverwacht and Eerste Geluk ("**Tubatse Project**").

On 4 October 2009, the Company entered into an asset sale agreement with Nkwe Platinum Limited ("**Nkwe**") to sell its interest in the Tubatse Project, but this agreement expired on 31 December 2012.

Currently, the Company is in negotiations with Nkwe to sell part or all of its interest in the Tubatse Project.

### **Annual General Meeting**

At the Company's Annual General Meeting held on 31 May 2013, all resolutions were passed.

### **EXPLORATION AND PRODUCTION**

#### **Zapadno-Novomolodezhny Projects (in Western Siberia, Russia)**

The Company is the 100% legal and beneficial owner of a licence for geological study of subsoil, prospecting and extraction of oil and gas in the Zapadno-Novomolodezhny field in the Khanty-Mansiysk Autonomous Region in Western Siberia.

In the period from 1 January 2013 to 31 March 2013, the Company produced 10,800 barrels of oil from well number 52 at the Zapadno-Novomolodezhny field at an average flow rate of 120 barrels per day.

During April 2013, the production of oil from well number 52 was temporarily suspended, pending the Company raising sufficient finance to recommence oil production later in the year.

Yours faithfully

Tony Sage

**Non-Executive Chairman**

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## 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 100% equity interest in a licence over the Zapadno-Novomolodezhny field for geological study of subsoil, prospecting and extraction of oil and gas in the Khanty-Mansiysk Autonomous Region in Western Siberia, the largest oil-producing region of Russia (the "**Zapadno-Novomolodezhny Project**").
2. a 100% equity interest in a licence over the Yuzhno-Sardakovsky field for geological study of subsoil, prospecting and extraction of oil and gas in the Khanty-Mansiysk Autonomous Region in Western Siberia (the "**Yuzhno-Sardakovsky Project**").
3. a 100% equity interest in a licence over the Yanchinsky block for geological study of subsoil and prospecting for oil and gas in the Khanty-Mansiysk Autonomous Region in Western Siberia (the "**Yanchinsky Project**").
4. a 100% equity interest in two production licences for the Vostochno-Kamskoye oilfield and the Yanlotskoye oilfield, covering a total area of 161 km<sup>2</sup>, and in the exploration rights to four blocks, covering a total area of 1,467 km<sup>2</sup>, located in the Khanty-Mansiysk Autonomous Region in Western Siberia (the "**Krasnoleninsky Project**").
5. a 75% equity interest in an exploration licence in the Tomsk region of Western Siberia (the "**Tomsk Exploration Licence**" or the "**Druzhny Project**").
6. 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.
7. a 100% interest in four production sharing contracts and four Exclusive Exploration Authorisations relating to four blocks in the Republic of Niger known as Manga 1, Manga 2, Aborak and Ténéré Ouest (the "**Niger Project**").

Whilst the Company is focused on exploration at its existing projects in Russia, Kazakhstan and Niger, it continues to review other companies and areas, such as Russia and Africa, for opportunities to acquire additional exploration and/or production projects.

# Quarterly Report

Name of entity

INTERNATIONAL PETROLEUM LIMITED

ABN

76 118 108 615

Quarter ended ("current quarter")

30 June 2013

## Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (6 months)
	\$US'000	\$US'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(205)	(299)
(b) advertising and marketing	(10)	(17)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(493)	(654)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	7
1.5 Income taxes paid	-	(6)
1.6 Other (provide details if material)		
(a) business development	(10)	(10)
<b>Net operating cash flows</b>	<b>(717)</b>	<b>(979)</b>



	Current quarter \$US'000	Year to date (6 months) \$US'000
1.7 Net operating cash flows (carried forward)	<b>(717)</b>	<b>(979)</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	-	(8)
(e) other non-current assets	-	-
(f) exploration and evaluation expenditure	(7,244)	(12,069)
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	-	-
<b>Net investing cash flows</b>	<b>(7,244)</b>	<b>(12,077)</b>
<b>1.13 Total operating and investing cash flows</b>	<b>(7,961)</b>	<b>(13,056)</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	7,979	12,979
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>7,979</b>	<b>12,979</b>
<b>Net increase (decrease) in cash held</b>	<b>18</b>	<b>(77)</b>
1.21 Cash at beginning of quarter/year to date	<b>254</b>	<b>375</b>
1.22 Exchange rate adjustments	84	58
<b>1.23 Cash at end of quarter</b>	<b>356</b>	<b>356</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	93
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\$266,937 has been paid to directors during the quarter for the provision of their services as directors, of which US\$173,509 is included in item 1.8 (g) within investing cash flows and \$93,428 is included in 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

During the quarter, the Company acquired the remaining 25% interest in its subsidiary, Souville Investments Limited, the indirect holder of the group's oil exploration interests in Krasnoleninsky, Russia. Payment of the cash consideration of approximately US\$4.4m by June 2014 will result in the discharge of an existing debt, with a current carrying value of US\$13.8m, owed to the vendor.

## 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	7,021 <sup>1</sup>	29,179
3.2	Credit standby arrangements	-	-

<sup>1</sup> Excluding loan facilities drawn down.

## 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	356	254
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)		<b>356</b>	<b>254</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: Claire Tolcon

Date: 31 July 2013

## 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.