

30 April 2019

Quarterly activities report for the quarter ending 31 March 2019

International Petroleum Limited (**NSX: IOP**) (“**International Petroleum**” or the “**Company**”), an oil and gas exploration company presents its activities reports for the quarter ending 31 March 2019.

UPDATE ON KEY ISSUES

- US\$37k cash at bank at 31 March 2019
- Update on Corporate Matters
- Update on Kazakhstan Project
- NSX suspension from official quotation

Corporate Matters

Towards the end of 2014, a wrongful dismissal claim and other employment related claims were brought against the Company and two of its Directors by its former Chief Executive Officer, Alex Osipov. A judgment was handed down by the UK Employment Tribunal, provisionally awarding £1,767,203 including 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 lodged an appeal with the Employment Appeal Tribunal in the UK (EAT).

Unfortunately, the Company was not successful in its appeal to the EAT. Judgement was given on 27 July 2017 by the EAT and EAT’s sealed Order of 27 July 2017 was received by the Company on 8 August 2017 against the Company, Mr Frank Timis and Mr Antony Sage in the total amount of £2,003,972 gross on a joint and several liability basis. An application for permission to appeal certain aspects of this Judgement to the Court of Appeal on behalf Messrs. Timis and Sage was lodged on 17 August 2017.

The Company was informed on 24 October 2017 by the letter from the Civil Appeals Office, that permission to appeal was granted by the Court of Appeal at an oral hearing on 16 October 2017 to which the parties were not invited. The hearing was given a hear-by date of 19 November 2018. On 21 November 2017, the Company received a letter from the Civil Appeals Office notifying that the hearing for this matter was listed for 3 July 2018 with a time estimate of 2 days. Due to unforeseen circumstances the Court of Appeal dates changed to take place on 9th and 10 July 2018.

The Company advises that the judgment of the Court of Appeal has now been received. The Court of Appeal dismissed the appeal of the Directors of the Company and maintained the finding that the Directors can be held personally liable and be accountable for the financial consequences.

The Company initially sought permission to appeal, but its application was adjourned until the full hearing and conclusion of the Directors' appeal because it was unclear how the pleaded grounds affected the liability of the Company. Therefore, the Company was not a party to the Court of Appeal proceedings after a consent order was made dismissing the Company's appeal.

Further to the announcement made on 25 October 2018, The Company and its Directors reviewed all their options for appeal and, despite the Directors' wishes and intentions, a decision was taken not to appeal the Court of Appeal judgement further.

Seeing that the Court of Appeal in its judgement maintained the finding that Directors were liable on a joint and several liability basis, on 29th November 2018 the Company's D&O Insurer paid the full judgement sum of £2,003,972 and interest from 1 December 2016 to that date, which was accruing at 8% per annum on a daily basis, on behalf of Directors. The full amount paid was £2,325,561. A further interest amount was paid on 4th March 2019 in the amount of £50,085 representing the interest for the period from 7 April 2016 to 30 November 2016.

The Company is currently discussing a final settlement agreement with the Insurer in respect of its share of the liability.

Kazakhstan Project

The Group, 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 an early stage project in Kazakhstan ("Alakol Licence Area" or "Kazakhstan Project"). The remaining 50% is owned by Remas Corporation LLP, a privately owned Kazakhstan company.

The Alakol Licence Area 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 across the border in China which are both proven oil provinces.

During 2013, the Group conducted in house geological study of the blocks and worked on a new geological model, in communication with third parties. The new geological model was to be used for re-evaluation of resources and an update of the exploration program.

In 2014, the Group planned to carry out a further seismic study in order to assist with targeting the reservoir-quality sands and selecting the locations of future exploration wells. This did not eventuate due to a licence dispute arising, with details as follows.

On 4 August 2014, the Group 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 Group did not accept this as being justified and filed a lawsuit against ME demanding that the licence be reinstated back to the Group. 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 Group submitted a cessation appeal against it on 28 April 2015 and an official

ruling against this was issued on 10 June 2015. The Group had one year, 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 Group lodged its appeal to the Supreme Court of Kazakhstan regarding Alakol project's Subsurface Use Contract having been withdrawn by ME unilaterally. The Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation had subsequently been lodged through the General Prosecutors office in relation to this decision. Their decision was received by the Group during Quarter 3, 2017 stating that the time had lapsed for us to enforce the application for revocation and that only the Court of First Instance could decide whether the time could be restored and only the Supreme Court could decide if there was a case to re-adjudicate. Therefore, during Quarter 4, 2017 the Group filed two further motions. One motion to the Supreme Court to compel to re-adjudicate and another motion was to the Court of First Instance of Astana with request to restore the lapsed time. Both decisions are still pending and expected by the end of Quarter 2, 2019.

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 up to date with its reporting obligations, however, due to the ongoing Kazakh asset litigation, the Company remains suspended.

In the meantime, the Company continues to seriously search, evaluate and conduct due diligence of new potential oil & gas exploration production opportunities in Europe, CIS, Africa and Asia and will apply to the NSX with request that trading resume in due course.

An announcement will be released once the trading suspension is lifted.

Yours faithfully

Tony Sage
Non-Executive Chairman

For further information, please contact:

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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 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. See update on Kazakhstan project above for details of licence dispute.

Quarterly Report

Name of entity

INTERNATIONAL PETROLEUM LIMITED

ABN

76 118 108 615

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows

	Current quarter \$US'000	Year to date (3 months) \$US'000
Cash flows related to operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(14)	(14)
(b) advertising and marketing	-	-
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(15)	(15)
(f) legal costs	-	-
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)	-	-
Net operating cash flows	(29)	(29)

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	
<p>No amount has been paid to directors during the quarter for the provision of their services as directors.</p>		

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	37	65
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	37	65

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: Anya Belogortseva

Date: 30 April 2019

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.