International Petroleum Limited

(ABN 76 118 108 615)

Annual Financial Report for the year ended 31 December 2013

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CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN
Antony Sage

NON-EXECUTIVE DIRECTORS
Timothy Turner
Frank Timis

COMPANY SECRETARY
Jason Brewer

PRINCIPAL & REGISTERED OFFICE
32 Harrogate Street
West Leederville
WA 6007
Telephone: (08) 9388 0744
Facsimile: (08) 9382 1411

AUDITORS
Ernst & Young
11 Mounts Bay Road
Perth
WA 6000
Telephone: (08) 9429 2222
Facsimile: (08) 9429 2436

SHARE REGISTRAR
Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth
WA 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

STOCK EXCHANGE LISTING
National Stock Exchange of Australia
Code: IOP

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 year ended 31 December 2013.

OFFICERS

Directors

The names of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year 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 22 August 2013)
Mr Vladimir Mangazeev (resigned 28 August 2013)

Company Secretary

Ms Claire Tolcon (resigned 31 January 2014)
Mr Jason Brewer (appointed 31 January 2014)

PRINCIPAL ACTIVITIES

The Company'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 4th quarter of 2014.

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.

FINANCIAL SUMMARY

The Group incurred a loss after income tax of US$133,176,144 (2012: US$3,362,144); of which US$75,722,487 (2012: US$2,665,390) related to continuing operations and US$57,453,657 (2012: US$696,754) related to discontinued operations. The Group's result from continuing operations includes the following:

- Impairment losses on exploration and evaluation expenditure of US$74,500,062 (2012: US$130,090) reflecting the Group's ongoing evaluation of its exploration portfolio. The background for the impairment losses are detailed in note 14 to the financial statements.
- Net foreign exchange losses of US$4,629,091 (2012: US$457,934) primarily related to the movements in the carrying values of loans denominated in a foreign currency.
- Gains on derivative financial assets of US$7,776,354 (2012: US$484,677) reflecting the revaluation of the embedded put options in the convertible notes at 31 December 2013.
- Finance costs of US$2,250,115 (2012: US$854,308) reflecting the third party borrowings used to fund exploration activities.

The Group's result from discontinued operations (Russian subsidiaries held for sale; refer to significant events after the balance sheet for detail of sale) includes the following:

- Impairment losses on exploration and evaluation expenditure of US$54,830,660 (2012: nil) reflecting the fair value of the subsidiaries held for sale.
- Late payment penalties of US$2,888,339 relating to non-payment of suppliers in Russia; included in the other expenses category.
- Finance costs of US$346,052 (2012: US$666,584) reflecting the third party borrowings used to fund exploration activities.

The exploration activities in 2013 are set out in the Review of Operations - Projects above.

CASH FLOWS, LIQUIDITY AND FUNDING

Net cash flows used in operations during the year were US$1,069,639 (2012: US$3,474,843). There was a decrease of US$163,738 in the cash balance from US$374,980 at 31 December 2012 to US$211,242 at 31 December 2013.

Net funding of US$13,019,593 was received by the Group during the year (2012: US$35,335,484). 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 year. The remainder of the funding 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, including a US$40,000 commitment fee, on 15 July 2013. The outstanding loan balance of US$2,040,000, inclusive of the commitment fee, is consequently repayable to Range. The terms of the loan agreements are detailed in note 16 to the financial statements. The net funding received in 2012 consisted of a share placement raising net proceeds of US$34,045,484 and net borrowing receipts of US$1,290,000.

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 the significant events after the balance date section of this Directors' Report. 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 year (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 year (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 3,500,000 (2012: 5,500,000) options were granted during the year; a total of 2,000,000 (2012: 2,500,000) options were forfeited and 2,500,000 (2012: 135,193,072) options expired during the year. As at 31 December 2013, there were 40,700,000 share options on issue (31 December 2012: 41,700,000 share options on issue).

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The following significant events and transactions have taken place subsequent to 31 December 2013:

In August 2014 the Group received notification from the Kazakhstan Ministry of Oil & Gas ("MOG") that its rights to the Alakol 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 financial report. 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 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.

No other event has arisen between 31 December 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.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Review of Operations, included in this Directors Report, outlines the significant changes in the state of affairs during the year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will continue to meet its obligations with respect to its oil and gas projects.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with the relevant environmental regulations when carrying out any exploration work. There have been no significant known breaches of the Company's exploration license conditions or any environmental regulations to which it is subject.

INFORMATION ON DIRECTORS

Antony Sage	*Non-Executive Chairman*
Qualifications	B.Com, FCPA, CA, FTIA
Experience	Mr Sage has in excess of 30 years' experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining and exploration companies for the last 18 years. Mr Sage has operated in Argentina, Brazil, Peru, Romania, Russia, Sierra Leone, Guinea, Cote d'Ivoire, Congo, South Africa, Indonesia, China and Australia. Mr Sage is currently Chairman of ASX-listed Australian companies, Cape Lambert Resources Ltd (which was AIM Company of the year in 2008), Cauldron Energy Ltd and Fe Ltd. Mr Sage is also a Non-Executive Director of the following ASX-listed entities, Kupang Resources Ltd and Caeneus Minerals Ltd. Mr Sage is also the Non-Executive Chairman of Global Strategic Metals Limited, which delisted from the ASX on 15 August 2014. Further to Mr Sage's current directorships he was also director of NSX listed African Petroleum Corporation Limited (October 2007 to June 2013), ASX-listed International Goldfields Limited (February 2009 to May 2013) and ASX-listed African Iron Limited (January 2011 to March 2012). Mr Sage is also the sole owner of A League football club Perth Glory that plays in the National competition in Australia.
Interest in Shares and Options	Mr Sage has an interest in 15,480,691 fully paid ordinary shares
Timothy Turner	*Non-Executive Director*
Qualifications	B.Bus, FCPA, FTIA, Registered Company Auditor, Fellow of CPA Australia and a Fellow of the Taxation Institute of Australia
Experience	Mr Turner is senior partner with accounting firm, Hewitt Turner & Gelevitis. Mr Turner specialises in domestic business structuring, corporate and trust tax planning and the issuing of audit opinions. Mr Turner also has in excess of 24 years' experience in new ventures, capital raisings and general business consultancy. Mr Turner is also a Non-Executive director of ASX-listed entities Cape Lambert Resources Limited and Legacy Iron Limited and NSX listed African Petroleum Corporation Limited.
Interest in Shares and Options	Mr Turner has an interest in 161,819 fully paid ordinary shares
Frank Timis	*Non-Executive Director*
Experience	Mr Timis is a successful resource entrepreneur. He has interests in numerous resource companies listed in London, Australia and Toronto and in assets worldwide. Mr Timis has raised approximately US$2 billion on the financial markets worldwide and is Executive Chairman of African Minerals Limited, an AIM listed mineral exploration company with significant interests in Sierra Leone. Further to Mr Timis's current directorships he was also director of NSX listed African Petroleum Corporation Limited (June 2010 to October 2013).
Interest in Shares and Options	Mr Timis holds 444,018,420 fully paid ordinary shares.

