

NSX Announcement
31 October 2013

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Quarterly Activities Report for the quarter ended 30 September 2013

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

HIGHLIGHTS

- US\$122,000 cash at bank at 30 September 2013
- Sale of Russian Assets and Kazakhstan Assets for US\$60 million cash consideration
- Potential strategic merger with Range Resources Limited
- US\$15 million loan from Range Resources Limited
- NSX suspension from official quotation
- Resignation of non-executive directors

CORPORATE

Sale of Russian Assets and Kazakhstan Assets for US\$60 million cash consideration

On 14 October 2013, the Company announced that it had entered into two binding conditional terms sheets (individually "**Terms Sheet**" or together "**Terms Sheets**") with an unrelated company incorporated in Hong Kong ("**Buyer**") to sell its assets in Kazakhstan ("**Kazakhstan Assets**") and Russia ("**Russian Assets**") for US\$60 million.

The sale of the Russian Assets is expected to complete by 30 November 2013 and the sale of the Kazakhstan Assets is expected to complete by 30 April 2014 (on receipt of Government Approval). The Company will apply the funds received from the transactions towards payment of creditors and loans, general working capital and future exploration expenditure on its Niger licence blocks.

The Company has sent a notice of general meeting to be held on 15 November 2013 to seek the approval of its shareholders for the sales of the Kazakhstan Assets and Russian Assets.



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.

However, on 14 October 2013, Range announced that it "will now identify and consider a range of corporate alternatives to the original merger proposal, which may or may not include a merger of the two companies – albeit on terms to be renegotiated" and the Company will continue to negotiate with Range.

US\$15 million 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 Range has 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 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.

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 sale of the Russian Assets has been completed and the Company has filed its half year report for the 6 months ended 30 June 2013.

Resignation of non-executive directors

During August 2013, Mr Antonio (Tony) Antoniou, Mr Pierre Godec and Mr Vladimir Mangazeev resigned as non-executive directors of the Company. Given that, in order to minimise cash outflows, the Company had temporarily ceased its oil and gas exploration and production activities and that it was in discussions with a third party concerning a potential sale of its Russian assets for cash consideration, the three non-executive directors resigned in order to save costs and reflect that their industry expertise was no longer being utilised by the Company.

Extended repayment dates of convertible loans

The Company has extended the repayment date of three of its convertible loans to the earlier of:

- (a) 31 December 2013,
- (b) the date on which an event of default occurs; and
- (c) any other date agreed between the parties (the "**Repayment Date**").

The three convertible loans are owed by the Company to Varesona Participation Corporation, an entity controlled by Frank Timis, a non-executive director and have the following terms:

- 1) Loan agreement dated 6 August 2012 – amount borrowed US\$2,000,000 - interest rate of 5% per annum – originally repayable by the Company 12 months from the date of the agreement. If the amount borrowed and interest owed (together the “**Amount Outstanding**”) is not repaid by 31 December 2013, the Amount Outstanding will be converted, subject to the receipt of all necessary shareholder approvals, into shares at a deemed issue price equal to A\$0.15 per share.
- 2) Loan agreement dated 14 September 2012 – amount borrowed US\$2,000,000 - interest rate of 5% per annum – originally repayable by the Company 12 months from the date of the agreement. If the Amount Outstanding is not repaid by the Repayment Date, the Amount Outstanding will be converted, subject to the receipt of all necessary shareholder approvals, into shares at a deemed issue price equal to A\$0.15 per share.
- 3) Loan agreement dated 16 October 2012 – amount borrowed US\$2,000,000 - interest rate of 5% per annum – originally repayable by the Company 12 months from the date of the agreement. If the Amount Outstanding is not repaid by the Repayment Date, the Amount Outstanding will be converted, subject to the receipt of all necessary shareholder approvals, into shares at a deemed issue price equal to A\$0.15 per share.

If all necessary shareholder approvals for the conversion of the Amount Outstanding into shares are not obtained, the Company must satisfy the Amount Outstanding in cash and not shares. To allow the Company the future flexibility to determine whether to satisfy the Amount Outstanding in cash or shares, the Company plans to seek all necessary shareholder approvals for the conversion of the Amount Outstanding into shares prior to the Repayment Date.

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 km², and in the exploration rights to four blocks, covering a total area of 1,467 km², 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 km² 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**").

Quarterly Report

Name of entity

INTERNATIONAL PETROLEUM LIMITED

ABN

76 118 108 615

Quarter ended ("current quarter")

30 September 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (9 months)
	\$US'000	\$US'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(45)	(344)
(b) advertising and marketing	(6)	(23)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(81)	(707)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	9
1.5 Income taxes paid	-	(6)
1.6 Other (provide details if material)		
(a) business development	-	(10)
Net operating cash flows	(130)	(1,081)

	Current quarter \$US'000	Year to date (9 months) \$US'000
1.7	(130)	(1,081)
Cash flows related to investing activities		
1.8	Payment for acquisition of:	
	(a) businesses (item 5)	-
	(b) equity investments	-
	(c) intellectual property	-
	(d) physical non-current assets	(36)
	(e) other non-current assets	-
	(f) exploration and evaluation expenditure	(12,304)
1.9	Proceeds from disposal of:	
	(a) businesses (item 5)	-
	(b) equity investments	-
	(c) intellectual property	-
	(d) physical non-current assets	126
	(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	-
	Net investing cash flows	(12,214)
1.13	(109)	(13,295)
Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc (net of costs)	
	-	-
1.15	Proceeds from sale of forfeited shares	
	-	-
1.16	2,060	15,039
1.17	Repayment of borrowings	(2,000)
	(2,000)	(2,000)
1.18	Dividends paid	
	-	-
1.19	Interest and other costs of finance paid	
	(50)	(50)
1.20	Other (provide details if material)	
	-	-
	Net financing cash flows	12,989
	10	12,989
	(229)	(306)
	Net increase (decrease) in cash held	
1.21	Cash at beginning of quarter/year to date	375
	356	375
1.22	Exchange rate adjustments	
	(5)	53
1.23	Cash at end of quarter	
	122	122

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	-
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

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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

In the previous 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 US\$4,381,562 cash consideration will result in the discharge of an existing debt due to the vendor with a current carrying value of US\$13.9m.

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	6,971 ¹	29,239
3.2	Credit standby arrangements	-	-

¹ 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	122	356
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		122	356

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 October 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.