International Petroleum Limited

(ABN 76 118 108 615)

Half-year Financial Report for the Period Ended 30 June 2013

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DIRECTORS' REPORT

Your Directors present their report on International Petroleum Limited ("International Petroleum" or the "Company") and its subsidiaries (collectively referred to as the "Group") for the half-year ended 30 June 2013.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr Antony Sage
Mr Timothy Turner
Mr Frank Timis
Mr Mark Ashurst (resigned 20 February 2013)
Mr William McAvock (resigned 12 June 2014)
Mr Chris Hopkinson (resigned 26 February 2014)
Mr Tony Antoniou (resigned 22 August 2013)
Mr Pierre Godec (resigned 23 August 2013)
Mr Vladimir Mangazeev (resigned 28 August 2013)

PRINCIPAL ACTIVITIES

The Group's principal activity is oil and gas exploration.

REVIEW OF OPERATIONS

PROJECTS

Krasnoleninsky Project - RUSSIA

At the beginning of 2013 the Company, through its wholly-owned subsidiary IPL Siberia Ltd, owned a 75% equity interest in Souville Investments Ltd ("Souville") with the remaining 25% belonging to Assuryan Assets Limited. On 17 June 2013 the Group agreed to acquire from Assuryan Assets Ltd the 25% interest in Souville Investments Ltd shares not already held and the US$12,500,000 loan, for cash consideration of US$4,381,562. On 27 June 2013 the Group became the holder of 100% of Souville Investments Ltd. The loan novation was to occur upon payment of the consideration.

Souville is the 100% legal and beneficial holder of Irtysh-Neft, a Russian company having exploration rights to four blocks in Western Siberia (the "Krasnoleninsky Project"). The four blocks comprising the Krasnoleninsky 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.

The 1,467 km² area comprising the Company's four licence blocks has been extensively surveyed by 2,446 line-kilometres of closely-spaced 2D seismic data. In 2011 the Company drilled wells 1 and 2 in blocks 7 and 8, having discovered 2 oilfields (Vostochno-Kamsksoye and Yanlotskoye). In the first half of 2012 the Company conducted a stimulation programme using hydraulic fracturing in wells 1 and 2. In the second half of 2012 the Company spudded wells 3 and 4 in blocks 9 and 10, which were found non-commerical and were abandoned in December 2012.

In the first half of 2013 the Company demobilized rig equipment and conducted land reclamation works within the Krasnoleninsky blocks.

Yuzhno-Sardakovsky Project - RUSSIA

The Company, via its wholly owned subsidiary Vamaro Investments, is the owner of a licence for geological study of subsoil, prospecting and extraction of oil and gas in the Yuzhno-Sardakovsky field in the Khanty-Mansiysk Autonomous Region in Western Siberia (the "Yuzhno-Sardakovsky Project").

Historically 8 wells have been drilled on Yuzhno-Sardakovsky block. In 2012 the company conducted workover and hydraulic fracturing of old wells to obtain better flow rates and increase production.

During 2012 and the first quarter of 2013, the Company drilled wells 34, 38 and 39 at its Yuzhno-Sardakovsky field. These wells were drilled with the purposes of increasing proven reserves in known reservoirs, discovering new production reservoirs, obtaining new core data, clarifying well production potential and preparing for production in the field.

Well 34 was spudded in May 2012 and completed in October 2012. Well 38 was spudded in October 2012 and completed in December 2012. Well 39 was spudded in January 2013 and completed in February 2013. The extensive coring and logging program was performed, main target horizons were cored, and hydrocarbons in the core were identified in three horizons.

Zapadno-Novomolodezhny Project - RUSSIA

The Company, via its wholly owned subsidiary Vamaro Investments, is the 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 (the "Zapadno-Novomolodezhny Project").

Historically, 13 wells had been drilled on the Zapadno-Novomolodezhny block. In 2012, the Company completed the work-over and hydraulic fracturing of some of these wells and the construction of a short pipeline on the Zapadno-Novomolodezhny block to tie some of these wells into the existing pipeline. The company also completed construction of surface facilities and a loading station at the field.

Test oil production in Zapadno-Novomolodezhny block commenced in August of 2012 and continued into early 2013. A communication corridor passes through the northern part of the Zapadno-Novomolodezhny block and includes pipelines and a hard-surface all-weather road, which can be used throughout the year, and a power transmission line.

Druzhny Project - RUSSIA

In 2011, the Company entered into a Share Purchase and Funding Agreement to acquire 75% of the issued share capital of Charlize Investments Limited (an entity incorporated in Cyprus) ("Charlize") ("Charlize Acquisition"). Charlize owns 100% of the issued share capital of OOO VostokNefteGaz (an entity incorporated in Russia) ("VNG"). VNG owns an exploration licence in the Tomsk region of Western Siberia (the "Tomsk Exploration Licence").

The acquisition of Charlize Investments Limited, which was accounted for in December 2011, completed during January 2012, following the fulfilment of the closing conditions.

In 2012 – early 2013 the Company conducted a geological study of the blocks and evaluated resources potential.

Russian Projects

On 9 May 2014, the Company (through its wholly owned subsidiary) entered into a share purchase agreement with a third party (the "Buyer") for the sale of 100% of the issued shares of IPL Siberia Limited (a company incorporated in the Cayman Islands) ("IPL Siberia") and International Petroleum Company LLC (a company incorporated in Russia) ("IPL Russia") for proceeds of US$13million (the "Transaction"). The transaction was approved via General Meeting resolution on 8 September 2014. For further detail on the sale, encompassing all the Russian Projects, refer to the subsequent events section of the Directors' Report.

Kazakhstan Project

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 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 Company 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 Company 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.

In August 2014 the Group received notification from the Kazakhstan Ministry of Oil & Gas ("MOG") that its rights to the licence have been withdrawn by MOG unilaterally. The Company does not accept this as being justified and has written to MOG requesting that the licence be reinstated. At the date of approval of this financial report the dispute has not yet been resolved.

Garatau and Tubatse Project

During October 2009, the Company entered into a sale agreement (the "Sale Agreement") with Nkwe Platinum Limited (ASX: NKP) ("Nkwe") relating to the Company's interest in a South African platinum project ("Tubatse Project").

Owing to the continued delays to the settlement of the dispute about the ownership of two of the three mineral farms that comprise the Tubatse Project and the negotiations with suitable joint venture partners, Nkwe had not been able to pay the A$45 million consideration to the Company by the revised agreement date of 31 December 2012. The Directors are currently seeking legal advice on how to proceed.

Hoepakrantz 291 KT, together with prospecting licenses Nooitverwacht 324 KT and Eerste Geluk 327 KT, were known as the Tubatse Project (a South African platinum project). Hoepakrantz 291 KT now forms part of the Garatau Project, with two other prospecting licences. The Company has no interest in the other two prospecting licences forming part of the Garatau Project. Due to the continued uncertainty surrounding ownership title, the Company assigns no value to its 10% interest in prospecting licences Nooitverwacht 324 KT and Eerste Geluk 327 KT.

Niger Project

On 30 November 2012, four production sharing contracts (the "PSCs") between the Republic of Niger and International Petroleum Limited, a wholly-owned subsidiary of the Company incorporated in the Cayman Islands (the "Contractor"), were signed. The PSC's relate to four blocks known as Manga 1, Manga 2, Aborak and Ténéré Ouest (the "Blocks"). 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.