Mark Ashurst	*Non-Executive Director (resigned 20 February 2013)*
Qualifications	BA (Hons) Law; Fellow of the Institute of Chartered Accountants in England and Wales
Experience	Mr Ashurst graduated from Sheffield University with a degree in law and is a qualified Barrister and Chartered Accountant. Mr Ashurst has been employed as a senior investment banker with a broad range of corporate finance and broking skills gained from over 20 years in the City of London. Institutions Mr Ashurst has worked for include BZW, Hoare Govett and, more recently, Canaccord Adams. He has advised both UK and overseas listed companies and has significant expertise in Initial Public Offerings, fund raising and mergers and acquisitions. Mr Ashurst is also an Executive Director of NSX listed African Petroleum Corporation Limited.
Interest in Shares and Options	On resignation Mr Ashurst did not hold any shares or options in the Company.
William McAvock	*Executive Director and Chief Financial Officer (resigned 12 June 2014)*
Qualifications	BA (Hons) Accountancy, Fellow of the Association of Chartered Certified Accountants
Experience	Mr McAvock has held senior financial positions in natural resource exploration businesses for ten years. He spent over three years as Group Financial Controller of Adastra Minerals Inc. (which had dual listings on the TSX and AIM stock exchanges and was taken over by First Quantum Minerals Limited in 2006) and four years as Group Financial Controller of African Minerals Limited (AIM: AMI), the iron ore project development company that is developing the Tonkolili project in Sierra Leone, West Africa.
Interest in Shares and Options	On resignation Mr McAvock had an interest in 90,000 fully paid ordinary shares. Mr McaAvock also held 3,000,000 unlisted options, which were forfeited at resignation.
Chris Hopkinson	*Executive Director and Chief Executive Officer (resigned 26 February 2014)*
Qualifications	BSc (Hons) Applied Physics
Experience	Mr Hopkinson has 23 years' experience in the oil and gas industry and previously worked for BG Group, where he was Senior Vice President of North Africa. Before that, Mr Hopkinson spent eight years working in Russia as CEO of Imperial Energy Corporation plc and in senior management positions for TNK-BP, Yukos and Lukoil. Mr Hopkinson started his career with Shell working in various locations worldwide.
Interest in Shares and Options	On resignation Mr Hopkinson did not have an interest in any shares in the Company. Mr Hopkinson held 15,000,000 unlisted options and 10,000,000 performance shares, which were forfeited at resignation.

Tony Antoniou	*Non-Executive Director (resigned 22 August 2013)*
Qualifications	BSc (Hons) Chemistry, Member of the Institute of Chartered Accountants in England & Wales
Experience	Mr Antoniou is a UK Chartered Accountant with over 30 years' public accounting experience with PwC, the last 15 years of which were as a partner of PwC in Russia. He is also a non-executive director and audit committee member of Transcreditbank, one of the largest banks in Russia, and a consultant to PwC in Central and Eastern Europe.
Interest in Shares and Options	On resignation Mr Antoniou did not hold any shares or options in the Company.
Pierre Godec	*Non-Executive Director (resigned 22 August 2013)*
Qualifications	Chevalier de la Legion d'Honneur, Chevalier de l'Ordre National du Merite, and a Fellow of the Energy Institute in London
Experience	Mr Godec spent 32 years with Groupe Elf Aquitaine ('Elf'), having held senior positions at Elf in the UK, Russia, France, USA, Canada, Kazakhstan, Nigeria and Norway. Between 2000 and 2004, Mr Godec worked as an independent international consultant with companies such as McKinsey, Accenture and Northern Oil. He was a Non-Executive Director of Imperial Energy Corporation plc and also held the position of Chairman of the audit committee and the remuneration committee. Mr Godec is also a director of Petrolia E&P Holdings plc and Petroresources Ltd, which are both energy companies registered in Cyprus, controlled by the Larsen Group, with operations outside Cyprus, and he is President of the French Trade Board in Cyprus.
Interest in Shares and Options	On resignation Mr Godec did not hold any shares or options in the Company.
Vladimir Mangazeev	*Non-Executive Director (resigned 28 August 2013)*
Qualifications	B.Bus, FCPA, FTIA, Registered Company Auditor, Fellow of CPA Australia and a Fellow of the Taxation Institute of Australia
Experience	Mr Mangazeev has over 45 years' experience in the oil industry in Russia. He has worked for Tomskneft, as Chief Geologist, Deputy Director General for Geology where he was responsible for Tomskneft's Geological Department. He has also held the position of Vice-President of VNK (Eastern Oil Company), Executive Vice-President of Yukos Oil Company. Mr Mangazeev is an Honorary Doctor of Engineering of Heriot-Watt University. During the last four years, Mr Mangazeev has been President Advisor of JSC Vostokgazprom Mr Mangazeev has a degree from Tomsk Polytechnic University, majoring in Petroleum Geology and Exploration for Oil & Gas Fields.
Interest in Shares and Options	On resignation Mr Mangazeev did not hold any shares or options in the Company.

COMPANY SECRETARY

Claire Tolcon has over 16 years' of experience in the legal profession, primarily in the areas of equity capital markets, mergers and acquisitions, corporate restructuring, corporate governance and mining and resources. She was a partner of a corporate law firm for a number of years before joining the Company and has a Bachelor of Laws and Bachelor of Commerce (Accounting) degree and has completed a Graduate Diploma of Applied Finance with the Financial Services Institute of Australasia and a Graduate Diploma of Corporate Governance with Chartered Secretaries of Australia Ltd.

Ms Tolcon resigned and Mr Jason Brewer was appointed as Company Secretary on 31 January 2014. Mr Brewer has over 18 years' international experience in the natural resources sector and in investment banking. He is a mining engineer with a Master's degree in mining engineering with honours from the Royal School of Mines, London. He has experience in a variety of commodities having worked in underground and opencast mining operations in the UK, Australia, Canada and South Africa. In addition he has worked for major global investment banks including Dresdner Kleinwort Benson, NM Rothschild & Sons (Australia) Limited and Investec Bank (Australia) Limited in London, Sydney and Perth; where he had particular responsibility for structuring and arranging corporate and project funding facilities for mining companies operating in Asia and Africa.

REMUNERATION REPORT (audited)

This report details the nature and amount of remuneration of key management personnel of the Company.

Remuneration policy

Details of directors and other key management personnel

(i) Directors

Antony Sage	Non-Executive Chairman
Timothy Turner	Non-Executive Director
Frank Timis	Non-Executive Director
Mark Ashurst	Non-Executive Director (resigned 20 February 2013)
William McAvock	Executive Director and Chief Financial Officer (resigned 12 June 2014)
Chris Hopkinson	Executive Director and Chief Executive Officer (resigned 26 February 2014)
Tony Antoniou	Non-Executive Director (resigned 22 August 2013)
Mr Pierre Godec	Non-Executive Director (resigned 22 August 2013)
Mr Vladimir Mangazeev	Non-Executive Director (resigned 28 August 2013)

(ii) Other Key Management Personnel

Jason Brewer	Company Secretary (appointed 31 January 2014)
Claire Tolcon	Company Secretary (resigned 31 January 2014)
Anya Belogortseva	Kazakhstan Regional Manager
Alexander Osipov	Chief Executive Officer (promoted 9 June 2014 from VP Business Development)
Sergey Pisarchuk	General Director Moscow & Director of International Petroleum's Technical and Engineering Centre in Moscow - appointed 6 June 2012; following resignation, his employment contract terminated 28 February 2013.

There are no other specified executives of the Group.

The Board's policy for determining the nature and amount of remuneration for Board members is as follows:

The remuneration policy, setting the terms and conditions for the directors, was approved by the Board as a whole. The Board has established a separate Remuneration and Nomination Committee.

The Group is an exploration group, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. Remuneration may consist of a salary, bonuses, or any other element but must not be a commission on, or percentage of, operating revenue.

All remuneration paid to Non-Executive Directors is valued at the cost to the Company and expensed. All remuneration paid to Executive Directors is valued at cost to the Company. Options are valued using the Black-Scholes methodology.

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board as a whole determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of cash fees that can be paid to Non-Executive Directors is US$399,272 (A$ 450,000) or such other amount approved by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Company.

The Board exercises its discretion in determining remuneration linked to performance of executives. Given the early stage of the Group's key exploration projects, options awarded to executives of the Group contain vesting conditions which are related to the expansion of the Group's exploration asset portfolio and the discovery of hydrocarbons. Where performance conditions are not set, awards are designed to retain executives.

Company Performance and Shareholder Wealth and Directors' and Executives' Remuneration

The Board continues to maintain promotional activity amongst analysts so as to increase investor awareness of the Company in line with a consistent and stable financial position and base value of assets.

Below is a summary of the performance of the parent company, International Petroleum Limited, for the year ended 30 June 2009 and the performance of the Group for the 6 month period to 30 June 2010, the 6 month period to 31 December 2010 and the years ended 31 December 2011, 31 December 2012 and 31 December 2013:

	12 months ended 30 June 2009 US$	**6 months ended 30 June 2010 US$**	**6 months ended 31 Dec 2010 US$**	**12 months ended 31 Dec 2011 US$**	**12 months ended 31 Dec 2012 US$**	**12 months ended 31 Dec 2013 US$**
Profit/(loss) for the period	(934,273)	(8,869,365)	(6,669,644)	(27,463,912)	(3,362,144)	(133,176,144)
Basic EPS (cents)	(1.02)	(0.75)	(0.70)	(2.79)	(0.31)	(11.27)
Share price at end of period (A$)	A$0.20	A$0.30	A$0.16	A$0.15	A$0.065	A$0.06

Details of remuneration of directors and key management personnel of International Petroleum for the year ended 31 December 2013

The table below sets out the remuneration of the directors and key management personnel of International Petroleum and its subsidiaries for the year ended 31 December 2013.

	Short term benefits			**Post-employment benefits**	**Share-based payments**[1]			**Performance related**	**Percentage of total remuneration that consists of options**
	Salary and fees	**Other cash benefits**	**Cash bonus**	**Pension contribution**	**Options**	**Shares**	**Total**		
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**%**	**%**
Directors									
A Sage (i)	96,780	-	-	-	-	-	96,780	-	-
T Turner (ii)	46,454	-	-	-	-	-	46,454	-	-
F Timis (iv)	72,585	-	-	-	-	-	72,585	-	-
M Ashurst (v)	10,333	-	-	-	-	-	10,333	-	-
W McAvock (vi)	314,272	7,358	-	31,427	(119,680) [2]	-	233,377	-	-
C Hopkinson (vii)	510,692	7,497	-	51,069	(122,710) [2]	569,378	1,015,926	56	-
T Antoniou (viii)	32,749	-	-	-	-	-	32,749	-	-
P Godec (ix)	29,846	-	-	-	-	-	29,846	-	-
V Mangazeev (x)	30,595	-	-	-	-	-	30,595	-	-
	1,144,306	**14,855**	**-**	**82,496**	**(242,390)**	**569,378**	**1,568,645**	**36**	**-**
Key management									
A Belogortseva (xi)	306,508	47,892	-	-	-	-	354,400	-	-
A Osipov (xiii)	419,704	62,649	-	-	69,825	-	552,178	13	13
S Pisarchuk (xiv)	25,456	-	-	-	(102,232)	-	(76,776)	-	-
C Tolcon (xv)	55,257	-	-	-	-	-	55,257	-	-
Total	**1,951,231**	**125,396**	**-**	**82,496**	**(274,797)**	**569,378**	**2,453,704**	**26**	**3**

[1] Share based payments represents the fair value of options and deferred performance shares recognised in the financial statements during 2013.

[2] During the current year, there has been a change in the probabilities of certain options vesting.

Details of remuneration of directors and key management personnel of International Petroleum for the year ended 31 December 2012

The table below sets out the remuneration of the directors and key management personnel of International Petroleum and its subsidiaries for the year ended 31 December 2012.

	Short term benefits			Post-employment benefits	Share-based payments[1]			Performance related	Percentage of total remuneration that consists of options
	Salary and fees US$	Other cash benefits US$	Cash bonus US$	Pension contribution US$	Options US$	Shares US$	Total US$	%	%
Directors									
A Sage (i)	103,550	-	-	-	-	-	103,550	-	-
T Turner (ii)	49,704	-	-	-	-	-	49,704	-	-
M Gwynne (iii)	4,142	-	-	-	-	-	4,142	-	-
F Timis (iv)	77,663	-	-	-	-	-	77,663	-	-
M Ashurst (v)	129,201	-	-	-	-	-	129,201	-	-
W McAvock (vi)	317,576	-	31,972	33,499	75,865	-	458,912	12	17
C Hopkinson (vii)	515,236	-	-	79,856	615,769	610,517	1,821,378	38	34
T Antoniou (viii)	63,166	-	-	-	-	-	63,166	-	-
P Godec (ix)	45,562	-	-	-	-	-	45,562	-	-
V Mangazeev (x)	41,420	-	-	-	-	-	41,420	-	-
	1,347,220	**-**	**31,972**	**113,355**	**691,634**	**610,517**	**2,794,698**	**26**	**25**
Key management									
A Belogortseva (xi)	324,619	53,605	-	-	-	-	378,224	-	-
K Hopkins (xii)	257,600	-	-	-	(79,496)	-	178,104	-	-
A Osipov (xiii)	465,549	23,876	-	-	86,730	-	576,155	15	15
S Pisarchuk (xiv)	114,921	-	-	-	38,823	-	153,744	25	25
C Tolcon (xv)	83,599	-	-	-	-	-	83,599	-	-
Total	**2,593,508**	**77,481**	**31,972**	**113,355**	**737,691**	**610,517**	**4,164,524**	**22**	**19**

[1] Share based payments represents the fair value of options and deferred performance shares recognised in the financial statements during 2012.

(i) An aggregate amount of US$96,780 (A$100,000) was paid, or was due and payable, to Okewood Pty Ltd, a company controlled by Mr Sage, for the provision of his services as a director of the Company for the current year (2012: US$103,550).

(ii) An aggregate amount of US$46,454 (A$48,000) was paid, or was due and payable, to CRMS, an entity controlled by Mr Turner, for the provision of his services as a director of the Company for the current year (2012: US$49,704).

(iii) Mr Gwynne resigned as Non-Executive Director on 1 March 2012. An aggregate amount of US$4,142 (A$4,000) was paid, or was due and payable, to Silverwest Pty Ltd, a company controlled by Mr Gwynne for the provision of his services as a director of the Company for the prior year.

(iv) An aggregate amount of US$72,585 (A$75,000) was paid, or was due and payable, to Frank Timis for the provision of his services as a director of the Company for the current year (2012: US$77,663).

(v) An aggregate amount of US$10,333 was paid, or was due and payable, to MLR Advisory Ltd, a company controlled by Mr Ashurst for the current year (2012: US$129,201). Of this total, US$6,462 was for the provision of his consultancy services to the Group and US$3,871 (A$4,000) was for the provision of his services as a director of the Company for the current year (2012: US$79,267 and US$49,934 respectively).

(vi) An aggregate amount of US$314,272 (£200,000) was paid, or was due and payable, to William McAvock for the current year (2012: US$317,576). A bonus of US$31,972 (£20,000) was also paid to William McAvock during the prior year in recognition of his services to the Group in 2011.