The Blocks are located in the south east of Niger 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.

On 13 February 2013 the Government of Niger has issued Exclusive Research Authorizations ("EEA") to the Contractor. Following the payment of signature bonuses and other mandatory payments in early 2013, the production sharing contracts came into force.

The EEA is granted for an initial period of four years and can be renewed twice for a period of two years per renewal period, provided that the total duration of the validity of the EEA resulting from the aggregation of the initial period of four years and renewal periods does not exceed eight years. If a commercial deposit is established, an application is made for allocation of an Exclusive Development Authorisation ("EDA") with an initial duration not exceeding 25 years and renewal for a maximum of ten years.

During the initial four year period of the EEA, the minimum work program is to conduct a gravity and magnetic survey, reprocess and reinterpret existing seismic lines, acquire and interpret new 2D seismic profiles and conduct exploration well drilling.

In 2013 the Company gathered historic geological and geophysical ("G&G") data on the blocks and conducted in house G&G studies of the area, including reinterpretation of existing G&G data. The Company is planning to conduct a gravity and magnetic survey of the blocks and has arranged in June of 2014 a reconnaissance survey of the area. The company plans to conduct a gravity and magnetic survey in 4^{th} quarter of 2014.

FINANCIAL SUMMARY

The Group incurred a loss after income tax of US$129,498,025 for the 6 months ended 30 June 2013 (6 months ended 30 June 2012: loss of US$5,636,283). The Group's result for the 6 months ended 30 June 2013 includes the following:

- Impairment losses on exploration and evaluation expenditure of US$126,911,589 (6 months ended 30 June 2012: Nil) reflecting the Group's ongoing evaluation of its exploration portfolio. The background for the impairment losses are detailed in note 6 to the financial statements
- Late payment penalties of US$3,098,702 relating to non-payment of suppliers in Russia; included in the other expenses category.
- Net foreign exchange losses of US$3,609,801 (6 months ended 30 June 2012: losses of US$617,326) primarily related to the movements in the carrying values of loans denominated in a foreign currency.
- Gains on derivative financial assets of US$6,711,248 (6 months ended 30 June 2012: Nil) reflecting the revaluation of the embedded put options in the convertible notes at 30 June 2013.
- Finance costs of US$1,307,577 (6 months ended 30 June 2012: US$746,394) reflecting the third party borrowings used to fund exploration activities.

CASH FLOWS, LIQUIDITY AND FUNDING

Net cash flows used in operations during the 6 months ended 30 June 2013 were US$978,572 (6 months ended 30 June 2012: US$2,907,868). There was a slight decrease of US$19,131 in the cash balance from US$374,980 at 31 December 2012 to US$355,849 at 30 June 2013.

Net funding of US$12,979,593 was received by the Group during the 6 months ended 30 June 2013 (6 months ended 30 June 2012: US$29,138,517). In January 2013 the Company secured a fourth convertible loan of US$5,200,000 from Varesona Participation Corporation ("Varesona"), an entity controlled by non-executive director Mr Frank Timis. This loan was drawn down in full with US$200,000 advanced during the prior year. In April 2013 the Company secured a US$15 million loan facility from an unrelated party, Range Resources Ltd ("Range"). The facility was provided in anticipation of Range's proposed acquisition of the Company. The Company received US$5,979,593 from Range under the facility during the current period. The remainder of the funding for the 6 month period ended 30 June 2013 was via a loan agreement with an unrelated party for US$2,000,000. Range repaid US$1,350,000 on behalf of the Company in June 2013 and Range repaid the remainder of the loan on 15 July 2013. The outstanding loan balance of US$2,000,000 is consequently repayable to Range. The terms of the loan agreements are detailed in note 8 to the financial statements.

The Company's loan agreements with African Petroleum Corporation Limited, Varesona and Range have been converted to shares in the Company on 2 October 2014. As part of the agreement with Range the Company paid US$500,000 on 21 October 2014, as final settlement of the borrowings owed to Range. The terms and impact are detailed in note 13 to the financial statements. Following the cash settlement with Range and the conversion of the loans and interest payable, the Company does not have any outstanding loans payable.

CHANGES TO CONTRIBUTED EQUITY

No shares were issued during the 6 months ended 30 June 2013 (year ended 31 Dec 2012: US$34,045,484). The drawdown of convertible loans by the Company resulted in equity contributions to the value of US$2,163,449 for the 6 months ended 30 June 2013 (year ended 31 December 2012: US$3,998,625) representing the difference between the initial fair values of the convertible loans recognised as debt and the loan proceeds received; as well as the initial fair value of the put options embedded in the loan agreements recognised as derivative financial assets by the Company.

A total of 1,000,000 options were granted during the 6 months ended 30 June 2013 (6 months ended 30 June 2012: 4,000,000); and 2,500,000 options expired during the 6 months ended 30 June 2013 (6 months ended 30 June 2012: 135,193,072). As at 30 June 2013, there were 40,200,000 share options on issue (31 December 2012: 41,700,000 share options on issue).

No dividends were proposed or paid during the 6 months ended 30 June 2013 (30 June 2012: no dividends).

NSX SUSPENSION

At the Company's request the Company's shares have been suspended from trading on the NSX since 27 March 2013. The suspension from trading is not expected to be lifted until the lodgement of the outstanding financial reports of the Company on the NSX.

RISK MANAGEMENT AND CORPORATE GOVERNANCE

The Group's risk management and corporate governance statements were included in the 2012 annual report. These statements remain current.

SUBSEQUENT EVENTS

The following significant events and transactions have taken place subsequent to 30 June 2013:

On 14 October 2013, the Group entered into a binding conditional agreement with a third party (the "Buyer") for the sale of 100% of the issued shares of Eastern Petroleum Corporation Limited (a wholly-owned subsidiary whose assets principally comprise the Alakol licence), for proceeds of US$10 million (the "Sale"). The Buyer did not comply with its obligations set out in the term sheet and the Sale did not complete. The Group engaged a broker during December 2013 to find an alternative purchaser. Subsequently in August 2014 the Group received notification from the Kazakhstan Ministry of Oil & Gas ("MOG") that its rights to the licence have been withdrawn by MOG unilaterally. The Group does not accept this as being justified and has written to MOG requesting that the licence be reinstated. At the date of approval of this financial report the dispute has not yet been resolved.

On 9 May 2014, the Company (through its wholly owned subsidiary) entered into a share purchase agreement with a third party (the "Buyer") for the sale of 100% of the issued shares of IPL Siberia Limited (a company incorporated in the Cayman Islands) ("IPL Siberia") and International Petroleum Company LLC (a company incorporated in Russia) ("IPL Russia") for proceeds of US$13million (the "Transaction").

IPL Siberia indirectly holds the Yuzhno-Sardakovsoye Block Licence, the Yanchinsky Block Licence, the Zapadno-Novomolodezhnoye Block Licence, the Krasnoleninsky Block Licences and the Druzhny Block Licences in Russia (together, the "Russian Assets"). These licenses comprise all of the Group's interests in Russia.