Mr McAvock holds 3,000,000 unlisted options in the Company. The options have an exercise price of A$0.25 and an expiry date of 1 June 2016. These options will vest upon the following conditions being met, on the assumption that Mr McAvock remains employed by the Group:

- 1,000,000 will vest on the Company securing a commercial discovery.
- 1,000,000 will vest on the Company dual listing on another recognised stock exchange.
- 1,000,000 will vest in equal instalments over a 3 year period commencing on the date of commencement of his employment by the Group.

The 1,000,000 options conditional on the Company securing a commercial discovery vested during the 2011; 333,333 options vested in the prior year following the first anniversary of the date of commencement of Mr McAvock's employment by the Group, with a further 333,333 options vesting in the current year following the second anniversary date. The remaining 1,333,333 options were unvested as at 31 December 2013.

(vii) An aggregate amount of US$510,692 (£325,000) was paid, or was due and payable, to Mr Hopkinson for the current year (2012: US$515,236).

Mr Hopkinson holds 15,000,000 unlisted options in the Company. The options have an exercise price of A$0.25 and an expiry date of 1 June 2016. These options will vest upon the following conditions being met, on the assumption that Mr Hopkinson remains employed by the Group:

- 2,500,000 will vest on the Company securing a commercial discovery in Russia prior to 31 December 2011.
- 2,500,000 will vest on the Company listing on the AIM Market or the London Stock Exchange;
- 2,500,000 will vest in each of 6 months, 12 months, 24 months and 36 months following the date of commencement of his employment by the Group.

The 2,500,000 options conditional on the Company securing a commercial discovery in Russia and the 2,500,000 options conditional on Mr Hopkinson providing six months of service to the Company vested during 2011, 2,500,000 options conditional on Mr Hopkinson providing 12 months of service to the Group vested during the prior year and a further 2,500,000 options conditional on 24 months of service vesting during the current year. The remaining 5,000,000 options were unvested as at 31 December 2013.

Mr Hopkinson was also granted 10,000,000 performance shares in 2011. The issue of the incentive shares is conditional upon the achievement of the following milestones:

- 2,500,000 Shares upon the Shares trading on NSX at A$0.50 for 30 continuous trading days.
- 2,500,000 Shares upon the Shares trading on NSX at A$0.75 for 30 continuous trading days.
- 2,500,000 Shares upon the Shares trading on NSX at A$1.00 for 30 continuous trading days.
- 2,500,000 Shares upon the Shares trading on NSX at A$1.50 for 30 continuous trading days.

As at 31 December 2013 none of these performance shares have been issued.

(viii) An aggregate amount of US$29,846 (A$30,839) was paid, or was due and payable, to Mr Antoniou for the provision of his services as a director of the Company for the current year (2012: US$49,704). An amount of US$2,903 (A$3,000) was also paid to Mr Antoniou for attending committee meetings (2012: US$13,462).

(ix) Mr Godec was appointed on 17 February 2012. An aggregate amount of US$29,846 (A$30,839) was paid, or was due and payable, to Mr P Godec for the provision of his services as a director of the Company for the current year (2012: US$45,562).

(x) Mr Mangazeev was appointed on 1 March 2012. An aggregate amount of US$30,595 (A$31,613) was paid, or was due and payable, to Mr Mangazeev for the provision of his services as a director of the Company for the current year (2012: US$41,420).

(xi) An aggregate amount of US$306,508 was paid, or was due and payable, to Ms Belogortseva for the provision of her services as Kazakhstan Regional Manager for the current year (2012: US$324,619). In addition, the Group paid for living accommodation for Ms Belogortseva amounting to US$47,892 (2012: US$53,605).

Ms Belogortseva holds 1,500,000 unlisted options in the Company. The options have an exercise price of A$0.25 and an expiry date of 16 March 2016. The options were issued and vested during 2010.

(xii) Mr Hopkins's employment agreement with the Group was terminated on 31 July 2012. An aggregate amount of US$257,600 was paid, or was due and payable, to Mr Hopkins for the provision of his services as Country Manager (Kazakhstan) for the prior year.

1,500,000 vested options held by Mr Hopkins were cancelled, and 1,000,000 unvested options held by Mr Hopkins were forfeited, following termination of his employment agreement.

(xiii) A total of US$419,704 (2012: US$465,549) was paid, or was due and payable, for the year, in respect of Mr Osipov's services as VP Business Development for the current year. In addition, the Group paid for living accommodation for Mr Osipov amounting to US$62,649 (2012: US$23,876).

Mr Osipov holds 2,000,000 options in the Company with an exercise price of A$0.25 and an expiry date of 16 March 2016. The options were awarded on 23 August 2010 and issued on 17 March 2011. These options will vest upon the following conditions being met, on the assumption that Mr Osipov remains employed by the Group:

- 500,000 options over ordinary shares vested on award and were in recognition of the acquisition of Souville Investments Ltd (Cyprus).
- 500,000 options over ordinary shares vest on the International Petroleum Limited share price reaching A$0.50 for 30 consecutive days.
- 1,000,000 options over ordinary shares vest on the International Petroleum Limited share price reaching A$1.00 for 30 consecutive days.

Also on 23 August 2010, it was agreed that 500,000 options would be awarded to Mr Osipov on acquisition of each new project. As a result of an acquisition on 3 November 2011, a further 500,000 options, with an exercise price of A$0.25 and an expiry date of 18 July 2017, were awarded and vested immediately. These options were issued in July 2012.

(xiv) An aggregate amount of US$25,456 was paid, or was due and payable, to Mr Pisarchuk for the provision of his services since June 2012 as General Director of the Moscow Office and Director of International Petroleum's Technical and Engineering Centre in Moscow for the current year (2012: US$114,921).

Mr Pisarchuk held 1,500,000 options in the Company with an exercise price of A$0.25 and an expiry date of 15 April 2016. The options were issued on 18 July 2011. These options would have vested upon the following conditions being met:

- 375,000 options over ordinary shares vest on the International Petroleum Limited share price reaching A$0.50 for 30 consecutive days
- 375,000 options over ordinary shares vest on the International Petroleum Limited share price reaching A$0.75 for 30 consecutive days
- 375,000 options over ordinary shares vest on the International Petroleum Limited share price reaching A$1.00 for 30 consecutive days
- 375,000 options over ordinary shares vest on the International Petroleum Limited share price reaching A$1.50 for 30 consecutive days

All the options were forfeited upon the termination of Mr Pisarchuk's employment on 28 February 2013.

(xv) An aggregate amount of US$55,257 (A$57,096) was paid, or was due and payable, to Bedaam Pty Ltd, an entity controlled by MsTolcon for company secretary and legal counsel services provided in the current year (2012: US$83,599)

There were no options awarded to directors and key management during the current year (2012: nil options). Of the options awarded in prior periods, 2,833,333 options vested during the current year (2012: 2,833,333 options). The value of options that are expected to vest and which had not vested at 31 December 2013 will be recognised over the appropriate vesting periods.