A summary of the key terms of the share purchase agreement are set out below:

- the Company (through its wholly owned subsidiary) will transfer 100% of the issued shares in IPL Siberia and IPL Russia to the Buyer for US$13million ("Acquisition")
- as part of the Transaction, International Petroleum Limited (a company incorporated in the Cayman Islands) ("IPL Cayman") will novate to the Buyer, any and all debts owed to it or the Company by IPL Russia or IPL Siberia, including debts owed by IPL Siberia's subsidiary companies ("Novated Loans")
- as part of the Transaction, the Buyer, with such reasonable assistance as may be requested from IPL Cayman, shall use reasonable efforts to negotiate and settle other third party debts of IPL Siberia and IPL Russia (and their subsidiaries) ("Third Party Debts") within 4 and a half months after Acquisition. If the Buyer fails to achieve any settlement agreement in respect to any of the Third Party Debts which exceed US$80,000 or are in respect to salaries of employees of Russian subsidiaries within 4 and a half months after Acquisition, the Buyer agrees to promptly pay such non-settled Third Party Debts. All remaining Third Party Debts below US$80,000 are to be settled no later than 6 months after Acquisition.
- IPL Cayman provided warranties to the Buyer in respect to the status of IPL Siberia and IPL Russia and its assets and liabilities, including in respect to the total debts owed by IPL Siberia and IPL Russia as at 31 March 2014.
- following the claims process outlined in the share purchase agreement, the Buyer has the right to lodge financial claims with the Seller, not later than the second anniversary of the date of Completion, in respect of undisclosed Third Party Debts as at the date of the transaction. The aggregate liability of the Seller in respect of all claims is limited to the consideration amount of US$13 million.

The Transaction was approved via General Meeting resolution on 8 September 2014.

The proceeds of US$13 million was received prior to the approval (signing date) of this half-year financial report ended 30 June 2013. The company will apply the funds received from the Transaction towards repayment of creditors, general working capital and future exploration expenditure. As at the date of signing of the half-year financial report, no financial claims have been lodged by the Buyer.

On 8 September 2014, a General Meeting was held whereby shareholder approval was obtained for the conversion of loans to fully paid ordinary shares of the Company. A summary of the loan conversions approved is set out below:

- US$13,184,231 of loans, associated commitment fees and interest, payable to African Petroleum Corporation Limited ("African Petroleum"), into 233,890,450 fully paid ordinary shares at a deemed price of A$0.06 per share
- US$8,331,560 of loans and interest, payable to Range Resources Limited ("Range Resources"), into 147,803,270 fully paid ordinary shares at a deemed price of A$0.06 per share
- US$5,200,000 of loans, payable to Varesona Participation Corporation ("Varesona"), into 79,070,457 fully paid ordinary shares at a deemed price of A$0.07 per share
- US$6,000,000 of loans, payable to Varesona, into 42,576,400 fully paid ordinary shares at a deemed price of A$0.15 per share

The loan conversions to fully paid ordinary shares, as detailed above, were completed on 2 October 2014. At the date of this financial report, an estimate of the financial effect of the conversion on the Statement of Comprehensive Income cannot be made.

In addition to the loans converted, 5,000,000 options exercisable at A$0.06 per Option were issued to each of African Petroleum and Range Resources on 2 October 2014, and both companies will be entitled to nominate one person to the Board of the Company.

As part of the agreement with Range Resources the Company paid US$500,000 on 21 October 2014, as final settlement of the borrowings owed to Range Resources.

Following the cash settlement with Range Resources and the conversion of the loans and interest payable to African Petroleum, Range Resources and Varesona, the Company does not have any outstanding loans payable. There are no other events between 30 June 2013 and the date of this report that would be likely to materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

This report is made in accordance with a resolution of the Board of Directors.

Antony Sage
Director **Perth, 30 October 2014**

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Auditor's Independence Declaration to the Directors of International Petroleum Limited

In relation to our review of the financial report of International Petroleum for the half-year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
30 October 2014

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2013

	Note	30 June 2013 US$	30 June 2012 US$
Continuing operations			
Revenue	3(a)	**6,841**	48,517
Consulting expenses		**(269,133)**	(1,775,562)
Compliance and regulatory expenses		**(143,041)**	(215,241)
Other expenses	3(b)	**(3,277,845)**	(737,782)
Occupancy costs		**(60,017)**	(155,084)
Employee expenses	3(c)	**(812,202)**	(1,942,367)
Foreign currency losses		**(3,609,801)**	(617,326)
Depreciation expense		**(6,299)**	(5,311)
Gains on derivative financial instruments	5	**6,711,248**	-
Finance costs	3(d)	**(1,307,577)**	(746,394)
Allowances for impairment	3(e)	**(127,268,756)**	(1,644,253)
Loss before income tax from continuing operations		**(130,036,582)**	(7,790,803)
Income tax benefit		**538,557**	2,154,520
Loss for the period		**(129,498,025)**	(5,636,283)
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Fair value loss on financial assets available-for-sale		**(182,810)**	(510,175)
Fair value loss on financial assets available-for-sale recognised as impairment loss in loss for the period		**357,167**	1,644,253
Income tax effect on fair value loss on financial assets available-for-sale		**-**	(340,223)
Realised gain on financial asset available-for-sale transferred to loss for the period, net of tax		**-**	(28,086)
Foreign exchange loss on translation of foreign operations		**(4,505,442)**	(1,900,253)
Other comprehensive loss for the period, net of tax		**(4,331,085)**	(1,134,484)
Total comprehensive loss for the period		**(133,829,110)**	(6,770,767)
(Loss)/profit for the period is attributable to:			
Owners of the parent		**(128,874,659)**	(6,122,311)
Non-controlling interest		**(623,366)**	486,028
		(129,498,025)	(5,636,283)
Total comprehensive loss for the period is attributable to:			
Owners of the parent		**(132,516,615)**	(6,720,890)
Non-controlling interest		**(1,312,495)**	(49,877)
		(133,829,110)	(6,770,767)
Loss per share attributable to members			
Basic/diluted loss per share (cents)		**(10.96)**	(0.49)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	30 June 2013 US$	31 December 2012 US$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	**355,849**	374,980
Trade and other receivables		**1,628,399**	4,511,331
Prepayments		**169,943**	196,150
Inventories		**76,548**	670,305
Derivative financial assets	5	**11,638,144**	3,955,072
TOTAL CURRENT ASSETS		**13,868,883**	9,707,838
NON CURRENT ASSETS			
Restricted cash		**108,886**	113,781
Plant and equipment		**1,232,902**	1,483,316
Financial assets available-for-sale		**150,128**	357,250
Deferred tax asset		**164,114**	42,716
Exploration and evaluation expenditure	6	**62,198,301**	181,906,360
TOTAL NON CURRENT ASSETS		**63,854,331**	183,903,423
TOTAL ASSETS		**77,723,214**	193,611,261
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	**33,088,472**	27,183,163
Borrowings	8	**30,409,969**	16,790,164
Income tax payable		**214,737**	247,135
TOTAL CURRENT LIABILITIES		**63,713,178**	44,220,462
NON CURRENT LIABILITIES			
Borrowings	8	**9,411,674**	13,565,337
Deferred tax liability		**4,137,253**	4,873,436
Provisions		**7,956,148**	7,589,085
TOTAL NON CURRENT LIABILITIES		**21,505,075**	26,027,858
TOTAL LIABILITIES		**85,218,253**	70,248,320
NET (LIABILITIES) / ASSETS		**(7,495,039)**	123,362,941
(SHAREHOLDERS' DEFICIT) / EQUITY			
Contributed equity	9	**272,412,761**	270,249,312
Reserves	10	**(92,484,030)**	(89,368,130)
Accumulated losses		**(187,786,041)**	(58,911,382)
Equity attributable to equity holders of the parent		**(7,857,310)**	121,969,800
Non-controlling interest		**362,271**	1,393,141
TOTAL (SHAREHOLDERS' DEFICIT) / EQUITY		**(7,495,039)**	123,362,941