Options recognised as part of key management remuneration for the year ended 31 December 2013

The options that are reflected in the key management remuneration for the current year, and those of which vested during the current year, are as follows:

	Number of options awarded	Award date	Fair value per option at award date A$[1]	Exercise price A$[2]	Expiry date	First exercise date	Last exercise date	Options vested during the current year	
								Number	**%**
Directors									
Mr W McAvock	3,000,000	27 May 2011	0.19[3]	0.25	1 Jun 2016	27 May 2011	1 Jun 2016	333,333	11
Mr C Hopkinson	15,000,000	27 May 2011	0.19[3]	0.25	1 Jun 2016	27 May 2011	1 Jun 2016	2,500,000	17
Other key management									
Mr O Osipov	1,500,000	23 Aug 2010	0.21[4]	0.25	16 Mar 2016	23 Aug 2010	16 Mar 2016	-	-
Mr S Pisarchuk	1,500,000	24 May 2011	0.19[5]	0.25	15 Apr 2016	24 May 2011	28 Feb 2013[6]	-	-
Total	**21,000,000**							**2,833,333**	**15**

[1] Given that the options are for ordinary shares in an Australian listed entity, the fair value of the options have been determined in Australian dollars ("A$") and have been translated into United States dollars ("US$") at the prevailing exchange rate on the dates the options were awarded.

[2] The option exercise prices are denominated in A$, equivalent to US$0.22 at the prevailing exchange rate on 31 December 2013.

[3] The US$ equivalent fair value on date of award is US$0.20

[4] The US$ equivalent fair value at grant date is US$0.19

[5] The US$ equivalent fair value at grant date is US$0.20

[6] All the options were forfeited upon the termination of Mr Pisarchuk's employment on 28 February 2013.

Options awarded, exercised, lapsed or forfeited during the year ended 31 December 2013

There were no options granted to or exercised by key management personnel during the current year. 1,500,000 vested options held by Mr Pisarchuk were forfeited during the current year, following termination of his employment agreement.

	Number of options forfeited during the current year	Value of options forfeited during the current year US$
Key management		
S Pisarchuk	1,500,000	-

For details on the valuation of the options, including models and assumptions used, refer to Note 20.

There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

Service Agreements

Mr Antony Sage – Non-Executive Chairman

Mr Sage's role as Non-Executive Chairman is governed by a service agreement between International Petroleum Limited, Okewood Pty Ltd and Mr Sage.

The agreement stipulates the following terms and conditions:

(a) Term: minimum of three years commencing 1 July 2008;

(b) Rate: a consultancy fee of A$100,000 per annum to be payable to Okewood Pty Ltd. Mr Sage's fee is settled in Australian dollars, with the USD equivalent equal to US$96,780 for 2013. In addition, Mr Sage is to be reimbursed for all reasonable expenses incurred in the performance of his duties;

(c) this agreement may be terminated by the Company in a number of circumstances including:

i. failure to comply with lawful directions given by the Company through the Board;

ii. failure to produce the services to a satisfactory standard which continues unremedied for ten business days after written notice of failure has been given;

iii. a serious or consistent breach of any of the provisions of the Executive Chairman consultancy agreement which is either not capable to being remedied or is capable of being remedied and is not remedied within 14 day; and

iv. Mr Sage being unable to perform services for 40 consecutive business days or an aggregate of 60 business days in any 12 months.

(d) Upon termination without meeting the circumstances outlined in (c) above the Company must pay the fee for the remaining term of the agreement.

Mr Timothy Turner – Non-Executive Director

The Company has entered into a consultancy agreement with Corporate Resource and Mining Services ("CRMS") and Mr Timothy Turner to provide the services of a Non-Executive Director to the Company.

The agreement stipulates the following terms and conditions:

(a) Term: minimum of three years commencing 25 November 2008;

(b) Rate: a fee of A$48,000 per annum is payable to CRMS. Mr Turner's fee is settled in Australian dollars, with the USD equivalent equal to US$46,454 for 2013. In addition, Mr Turner is to be reimbursed for all reasonable expenses incurred in the performance of his duties;

(c) this agreement may be terminated by the Company in a number of circumstances including:

i. failure to comply with lawful directions given by the Company through the Board;

ii. failure to produce the services to a satisfactory standard which continues unremedied for ten business days after written notice of failure has been given;

iii. a serious or persistent breach of any of the provisions of the Non-Executive Director consultancy agreement which is either not capable to being remedied or is capable of being remedied and is not remedied within 14 day; and

iv. Mr Turner being unable to perform services for 40 consecutive business days or an aggregate of 60 business days in any 12 months.

(d) Upon termination without meeting the circumstances outlined in (c) above the Company must pay the fee for the remaining term of the agreement.

Mark Ashurst - Non-Executive Director – resigned 20 February 2013

The engagement conditions of Mark Ashurst were approved by the Board on his appointment as a non-executive director with a fee of A$4,000 per month. Mr Ashurst's fees of A$4,000 for his services as a director for the current year will be settled in pounds sterling, equivalent to US$3,871. US$6,462 was also paid to Mr Ashurst for consultancy services provided to other companies in the Group during the current year.

Frank Timis - Non-Executive Director

The engagement conditions of Frank Timis were approved by the Board on his appointment as a non-executive director with a fee of A$6,250 per month, equivalent to a total of US$72,585 for the current year.

William McAvock - Executive Director and Chief Financial Officer) – resigned 12 June 2014

The engagement conditions of William McAvock were approved by the Board on commencement of his employment. The terms of the engagement are as follows:

(a) Term: one year rolling contract with a six month notice period now effective;

(b) Rate: Annual salary of £200,000. Mr McAvock's salary is settled in pounds sterling, equivalent to US$314,272 for the current year.

(c) A discretionary bonus of up to 100% of Mr McAvock's base salary may be awarded by the Board's Remuneration and Nomination Committee. An amount of US$31,972 (£20,000) was paid as a bonus to Mr McAvock during the prior year in recognition of his services to the Group in 2011.

(d) Company contribution equivalent to 10% of base salary to his personal pension scheme.

(e) 3 million options with an exercise price of A$0.25 which will vest upon meeting the following conditions:

- 1,000,000 options in the event the Group secures a commercial discovery;
- 1,000,000 options in the event the Company achieves a listing on a second stock exchange;
- 1,000,000 options to be issued in equal instalments over a three year period commencing on the date Mr McAvock was appointed.

Chris Hopkinson – Executive Director and Chief Executive Officer – resigned 26 February 2014

The engagement conditions of Chris Hopkinson were approved by the Board on commencement of his employment. The terms of the engagement are as follows:

(a) Term: one year rolling contract with a six month notice period now effective;

(b) Rate: Annual salary of £325,000. Mr Hopkinson's salary is settled in Great British Pounds with the USD equivalent for the current year equal to US$510,692.

(c) A discretionary bonus of up to 100% of Mr Hopkinson's base salary may be awarded by the Board's Remuneration and Nomination Committee subject to Mr Hopkinson meeting annual targets set at the commencement of each year. During the current year no bonus was paid to Mr Hopkinson.

(d) Company contribution equivalent to 10% of base salary to his personal pension scheme.

(e) 15 million options with an exercise price of A$0.25 which will vest upon meeting the following conditions:

- 2,500,000 options in the event the Group secures a commercial discovery in Russia prior to 31 December 2011;
- 2,500,000 options in the event the Company achieves a listing on the AIM market of the London stock exchange;
- 10,000,000 options to be issued in instalments over a three year period commencing on the date Mr Hopkinson was appointed as follows: 2,500,000 options to be issued after the expiry of 6 months, 12 months, 24 months and 36 months of Mr Hopkinson's start date.

(f) Mr Hopkinson will be eligible to receive up to 10 million fully paid shares in the Company upon the attainment of the Company's share price achieving the following milestones:

- 2,500,000 shares when the Company's share price (mid-price) reaches A$0.50 for a continuous trading period of 30 days, assuming Mr Hopkinson remains employed by the Group at the time.
- 2,500,000 shares when the Company's share price (mid-price) reaches A$0.75 for a continuous trading period of 30 days, assuming Mr Hopkinson remains employed by the Group at the time.

- 2,500,000 shares when the Company's share price (mid-price) reaches A$1.00 for a continuous trading period of 30 days, assuming Mr Hopkinson remains employed by the Group at the time.
- 2,500,000 shares when the Company's share price (mid-price) reaches A$1.50 for a continuous trading period of 30 days, assuming Mr Hopkinson remains employed by the Group at the time.

As at 31 December 2013, the performance milestones on these performance shares had not yet occurred. US$569,378 has been recognised in the current year in relation to these performance shares (2012: US$610,517).

Tony Antoniou – Non-Executive Director – resigned 22 August 2013

The engagement conditions of Tony Antoniou were approved by the Board on his appointment as a non-executive director with a fee of A$4,000 per month. Mr Antoniou's fee is settled in Australian dollars, equivalent to US$29,846 for the current year. Mr Antoniou was also paid A$3,000, equivalent to US$2,903, for attending committee meetings of the Company.

Pierre Godec – Non-Executive Director – resigned 22 August 2013

The engagement conditions of Pierre Godec were approved by the Board on his appointment as a non-executive director with a fee of A$4,000 per month. Mr Godec's fee is settled in Australian dollars, equivalent to US$29,846 for the current year.

Vladimir Mangazeev – Non-Executive Director – resigned 28 August 2013

The engagement conditions of Vladimir Mangazeev were approved by the Board on his appointment as a non-executive director with a fee of A$4,000 per month. Mr Mangazeev's fee is settled in Australian dollars, equivalent to US$30,595 for the current year.

Anya Belogortseva - Kazakhstan Regional Manager

The engagement conditions of Anya Belogortseva were approved by the Board on commencement of her employment. The terms of the engagement are as follows:

(a) Rate: UK annual salary of £100,000 per year, settled in pounds sterling, equivalent to US$239,929 in the current year; a further 10% of UK salary is paid in lieu of pension contributions; and an allowance of £100 per day spent in Kazakhstan paid net, after settlement of payroll taxes.

(b) Local fees of US$66,579 (2012: US$75,040) paid for services as a director of North Caspian Petroleum Limited branch in Kazakhstan.

(c) Award of 1,500,000 options with an exercise price of A$0.25 and expiry date of 16 March 2016. The options were awarded on 1 July 2010 and vested on issue.

(d) An annual performance bonus may be awarded at the discretion of the Board. No bonus was paid to Ms Belogortseva during the current year or prior year.

Alexander Osipov - Chief Executive Officer (promoted 9 June 2014 from VP Business Development)

The engagement conditions of Alexander Osipov were approved by the Board on commencement of his employment. The terms of the engagement are as follows:

(a) Term: two years.

(b) Notice period: 90 days.

(c) Rate: £280,000 per year for his role as VP Business Development

(d) The Group provides living accommodation for Mr A Osipov, the cost of which is deducted from his annual salary.

(e) Award of 2,000,000 options with an exercise price of A$0.25 and expiry date of 16 March 2016. 500,000 of these options vested on award. The remaining options are subject to the following vesting conditions:
- 500,000 options over ordinary shares vest on the International Petroleum Limited share price reaching A$0.50 for 30 consecutive days.
- 1,000,000 options over ordinary shares vest on the International Petroleum Limited share price reaching A$1.00 for 30 consecutive days.
- An annual performance bonus may be awarded at the discretion of the Board. No bonus was paid to Mr Osipov during the current year or prior year.

Also on 23 August 2010, it was agreed that 500,000 options would be awarded to Mr Osipov upon each acquisition of a new project to which he contributes. As a result of an acquisition on 3 November 2011, 500,000 options were awarded and vested immediately, with an exercise price of A$0.25 and expiry date of 18 July 2017.

Sergey Pisarchuk – General Director Moscow & Director of International Petroleum's Technical and Engineering Centre in Moscow – resigned 28 February 2013

The engagement conditions of Sergey Pisarchuk were previously approved by the Board on commencement of his employment in 2011. This position commenced in July 2012. The terms of the engagement are as follows:

(a) Rate: RUB 572,000 (US$17,961) per month.

(b) An annual performance bonus may be awarded at the discretion of the Board, up to 100% of Mr Pisarchuk's annual salary. No performance bonus was awarded to Mr Pisarchuk as General Director for the current and prior year.

(c) Award of 1,500,000 options in the prior year with an exercise price of A$0.25 and expiry date of 15 April 2016. The options are subject to the following vesting conditions:

- 375,000 options over ordinary shares vest on the International Petroleum Limited share price reaching A$0.50 for 30 consecutive days.
- 375,000 options over ordinary shares vest on the International Petroleum Limited share price reaching A$0.75 for 30 consecutive days.
- 375,000 options over ordinary shares vest on the International Petroleum Limited share price reaching A$1.00 for 30 consecutive days.
- 375,000 options over ordinary shares vest on the International Petroleum Limited share price reaching A$1.50 for 30 consecutive days.

Mr Pisarchuk's employment was terminated on 28 February 2013.

Claire Tolcon - Company Secretary *(resigned 31 January 2014)*

The engagement conditions of Bedaam Pty Ltd, an entity controlled by Claire Tolcon, were approved by the Board on commencement of its engagement with a fee of US$3,549 (A$4,000) per month for company secretarial services. Ms Tolcon also provides legal advice on a consultancy basis with a fee of US$1,295 (A$1,460) per day being payable to Bedaam Pty Ltd.

Jason Brewer - Company Secretary *(appointed 31 January 2014)*

The engagement conditions of Jason Brewer were approved by the Board on commencement of his employment with a fee of US$3,549 (A$4,000) per month for company secretarial services.

End of remuneration report

MEETINGS OF DIRECTORS

The number of directors' meetings (including meetings of committees of directors) held during the year and the numbers of meetings attended by each director were as follows:

		Meetings of committees			
	Directors' meetings	**Audit and Risk**	**Remuneration and Nomination**	**Continuous Disclosure[1]**	**Health, Safety, Social and Environmental**
Number of meetings held:	21	1	-	-	-
Number of meetings attended:					
Antony Sage	8	1	-	-	-
Mark Ashurst	-	-	-	-	-
Timothy Turner	20	1	-	-	-
Frank Timis	10	-	-	-	-
William McAvock	20	-	-	-	-
Chris Hopkinson	18	-	-	-	-
Tony Antoniou	17	-	-	-	-
Mark Gwynne	-	-	-	-	-
Pierre Godec	18	-	-	-	-
Vladimir Mangazeev	3	-	-	-	-

The directors were eligible to attend all directors' meetings except Mark Ashurst who resigned on 20 February 2013; Tony Antoniou and Pierre Godec who resigned on 22 August 2013; and Vladimir Mangazeev who resigned on 28 August 2013.

[1] In accordance with the continuous disclosure charter adopted by the Company, throughout the financial year the continuous disclosure committee considered price-sensitive announcements prior to their release to the market, without the need for meetings to be held.

In addition to meetings of directors held during the year, owing to the number and diversified location of the directors, a number of matters are authorised by the board of directors via circulating resolutions. During the current year, nine circulating resolutions were authorised by the board of directors.

COMMITTEE MEMBERSHIP

As at the date of this report, the following committees were in place:

	Audit and Risk Committee	**Remuneration and Nomination Committee**	**Continuous Disclosure Committee**	**Health, Safety, Social and Environmental Committee**
Chairman of the committee	Mr T. Turner	Mr A. Sage	Mr A. Sage	Mr A. Sage
Member	Mr A. Sage	Mr T. Turner	Mr T. Turner	-

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the current year.