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2013

	Contributed equity US$	Accumulated losses US$	Share-based payment reserve US$	Revaluation reserve US$	Merger reserve US$	Foreign currency translation reserve US$	Other reserve US$	Non-controlling interest US$	Total US$
AS AT 1 JANUARY 2013	**270,249,312**	**(58,911,382)**	**7,351,026**	**(174,357)**	**(101,516,017)**	**4,971,218**	**-**	**1,393,141**	**123,362,941**
Loss for the period	**-**	**(128,874,659)**	**-**	**-**	**-**	**-**	**-**	**(623,366)**	**(129,498,025)**
Other comprehensive (loss)/income for the period	**-**	**-**	**-**	**174,357**	**-**	**(3,816,313)**	**-**	**(689,129)**	**(4,331,085)**
Total comprehensive (loss)/income for the period	**-**	**(128,874,659)**	**-**	**174,357**	**-**	**(3,816,313)**	**-**	**(1,312,495)**	**(133,829,110)**
Shareholder contribution	**2,163,449**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,163,449**
Share based payments	**-**	**-**	**807,681**	**-**	**-**	**-**	**-**	**-**	**807,681**
Acquisition of a non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**(281,625)**	**281,625**	**-**
AS AT 30 JUNE 2013	**272,412,761**	**(187,786,041)**	**8,158,707**	**-**	**(101,516,017)**	**1,154,905**	**(281,625)**	**362,271**	**(7,495,039)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2013

	Contributed equity US$	Accumulated losses US$	Share-based payment reserve US$	Revaluation reserve US$	Merger reserve US$	Foreign currency translation reserve US$	Other reserve US$	Non-controlling interest US$	Total US$
AS AT 1 JANUARY 2012	**232,205,203**	**(55,350,384)**	**5,276,264**	**(765,769)**	**(101,516,017)**	**6,532,773**	**-**	**1,036,925**	**87,418,995**
(Loss)/profit for the period	**-**	**(6,122,311)**	**-**	**-**	**-**	**-**	**-**	**486,028**	**(5,636,283)**
Other comprehensive (loss)/income for the period	**-**	**-**	**-**	**765,769**	**-**	**(1,364,348)**	**-**	**(535,905)**	**(1,134,484)**
Total comprehensive (loss)/income for the period	**-**	**(6,122,311)**	**-**	**765,769**	**-**	**(1,364,348)**	**-**	**(49,877)**	**(6,770,767)**
Share issue	**35,523,023**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**35,523,023**
Transaction costs on issue of shares	**(1,474,506)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,474,506)**
Share based payments	**-**	**-**	**1,471,531**	**-**	**-**	**-**	**-**	**-**	**1,471,531**
AS AT 30 JUNE 2012	**266,253,720**	**(61,472,695)**	**6,747,795**	**-**	**(101,516,017)**	**5,168,425**	**-**	**987,048**	**116,168,276**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2013

	Note	30 June 2013 US$	30 June 2012 US$
Cash flows from operating activities			
Payments to suppliers and employees		**(979,633)**	(2,939,141)
Interest received		**7,275**	31,273
Income tax paid		**(6,214)**	-
Net cash flows used in operating activities		**(978,572)**	(2,907,868)
Cash flows from investing activities			
Payment for plant and equipment		**(8,286)**	(702,783)
Payment for exploration and evaluation expenses		**(12,068,911)**	(17,645,318)
Payment for acquisition of controlled entity, net of cash acquired		**-**	(3,000,000)
Payment of liabilities assumed through acquisition of controlled entity		**-**	(4,000,000)
Net cash used in investing activities		**(12,077,197)**	(25,348,101)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	35,523,023
Transaction costs of issue of shares		**-**	(1,474,506)
Proceeds from borrowings		**14,329,593**	2,200,000
Repayment of borrowings		**(1,350,000)**	(7,110,000)
Interest paid		**(444)**	(235,152)
Net cash flows from financing activities		**12,979,149**	28,903,365
Net (decrease)/increase in cash and cash equivalents		**(76,620)**	647,396
Cash and cash equivalents at the beginning of the period		**374,980**	918,421
Effects of exchange rate changes on the balances of cash held in foreign currencies		**57,489**	(2,301)
Cash and cash equivalents at the end of the period	**4**	**355,849**	1,563,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of International Petroleum Limited and its subsidiaries ("the Group") for the half-year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Board of Directors on 30 October 2014.

International Petroleum Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the National Stock Exchange of Australia.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

This general purpose condensed financial report for the half-year ended 30 June 2013 has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2012 and considered together with any public announcements made by International Petroleum Limited during the half-year ended 30 June 2013 in accordance with the continuous disclosure obligations of the NSX Listing Rules.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2012 annual financial report for the financial year ended 31 December 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

From 1 January 2013 the Group has adopted the following Standards and Interpretations that are relevant to their operations and effective for the current reporting period:

- AASB 10 – Consolidated Financial Statements
- AASB 11 – Joint arrangements
- AASB 12 – Disclosure of interest in Other Entities
- AASB 127 – Separate Financial Statements
- AASB 128 – Investments in Associates and Joint Ventures (2011)
- AASB 13 – Fair value measurement and related AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 119 – Employee benefits (2011), AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011) and AASB 2011-11 Amendments to AASB 119 (2011)
- AASB 2011 4 – Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards
- AASB 2011 9 – Amendments to Australian Accounting Standards - Presentation of other comprehensive income
- AASB 2012 2 – Amendments to Australian Accounting Standards - Disclosures - Offsetting financial assets and financial liabilities (Amendments to AASB 7)
- AASB 2012 5 – Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The adoption of these standards and interpretations has had no material impact on the financial position or performance of the Group.

The financial report is presented in United States dollars ("US$" or "US dollars").

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the period ended 30 June 2013, the Group incurred a net loss after tax of US$129,498,025 and a cash outflow from operating activities of US$978,572. The cash and cash equivalents balance at 30 June 2013 was US$355,849. The Group's net liability position at 30 June 2013 was US$7,495,039 and its net current liability position was US$49,844,295.

On 9 May 2014, the Company (through its wholly owned subsidiary) entered into a share purchase agreement with a third party ("Buyer") for the sale of 100% of the issued shares of IPL Siberia Limited (a company incorporated in the Cayman Islands) ("IPL Siberia") and International Petroleum Company LLC (a company incorporated in Russia) ("IPL Russia") for proceeds of US$13million ("Russian Asset Sale"). As part of the transaction, the Buyer has the right to lodge financial claims with the Seller, not later than the second anniversary of the date of Completion of the transaction, in respect of undisclosed third party debts of IPL Siberia and IPL Russia (and their subsidiaries) as at the date of the transaction. The aggregate liability of the Seller in respect of all claims is limited to the consideration amount of US$13 million. As at the date of signing of this half-year financial report no financial claims have been lodged by the Buyer.

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue as a going concern. In forming this view, the directors have considered the Group's current position, funding objectives and the probability of legitimate financial claims being lodged pertaining to the Russian Asset Sale. The Group's funding objectives include:

i) negotiating agreements with certain creditors to extend payment terms, and
ii) the sale of certain assets

There are a number of inherent uncertainties relating to the completion of the funding objectives as listed above, including but not limited to:

i) creditors not agreeing to extend payment terms and filing legal claims to recover the amounts owed to them, and
ii) unfavourable market conditions resulting in difficulties in achieving a sale of certain assets.