INDEMNIFYING DIRECTORS AND OFFICERS

In accordance with the Company's constitution, except as may be prohibited by the Corporations Act 2001, every director, officer or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as director, officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the financial year, the Company has paid insurance premiums in respect of directors' and officers' liability. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending legal proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving wilful breach of duty or improper use of information to gain a personal advantage.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to insurers has not been disclosed. This is permitted under S300(9) of the Corporations Act 2001.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

OPTIONS

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry date	Exercise price A$	Number under option
16 November 2015	0.30	8,000,000
30 June 2015	0.25	500,000
30 June 2015	0.35	500,000
30 June 2015	0.45	500,000
30 June 2015	0.55	500,000
30 June 2015	0.65	500,000
16 March 2016	0.25	3,500,000
15 April 2016	0.25	1,500,000
8 August 2016	0.25	3,000,000
5 March 2017	0.25	1,500,000
18 July 2017	0.25	2,000,000
15 April 2018	0.10	1,000,000
21 July 2019	0.01	10,000,000
2 October 2016	0.06	10,000,000

Shares issued on the exercise of options

During the year, no ordinary shares were issued upon the exercise of options (2012: nil).

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 27.

NON AUDIT SERVICES

Non-audit services to the value of US$19,684 (2012: US$419,726) were provided by related practices of the Company's auditors, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

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

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

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

In relation to our audit of the financial report of International Petroleum for the financial year ended 31 December 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

DL:DR:INTERNATIONAL PETROLEUM:029

The Board of Directors of International Petroleum Limited (the "Company") is responsible for establishing the corporate governance framework of the Company having regard to the Corporations Act 2001 (Cth) and applicable Listing Rules.

This corporate governance statement summarises the corporate governance practices adopted by the Company.

The current corporate governance plan is posted in a dedicated corporate governance information section of the Company's website at www.internationalpetroleum.com.au

Summary of corporate governance practices

The Company's main corporate governance policies and practices are outlined below.

The Board of Directors

The Company's Board of Directors is responsible for overseeing the activities of the Company. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the Company's shareholders.

The Board is responsible for the strategic direction, policies, practices, establishing goals for management and the operation of the Company.

The Board assumes the following responsibilities:

(a) appointment of the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
(b) driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
(c) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
(d) approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
(e) approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
(f) approving the annual, half yearly and quarterly accounts;
(g) approving significant changes to the organisational structure;
(h) approving the issue of any shares, options, equity instruments or other securities in the Company;
(i) ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
(j) recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
(k) meeting with the external auditor, at their request, without management being present.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

(a) the composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction; and
(b) the principal criterion for the appointment of new directors is their ability to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. The majority of the Board should be comprised of non-executive directors and where practicable, at least 50% of the Board should be independent. Directors of the Company are considered to be independent when they are a non-executive director (ie not a member of management) (and has been for the preceding three years), hold less than 5% of the voting shares of the Company and who is free of any business or other relationship that could materially interfere with, or could reasonably by perceived to materially interfere with, the independent exercise of their judgement. In accordance with this definition, Mr A. Sage (Non-Executive Chairman) and Mr F. Timis (Non-Executive Director), Mr W. McAvock (Executive Director and Chief Financial Officer) (resigned 12 June 2014) and Mr C. Hopkinson (Executive Director and Chief Executive Officer) (resigned 26 February 2014) are not considered independent.

Non-Executive Directors, Mr T. Turner, Mr M. Ashurst (resigned 20 February 2013), Mr T. Antoniou (resigned 22 August 2013), Mr V. Mangazeev (resigned 28 August 2013) and Mr P. Godec (resigned 22 August 2013) were considered to have been independent throughout the year or since the date of their appointment.

The Board believes that, while the Chairman is not deemed to be independent (as a result of holding an executive position within the Company within the last 3 years), there is a sufficient number of directors that are deemed to be independent, and he is the most appropriate person to fulfil the role.

The role and responsibilities of the Chief Executive Officer is discharged by Executive Director Mr C. Hopkinson (resigned 26 February 2014). The Board considers relevant industry experience and specific expertise important in providing strategic guidance and oversight of the Company. Mr A. Osipov was appointed Chief Executive Officer upon Mr C. Hopkinson's resignation. The Board believes Mr A. Osipov is an appropriate person to fulfil the role.

The term in office held by each director in office at the date of this report is as follows:

Mr A. Sage	8 years, 7 month	(Chairman)
Mr F. Timis	4 years, 2 months	(Non-Executive Director)
Mr T. Turner	8 years, 7 month	(Non-Executive Director)

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

Remuneration arrangements

Review of the Company's remuneration policy is delegated to the Remuneration and Nomination Committee. The total maximum remuneration of non-executive directors, which may only be varied by Shareholders in general meeting, is an aggregate amount of US$399,272 (A$450,000) per annum. The Board may award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Company.

Performance

Review of the performance of the Board is delegated to the Nomination Committee.

The Board has established formal practices to evaluate the performance of the Board, committees, non-executive directors, the Chief Executive Officer, and senior management. Details of these practices are described in the Corporate Governance Plan available on the Company's website. No formal performance evaluation of the Board, individual directors or senior management took place during the year.

Code of Conduct

The Company has in place a code of conduct which aims to encourage appropriate standards of behaviour for directors, officers, employees and contractors. All are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The directors are subject to additional code of conduct requirements.

Audit and Risk Committee

The Company has appointed an Audit and Risk Committee. The members of the committee during the year were:

- Mr A. Sage (Chairman)
- Mr T. Antoniou (resigned 22 August 2013 as member and Chairman)
- Mr T. Turner
- Mr M. Ashurst (resigned 20 February 2013)

On the resignation of Mr. T Antoniou, Mr. A Sage was appointed as Chairman.

The skills, experience and expertise of each committee member at the date of the annual report is included in the Directors' Report.

The Committee has specific powers delegated under the Company's Audit and Risk Committee charter. The charter sets out the Audit and Risk Committee's function, composition, mode of operation, authority and responsibilities.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee with specific powers delegated under the Company's Remuneration Committee Charter. The charter sets out the committee's function, composition, mode of operation, authority and responsibilities. The members of the committee during the year were:

- Mr A. Sage (Chairman)
- Mr M Ashurst (resigned 20 February 2013 as member and Chairman)
- Mr T. Antoniou (resigned 22 August 2013)
- Mr P. Godec (resigned 22 August 2013)
- Mr T. Turner

On the resignation of Mr. M Ashurst, Mr. A Sage was appointed as Chairman.

The skills, experience and expertise of each committee member at the date of the annual report is included in the Directors' Report.

Continuous Disclosure Policy

The Company has adopted a policy concerning continuous disclosure. The policy outlines the disclosure obligations of the Company as required under the Corporations Act and the applicable Listing Rules. The Company is committed to:

(a) complying with the general and continuous disclosure principles contained in the Corporations Act and applicable Listing Rules;
(b) preventing the selective or inadvertent disclosure of material price sensitive information;
(c) ensuring shareholders and the market are provided with full and timely information about the Company's activities; and
(d) ensuring that all market participants have equal opportunity to receive externally available information issued by the Company.

Nominated Advisor

In accordance with the rules of NSX, the Company has appointed Steinepreis Paganin Lawyers and Consultants as its nominated advisor (**NOMAD**). Steinepreis Paganin are consulted and advise on announcements issued by the Company that are price sensitive.