It is the directors' opinion that the list of liabilities presented to the Buyer as part of the share purchase agreement in respect of the Russian Asset Sale was complete, and therefore to the best of their knowledge, they do not expect material legitimate financial claims to result from the Russian Asset Sale.

Should significant legitimate financial claims arise from the Russian Asset Sale, in contrast to the directors' current view, or should the Group's funding objectives not be attained, the directors will have to seek alternative sources of financing. In the event that such financing is not available, there would exist a significant uncertainty as to whether the Group would be able to continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

3. REVENUE AND EXPENSES

Components of revenue and expenses that require separate disclosure are as follows:

	Period ended 30 June 2013 US$	Period ended 30 June 2012 US$
(a) Revenue		
Interest revenue	**6,841**	31,299
Other revenue	**-**	17,218
	6,841	48,517
(b) Other expenses	**(3,277,845)**	(737,782)
Included in other expenses are penalties of US$3,098,702 (30 June 2012: Nil) charged by Russian suppliers.		
(c) Employee expenses		
Employee benefits expense	**(182,091)**	(453,275)
Directors' remuneration	**(383,636)**	(668,832)
Share based payments[(i)]	**(246,475)**	(820,260)
	(812,202)	(1,942,367)

[(i)]The share based payments relate to unlisted equity-settled options and performance shares.

The options have been valued using the Black-Scholes option pricing model. The share based payments recognised for the six months ended 30 June 2013 are US$511,711 (30 June 2012: US$1,161,117), of which US$180,704 (30 June 2012: US$665,054) is recognised in the Statement of Comprehensive Income and US$331,007 (30 June 2012: US$496,063) has been capitalised to exploration and evaluation expenditure.

The performance shares were awarded during prior periods and valued using the share price on the grant date. The issue of these shares is subject to various service and performance conditions such that none of these shares have yet been issued. The share based payments recognised for the six months ended 30 June 2013 are US$295,970 (30 June 2012: US$310,414), of which US$65,771 (30 June 2012: US$155,206) is recognised in the Statement of Comprehensive Income and US$230,199 (30 June 2012: US$155,208) has been capitalised to exploration and evaluation expenditure.

During the current period the following share options were granted:

No. of options	Exercise Price	Expiry Date	Fair Value at Grant Date	Fair Value at Grant Date
1,000,000	A$0.10	15 April 2014	A$0.05	US$0.05

During the prior period the following share options were granted:

No. of options	Exercise Price	Expiry Date	Fair Value at Grant Date	Fair Value at Grant Date
1,500,000	A$0.25	18 July 2017	A$0.16	US$0.17
500,000	A$0.25	30 June 2013	A$0.12	US$0.13
500,000	A$0.35	30 June 2013	A$0.11	US$0.12
500,000	A$0.45	30 June 2013	A$0.10	US$0.11
500,000	A$0.55	30 June 2013	A$0.09	US$0.10
500,000	A$0.65	30 June 2013	A$0.09	US$0.09

2,500,000 (30 June 2012: 135,193,072) options expired during the current period.

As at 30 June 2013, there were 40,200,000 share options on issue (31 December 2012: 41,700,000 share options on issue).

3. REVENUE AND EXPENSES (CONTINUED)

	Period ended 30 June 2013	**Period ended 30 June 2012**
	US$	**US$**
(d) Finance costs		
Interest expense	**(1,167,577)**	(621,394)
Commitment fees on funding facilities	**(140,000)**	(125,000)
	(1,307,577)	(746,394)
(e) Allowances for impairment		
Impairment loss on financial assets available-for-sale	**(357,167)**	(1,644,253)
Impairment loss on exploration and evaluation expenditure	**(126,911,589)**	-
	(127,268,756)	(1,644,253)

4. CASH AND CASH EQUIVALENTS

	30 June 2013	**31 December 2012**
	US$	**US$**
Cash at bank and on hand	**355,849**	374,980
	355,849	374,980

5. DERIVATIVE FINANCIAL ASSETS

	Period ended 30 June 2013	**Year ended 31 December 2012**
	US$	**US$**
At 1 January	**3,955,072**	-
Initial recognition of embedded derivatives	**1,724,426**	3,458,101
Gain on derivative financial instruments	**6,711,248**	484,677
Foreign exchange differences on translation of foreign operations	**(752,602)**	12,294
At end of reporting period	**11,638,144**	3,955,072

The derivative financial assets comprise put options over the Company's own shares and are carried at fair value. These arose upon the drawdown of convertible loans entered into by the Company during the period and the prior year, as explained in Note 8. The fair values are determined using the Black-Scholes model.

6. EXPLORATION AND EVALUATION EXPENDITURE

	Period ended 30 June 2013 US$	Year ended 31 December 2012 US$
At cost	**209,964,785**	205,588,186
Less: impairment provisions	**(147,766,484)**	(23,681,826)
Net Carrying value	**62,198,301**	181,906,360
Reconciliation of movement		
At 1 January	**181,906,360**	140,217,437
Current period exploration expenditure	**16,966,533**	42,132,330
Allowance for impairment [1]	**(126,911,589)**	(130,090)
Foreign exchange differences on translation of foreign operations	**(9,763,003)**	(313,317)
At end of reporting period	**62,198,301**	181,906,360
Movement in impairment provision:		
At 1 January	**(23,681,826)**	(23,112,555)
Impairment allowance increase	**(126,911,589)**	(130,090)
Foreign exchange differences on translation of foreign operations	**2,826,931**	(439,181)
At end of reporting period	**(147,766,484))**	(23,681,826)

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and commercial exploitation of the areas of interest, or alternatively, by their sale.

[1]The Company has estimated the recoverable amount of the capitalised exploration and evaluation expenditure in respect of its 10% interest in prospecting licence Hoepakrantz 291 KT at US$3,653,200. Hoepakrantz 291 KT, together with prospecting licences Nooitverwacht 324 KT and Eerste Geluk 327 KT, were known as the Tubatse Project (a South African platinum project). Hoepakrantz 291 KT now forms part of the Garatau Project, with two other prospecting licences. The Company has no interest in the other two prospecting licences forming part of the Garatau Project. Due to the continued uncertainty surrounding ownership title, the Company's 10% interest in prospecting licences Nooitverwacht 324 KT and Eerste Geluk 327 KT has been fully impaired. The recoverable value of US$3,653,200 assigned to Hoepakrantz 291 KT has been estimated by management based on internal valuation assessments and also by reference to recent transactional data available in the market. Accordingly, an allowance for impairment of US$10,126,024 has been recognised in the current period (year ended 31 December 2012: US$130,090).

On 14 October 2013, the Group entered into a binding conditional agreement with a third party for the sale of 100% of the issued shares of Eastern Petroleum Corporation Limited for proceeds of US$10 million. The Buyer did not comply with its obligations set out in the term sheet and the sale did not complete. Subsequently in August 2014, the Company received notification from the Kazakhstan Ministry of Oil & Gas ("MOG") that its rights to the licence have been withdrawn by MOG unilaterally. The Company does not accept this as being justified and has written to MOG requesting that the licence be reinstated. At the date of approval of this financial report the dispute has not yet been resolved. Based on the terms of the incomplete sales transaction and the uncertainty pertaining to the status of the licence, the capitalised exploration and evaluation expenditure relating to the Alakol permit was impaired to nil. Accordingly, an allowance for impairment of US$63,667,322 has been recognised during the period.

6. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

On 9 May 2014, the Company (through its wholly owned subsidiary) entered into a binding share purchase agreement with a third party for the sale of 100% of the issued shares of IPL Siberia Limited (a company registered in the Cayman Islands) and 100% of the issued shares of International Petroleum Company LLC (a company registered in Russia) for proceeds of US$13 million. The sale of these companies represents the sale of the Group's interest in the Russian geographical region as defined in the segment report ("Russian Assets"). The quantum of the proceeds received is further evidence to the assumption made by the Group's directors that the Russian Assets are impaired at 30 June 2013. Accordingly, an allowance for impairment of US$53,118,243 has been recognised during the period to reflect the fair value less costs to sell in respect of the Group's interest in the Russian Assets.

7. TRADE AND OTHER PAYABLES

	30 June 2013 US$	31 December 2012 US$
Current liabilities		
Trade payables	**22,340,594**	25,046,705
Other payables	**5,131,316**	2,136,458
Payable to related party	**1,235,000**	-
Consideration payable (see note 8)	**4,381,562**	-
	33,088,472	27,183,163

8. BORROWINGS

	30 June 2013 US$	31 December 2012 US$
Current		
Secured loans from related parties[1]	**11,139,343**	10,879,462
Convertible loans from related party[2]	**11,179,411**	5,910,702
Unsecured loans from third parties[4 / 5]	**8,091,215**	-
	30,409,969	16,790,164
Non-current		
Unsecured loan[3]	**9,411,674**	13,565,337
	9,411,674	13,565,337
Total borrowings	**39,821,643**	30,355,501

[1] In May 2011, the Company obtained a US$10 million loan facility ("Loan Facility A") from African Petroleum Corporation Limited ("APCL"), a company related to four of the directors of International Petroleum. Loan Facility A was secured by a fixed and floating charge over the Company.

The amount drawn down under Loan Facility A was repayable by the Company in full on the earlier of:

- 31 March 2013;
- receipt of the A$45 million cash consideration from Nkwe under its agreement with Nkwe for the sale of the Company's interest in the Tubatse Project; and
- receipt of any equity or convertible loan facility exceeding US$10 million cumulatively until 31 March 2013 unless otherwise agreed in writing by the lender.

8. BORROWINGS (CONTINUED)

During April 2013, the Company agreed with APCL to vary the terms of Loan Facility A, such that:

- an additional commitment fee of US$100,000 is payable by the Company to APCL,
- the repayment date was 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,
- 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 in favour of APCL, as security for the APCL Loan, over:
    - (i) all allocations and distributions of income, cash flow and profits and payments arising from IPL Cayman's right, title and interest in production sharing contracts between the Republic of Niger and IPL Cayman over the four petroleum licence blocks known as Manga 1, Manga 2, Aorak and Tenere Ouest; and
- rights to receive all proceeds from the sale or transfer of IPL's interest in these contracts. 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.

Interest is payable on Loan Facility A at the cash rate plus 3% per annum. At 30 June 2013, Loan Facility A was drawn down in full. Interest incurred for the period of US$159,881 was capitalised to the loan amount (year ended 31 December 2012: US$318,552). The Company is also obliged to pay US$475,000 in respect of commitment fees. This includes a fee of US$250,000 recognised in the year ended 31 December 2011 for the provision of the facility and fees of US$225,000 for extending the facility, of which US$100,000 was recognised in the current period (year ended 31 December 2012: US$125,000).

The total borrowings owed to APCL were converted to fully paid ordinary shares of the Company on 2 October 2014. Details pertaining to the conversion are included in note 13.

[2] In January 2013 and during the prior year, the Company secured convertible loans from Varesona Participation Corporation ("Varesona"), an entity controlled by non-executive director Mr Frank Timis. These have been drawn down in full. A loan of US$5,200,000 secured in January 2013 included US$200,000 advanced during the prior year. Each loan bears interest at 5% per annum and is unsecured. The terms of each loan, the initial debt values and carrying values as at the end of the period are as follows:

Loan	**Maturity date**	**Conversion price**	**Loan principal**	**Initial value of debt component**	**Carrying value at 30 June 2013**
		A$	**US$**	**US$**	**US$**
Loan 1	6 August 2013	0.15	2,000,000	1,819,287	2,077,227
Loan 2	14 September 2013	0.15	2,000,000	1,825,720	2,043,300
Loan 3	16 October 2013	0.15	2,000,000	1,832,261	2,014,637
Loan 4	31 January 2014	0.07	5,200,000	4,743,185	5,044,247
			11,200,000	**10,220,453**	**11,179,411**

If each loan principal plus accrued interest (the "Outstanding Amounts") is not repaid by the repayment dates, the Company will, subject to the receipt of all necessary shareholder approvals, issue new shares of the Company with a value equal to the Outstanding Amounts, calculated at the applicable conversion prices. If all necessary shareholder approvals for the conversion of the Convertible Loan Amounts into shares are not obtained, the Company must satisfy the Convertible Loan Amounts in cash and not shares.

Subject to shareholder approval, the Company had the unilateral right to repay the loan principal and interest by issue of shares, the number of which is determined according to the conversion price. The resulting put options are embedded derivatives recognised as derivative financial assets and treated as equity contributions; and were assigned an initial fair value of US$1,724,426 during the period (year ended 31 December 2012: US$3,458,101). The differences between the initial fair value of the convertible loans recognised as debt and the loan proceeds received are also treated as equity contributions.

The carrying value of the debt components of the convertible loans measured at amortised cost include capitalised finance costs of US$958,958 (31 December 2012: US$251,226) and have been determined based on the residual value of the loans after adjusting for the initial fair values of the embedded derivatives.

8. BORROWINGS (CONTINUED)

On 1 October 2013 the Company and Varesona agreed to extend the maturity dates of Loan 1, Loan 2 and Loan 3 to 31 December 2013. All other terms remained unchanged.

The total borrowings owed to Varesona were converted to fully paid ordinary shares of the Company on 2 October 2014. The outstanding borrowing balance at 31 July 2014, following negotiation of maturity dates, was used for the calculation of the quantity of ordinary share to be issued. Details pertaining to the conversion are included in note 13.

[3] Pursuant to the acquisition of Souville Investments Ltd in October 2010, the Group acquired a loan of US$12,500,000 owing to Assuryan Assets Ltd. The loan bears interest at the rate of 3.75% per annum. Interest incurred for the period of US$227,899 has been capitalised to the loan amount (period ended 30 June 2012: US$238,283). The total capitalised interest at 30 June 2013 is US$1,293,236 (31 December 2012: US$1,065,337).

The loan was due for repayment on 27 September 2013 provided that any repayment of the loan may only be made from the proceeds after deducting costs (including expenses, taxes, royalties, etc.) of sales of oil or other assets ("Net Proceeds"), and to the extent that Net Proceeds are not sufficient to repay the loan and interest, then the term of repayment would be extended for one year periods until the loan is fully paid or waived.

On 17 June 2013 the Group agreed to acquire from Assuryan Assets Ltd the 25% interest in Souville Investments Ltd shares not already held, for a cash consideration of US$4,381,562. As part of the agreement the Group also acquired the rights, benefits, liabilities and obligations of the original US$12,500,000 loan granted by Assuryan Assets Ltd under the Debt Repayment Agreement entered into October 2012. On 27 June 2013 the 25% shareholding was transferred to the Group, increasing the Group's shareholding in Souville Investments Ltd to 100%.

The loan novation was to occur upon payment of the consideration of US$4,381,562, which was due for payment by 17 June 2014. The US$4,381,562 has been included in other current payables. Since the payment will result in the loan being extinguished from the consolidated statement of financial position, the consideration payable of US$4,381,562 has been deducted from the loan balance of US$13,793,236 reducing the non-current borrowings balance to US$9,411,674.

On 9 May 2014, the Group entered into a binding share purchase agreement with a third party for the sale of 100% of the issued shares of IPL Siberia Limited (a company registered in the Cayman Islands) and 100% of the issued shares of International Petroleum Company LLC (a company registered in Russia) for proceeds of US$13 million. The sale of these companies represents the sale of the Group's interest in the Russian geographical region as defined in the segment report ("Russian Assets"). The loan owing to Assuryan Assets Ltd, formed part of the net assets transferred to the buyer per the terms of the share purchase agreement.

[4] In April 2013 the Company secured a US$15 million loan facility from an unrelated party, Range Resources Ltd ("Range"). The facility was provided in anticipation of Range's proposed acquisition of the Company. Interest is charged at 8% per annum. The Company received US$5,979,593 from Range under the facility during the current period and incurred interest of US$58,471.

The total borrowings owed to Range, less US$500,000 to be settled in cash, were converted to fully paid ordinary shares of the Company on 2 October 2014. The cash settlement of US$500,000 occurred on 21 October 2014. Details pertaining to the conversion and cash settlement are included in note 13.

[5] In June 2013 the Company entered into a loan agreement with an unrelated party for US$2,000,000, bearing interest at 10% per annum and repayable in July 2013. During the current period, the Company was advanced the full US$2,000,000 under the facility, incurred interest of US$13,151 and incurred a loan structuring fee of US$40,000. Range repaid US$1,350,000 on behalf of the Company in June 2013 and Range repaid the remainder of the loan on 15 July 2013.

9. CONTRIBUTED EQUITY

	30 June 2013 US$	31 December 2012 US$
Issued ordinary shares (a)	**266,250,687**	266,250,687
Shareholder equity contribution (b)	**6,162,074**	3,998,625
	272,412,761	270,249,312

(a) Issued ordinary shares – fully paid

	Period ended 30 June 2013 US$	Year ended 31 December 2012 US$
As at 1 January	**266,250,687**	232,205,203
Issue of shares pursuant to a capital raising	**-**	34,045,484
At end of reporting period	**266,250,687**	266,250,687

(b) Shareholder equity contribution

The drawdown of convertible loans by the Company (see note 8) resulted in equity contributions to the value of US$2,163,449 for the current period (year ended 31 December 2012: US$3,998,625). The equity contribution is the difference between the initial fair value of the convertible loans recognised as debt and the loan proceeds received; as well as the initial fair value of the put options embedded in the loan agreements recognised as derivative financial assets by the Company.

10. RESERVES

	30 June 2013 US$	31 December 2012 US$
Share-based payments reserve		
As at 1 January	**7,351,026**	5,276,264
Share based payments	**807,681**	2,074,762
As at end of reporting period	**8,158,707**	7,351,026
Revaluation reserve		
As at 1 January	**(174,357)**	(765,769)
Revaluation of financial assets available-for-sale	**(182,810)**	(684,532)
Tax effect of revaluation of financial assets available-for-sale	**-**	153,052
Impairment recycled to loss for the period	**357,167**	1,644,253
Tax effect of impairment recycled to loss for the period	**-**	(493,275)
Other realised gains recycled to loss for the year	**-**	(28,086)
As at end of reporting period	**-**	(174,357)
Merger reserve		
As at 1 January	**(101,516,017)**	(101,516,017)
As at end of reporting period	**(101,516,017)**	(101,516,017)
Foreign currency translation reserve		
As at 1 January	**4,971,218**	6,532,773
Movement due to translation of foreign operations from functional currencies to presentation currency	**(3,816,313)**	(1,561,555)
As at end of reporting period	**1,154,905**	4,971,218
Other reserve		
Acquisition of a non-controlling interest	**(281,625)**	-
As at end of reporting period	**(281,625)**	-
Total reserves as at end of reporting period	**(92,484,030)**	(89,368,130)

11. SEGMENT REPORTING

For management purposes, the Group is organised into one main operating segment, which involves exploration for hydrocarbons. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based on analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Group only has one operating segment being exploration for hydrocarbons.

The analysis of the location of non-current assets is as follows:

	30 June 2013 US$	**31 December 2012 US$**
Australia	**150,128**	357,250
Africa	**5,255,922**	15,647,031
Kazakhstan	**133,995**	63,474,580
Russia	**58,314,286**	104,424,562
	63,854,331	183,903,423

12. COMMITMENTS AND CONTINGENCIES

The Group had capital commitments in respect of its licence obligations of US$59,906,816 at the end of the reporting period (31 December 2012: US$20,329,468). Other than the licence obligation commitments there are no other material changes between 31 December 2012 and 30 June 2013 to the commitments as disclosed in the most recent annual financial report.

On 9 May 2014, the Company (through its wholly owned subsidiary) entered into a share purchase agreement with a third party ("Buyer") for the sale of 100% of the issued shares of IPL Siberia Limited (a company incorporated in the Cayman Islands) ("IPL Siberia") and International Petroleum Company LLC (a company incorporated in Russia) ("IPL Russia") for proceeds of US$13million. As part of the transaction the Buyer has the right to lodge financial claims with the Seller, not later than the second anniversary of the date of Completion of the transaction, in respect of undisclosed third party debts of IPL Siberia and IPL Russia (and their subsidiaries) as at the date of the transaction. The aggregate liability of the Seller in respect of all claims is limited to the consideration amount of US$13 million. As at the date of signing of the half-year financial report no financial claims have been lodged by the Buyer. More detail surrounding the transaction is disclosed in note 13.

13. EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events and transactions have taken place subsequent to 30 June 2013:

On 14 October 2013, the Group entered into a binding conditional agreement with a third party (the "Buyer") for the sale of 100% of the issued shares of Eastern Petroleum Corporation Limited (a wholly-owned subsidiary whose assets principally comprise the Alakol licence), for proceeds of US$10 million (the "Sale"). The Buyer did not comply with its obligations set out in the term sheet and the Sale did not complete. The Group engaged a broker during December 2013 to find an alternative purchaser. Subsequently in August 2014 the Group received notification from the Kazakhstan Ministry of Oil & Gas ("MOG") that its rights to the licence have been withdrawn by MOG unilaterally. The Group does not accept this as being justified and has written to MOG requesting that the licence be reinstated. At the date of approval of this financial report the dispute has not yet been resolved.

On 9 May 2014, the Company (through its wholly owned subsidiary) entered into a share purchase agreement with a third party (the "Buyer") for the sale of 100% of the issued shares of IPL Siberia Limited (a company incorporated in the Cayman Islands) ("IPL Siberia") and International Petroleum Company LLC (a company incorporated in Russia) ("IPL Russia") for proceeds of US$13million (the "Transaction").

IPL Siberia indirectly holds the Yuzhno-Sardakovsoye Block Licence, the Yanchinsky Block Licence, the Zapadno-Novomolodezhnoye Block Licence, the Krasnoleninsky Block Licences and the Druzhny Block Licences in Russia (together, the "Russian Assets"). These licenses comprise all of the Group's interests in Russia.

13. EVENTS SUBSEQUENT TO REPORTING DATE (CONTINUED)

A summary of the key terms of the share purchase agreement are set out below:

- the Company (through its wholly owned subsidiary) will transfer 100% of the issued shares in IPL Siberia and IPL Russia to the Buyer for US$13million ("Acquisition")
- as part of the Transaction, International Petroleum Limited (a company incorporated in the Cayman Islands) ("IPL Cayman") will novate to the Buyer, any and all debts owed to it or the Company by IPL Russia or IPL Siberia, including debts owed by IPL Siberia's subsidiary companies ("Novated Loans")
- as part of the Transaction, the Buyer, with such reasonable assistance as may be requested from IPL Cayman, shall use reasonable efforts to negotiate and settle other third party debts of IPL Siberia and IPL Russia (and their subsidiaries) ("Third Party Debts") within 4 and a half months after Acquisition. If the Buyer fails to achieve any settlement agreement in respect to any of the Third Party Debts which exceed US$80,000 or are in respect to salaries of employees of Russian subsidiaries within 4 and a half months after Acquisition, the Buyer agrees to promptly pay such non-settled Third Party Debts. All remaining Third Party Debts below US$80,000 are to be settled no later than 6 months after Acquisition.
- IPL Cayman provided warranties to the Buyer in respect to the status of IPL Siberia and IPL Russia and its assets and liabilities, including in respect to the total debts owed by IPL Siberia and IPL Russia as at 31 March 2014.
- following the claims process outlined in the share purchase agreement, the Buyer has the right to lodge financial claims with the Seller, not later than the second anniversary of the date of Completion, in respect of undisclosed Third Party Debts as at the date of the transaction. The aggregate liability of the Seller in respect of all claims is limited to the consideration amount of US$13 million.

The Transaction was approved via General Meeting resolution on 8 September 2014.

The proceeds of US$13 million was received prior to the approval (signing date) of this half-year financial report ended 30 June 2013. The company will apply the funds received from the Transaction towards repayment of creditors, general working capital and future exploration expenditure. As at the date of signing of the half-year financial report, no financial claims have been lodged by the Buyer.

On 8 September 2014, a General Meeting was held whereby shareholder approval was obtained for the conversion of loans to fully paid ordinary shares of the Company. A summary of the loan conversions approved is set out below:

- US$13,184,231 of loans, associated commitment fees and interest, payable to African Petroleum Corporation Limited ("African Petroleum"), into 233,890,450 fully paid ordinary shares at a deemed price of A$0.06 per share
- US$8,331,560 of loans and interest, payable to Range Resources Limited ("Range Resources"), into 147,803,270 fully paid ordinary shares at a deemed price of A$0.06 per share
- US$5,200,000 of loans, payable to Varesona Participation Corporation ("Varesona"), into 79,070,457 fully paid ordinary shares at a deemed price of A$0.07 per share
- US$6,000,000 of loans, payable to Varesona, into 42,576,400 fully paid ordinary shares at a deemed price of A$0.15 per share

The loan conversions to fully paid ordinary shares, as detailed above, were completed on 2 October 2014. At the date of this financial report, an estimate of the financial effect of the conversion on the Statement of Comprehensive Income cannot be made.

In addition to the loans converted, 5,000,000 options exercisable at A$0.06 per Option were issued to each of African Petroleum and Range Resources on 2 October 2014, and both companies will be entitled to nominate one person to the Board of the Company.

As part of the agreement with Range Resources the Company paid US$500,000 on 21 October 2014, as final settlement of the borrowings owed to Range Resources.

Following the cash settlement with Range Resources and the conversion of the loans and interest payable to African Petroleum, Range Resources and Varesona, the Company does not have any outstanding loans payable.

There are no other events between 30 June 2013 and the date of this report that would be likely to materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of International Petroleum Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of International Petroleum Limited for the period ended 30 June 2013 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of its financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

(b) subject to the matters set out in note 2 in the financial statements, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Antony Sage
Director

Perth, 30 October 2014

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Independent review report to members of International Petroleum Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of International Petroleum Limited, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of International Petroleum Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Basis for disclaimer of review conclusion

Accounting books and records of IPL Siberia Limited and International Petroleum Company LLC

As described in Note 13 to the financial report, on 9 May 2014 the Company entered into a transaction to dispose of 100% of the issued shares of IPL Siberia Limited and International Petroleum Company LLC (the "Russian Subsidiaries"). The accounting books and records of the Russian Subsidiaries were provided to the acquirer on 30 May 2014.

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The consolidated financial statements for the six months ended 30 June 2013 include the financial performance, financial position, cash flows and changes in equity of the Russian Subsidiaries. The directors of the Company were unable to obtain access to the accounting books and records of the Russian Subsidiaries and as a result, we were unable to perform sufficient appropriate review procedures in relation to these records.

In addition, as described in Note 2 to the financial report, pursuant to the sale of the Russian Subsidiaries, the acquirer has the right to lodge legitimate financial claims against the Company in respect of undisclosed third party debts of the Russian Subsidiaries as at the date of the transaction. As the directors were unable to access the accounting books and records of the Russian Subsidiaries, we were unable to perform sufficient appropriate review procedures in relation to the likelihood of such a claim arising.

The above matters represent material limitations on the scope of our work.

Carrying Value of Hoepakrantz 291 KT

As described in Note 6 to the financial report, the Company has impaired the carrying value of capitalised exploration and evaluation expenditure related to the Hoepakrantz 291 KT prospecting licence to the directors' estimated recoverable amount of US$3,653,200. We have been unable to obtain sufficient appropriate review evidence to support the carrying value of the Hoepakrantz 291 KT prospecting licence for the purposes of this financial report.

The above represents a material limitation on the scope of our work.

Going concern

As described in Note 2 to the financial report, the Group's ability to continue to meet its debts as and when they fall due is reliant upon:

1. There being no material legitimate claims being made against the Company by the acquirers of the Russian Subsidiaries as outlined above ; and
2. The Group achieving its funding objectives which include:
    a. Negotiating agreements with certain trade creditors to extend payment terms: and
    b. The sale of certain assets.

We have been unable to obtain sufficient appropriate review evidence as to whether the consolidated entity can achieve the matters disclosed in Note 2 and hence remove significant doubt relating to its ability to continue as a going concern within 12 months of the date of this review report.

Disclaimer of review conclusion

Because of the significance of the matters described in the Basis for Disclaimer of Review Conclusion paragraphs, we have not been able to obtain sufficient appropriate review evidence to provide a basis for a review conclusion. Accordingly we do not express a review conclusion on the financial report.

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Report on Other Legal and Regulatory Requirements

Due to the matters described in the Basis for Disclaimer of Review Conclusion paragraphs, we have not been given all information, explanations and assistance necessary for the conduct of the review and we are unable to determine whether the company has kept:

a. Financial records sufficient to enable the financial report to be prepared and reviewed: and
b. Other records and registers as required by the Corporations Act 2001.

Ernst & Young

Ernst & Young

D S Lewsen

D S Lewsen
Partner
Perth
30 October 2014

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