Continuous Disclosure Committee

In accordance with its existing corporate governance policies, the Company has established a Continuous Disclosure Committee which prepares (in conjunction with other relevant parties including technical consultants) and recommends all announcements for final approval and sign off by Mr A. Sage (Chairman). In the case of price sensitive announcements the NOMAD reviews and approves the announcement before being released to the exchange.

This committee and the NOMAD (together with other relevant parties including technical consultants) complement and strengthen the continuous disclosure policy currently in place. The members of the Continuous Disclosure Committee during the year were:

- Mr A. Sage (Chairman)
- Mr M. Ashurst (resigned 20 February 2013)
- Mr T. Turner
- Mr T. Antoniou (resigned 22 August 2013)
- Mr P. Godec (resigned 22 August 2013)
- Mr C. Hopkinson (resigned 26 February 2014)
- Mr W. McAvock (resigned 12 June 2014)

The skills, experience and expertise of each committee member at the date of the annual report is included in the Directors' Report.

A quarterly declaration is made by the Chairman and Chief Executive Officer certifying that the Board has reviewed the Company's operations during the quarter and declares that, in the opinion of the Board, there are no issues that require additional disclosure by the Company and that the market is fully informed in accordance with the Company's continuous disclosure obligations under the Listing Rules in respect of the prospects and activities of the Company.

Health, Safety, Social and Environmental Committee

Although the ultimate responsibility for establishing Health, Safety, Social and Environmental ("HSSE") policies shall remain with the Board, the Company has established a Health, Safety, Social and Environmental Committee which is responsible for:

(a) formulating and recommending to the Board the policy for HSSE issues as they affect the Group's operations;
(b) reviewing management investigations of incidents or accidents that occur in order to assess whether HSSE policy improvements are required; and
(c) inviting specialists with appropriate technical expertise to attend HSSE Committee meetings.

The members of the Health, Safety, Social and Environmental Committee during the year were:

- Pierre Godec (Chairman) (resigned 22 August 2013)
- Chris Hopkinson (resigned 26 February 2014)
- Vladimir Mangazeev (resigned 28 August 2013)

The skills, experience and expertise of each committee member at the date of the annual report is included in the Directors' Report. Following the resignation of the members of the Health, Safety, Social and Environmental Committee, Mr A. Sage oversees the responsibilities of the committee until a replacement committee can be established.

Risk Management Program

The Company's primary objective in relation to risk management is to ensure that risks facing the business are appropriately managed. The Board and senior management are committed to managing risks in order to both minimise uncertainty and to maximise its business opportunities. The function and responsibility for maintaining the Company's risk management systems is delegated to the Company's Audit and Risk Committee.

Further information regarding the risk management program can be found in the Corporate Governance Plan available on the Company's website.

Securities Trading Policy

The Company has developed a policy for the sale and purchase of its securities. This policy imposes constraints on directors and senior executives of the Company dealing in securities of the Company. It also imposes disclosure requirements on directors.

Under the Company's Securities Trading Policy, a director, executive or other employee must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

In addition, directors and senior executives may not trade in securities during designated "Blackout Periods" without the prior written consent from the Board or Chairman in the circumstances of "severe financial hardship" or other exceptional circumstances. The "Blackout Periods" are:

- within the period of one (1) month prior to the release of annual or half yearly results; and
- if there is in existence price sensitive information that has not been disclosed because of an NSX exception.

Before commencing to trade, a director or senior executive must obtain the approval of the Chairman (in the case of a director) or the Chief Executive Officer or Chairman (in the case of a senior executive) of their intention to do so.

As is required by the NSX Listing Rules, the Company notifies the NSX of any transaction conducted by a director in the securities of the Company.

Shareholder Communication

The Company has adopted a shareholder communication strategy to set out the Company's policy for communicating with its shareholders.

The purpose of the policy is to ensure the Company deals fairly, transparently and promptly with its current and prospective shareholders, encourages and facilitates active participation by shareholders at shareholder meetings and deals promptly with shareholder enquiries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 US$	2012 US$
Continuing operations			
Revenue	5(a)	**5,415**	112,173
Consulting expenses		**(305,572)**	(2,187,536)
Compliance and regulatory expenses		**(333,701)**	(508,525)
Other expenses		**(155,462)**	(918,480)
Occupancy costs		**(119,645)**	(124,073)
Employee expenses	5(b)	**(941,698)**	(1,990,959)
Foreign currency losses		**(4,629,091)**	(457,934)
Depreciation expense		**(2,818)**	(1,304)
Profit on disposal of financial assets		**-**	17,329
Gain on derivative financial instruments	10	**7,776,354**	484,677
Finance costs	5(c)	**(2,250,115)**	(854,308)
Allowances for impairment	5(d)	**(74,725,608)**	(1,925,527)
Loss before tax		**(75,681,941)**	(8,354,467)
Income tax (expense)/benefit	4	**(40,546)**	5,689,077
Loss for the year from continuing operations		**(75,722,487)**	(2,665,390)
Discontinued operations			
Loss for the year from discontinued operations	6	**(57,453,657)**	(696,754)
Loss for the year		**(133,176,144)**	(3,362,144)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Fair value gain/(loss) on financial assets available-for-sale		**7,973**	(684,532)
Fair value loss on financial assets available for sale recognised as impairment loss in loss for the year		**357,167**	1,644,254
Income tax effect on fair value loss on financial assets available for sale		**-**	(340,224)
Realised gain on financial asset available for sale transferred to loss for the year, net of tax		**-**	(28,086)
Foreign exchange loss on translation of foreign operations		**(3,528,804)**	(1,404,193)
Other comprehensive income for the year, net of income tax		**(3,163,664)**	(812,781)
Total comprehensive income for the year		**(136,339,808)**	(4,174,925)
(Loss)/profit for the year is attributable to:			
Equity holders of the parent		**(132,547,807)**	(3,560,998)
Non-controlling interest		**(628,337)**	198,854
		(133,176,144)	(3,362,144)
Total comprehensive income for the year is attributable to:			
Equity holders of the parent		**(135,030,402)**	(4,531,141)
Non-controlling interest		**(1,309,406)**	356,216
		(136,339,808)	(4,174,925)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

		2013 US$	2012 US$
Earnings per share			
From continuing and discontinued operations			
Basic/diluted loss per share (cents)	22	**(11.27)**	(0.31)
From continuing operations			
Basic/diluted loss per share (cents)	22	**(6.44)**	(0.23)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	2013 US$	2012 US$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	**96,906**	374,980
Trade and other receivables	8	**92,387**	4,511,331
Prepayments		**118,016**	196,150
Inventories	9	**-**	670,305
Derivative financial assets	10	**11,972,784**	3,955,072
		12,280,093	9,707,838
Disposal group classified as held for sale	6	**55,758,430**	-
TOTAL CURRENT ASSETS		**68,038,523**	9,707,838
NON CURRENT ASSETS			
Restricted cash	11	**49,489**	113,781
Plant and equipment	12	**18,963**	1,483,316
Financial assets available-for-sale	13	**315,234**	357,250
Deferred tax asset	4	**-**	42,716
Exploration and evaluation expenditure	14	**5,518,791**	181,906,360
TOTAL NON CURRENT ASSETS		**5,902,477**	183,903,423
TOTAL ASSETS		**73,941,000**	193,611,261
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	**8,534,947**	27,183,163
Borrowings	16	**31,597,810**	16,790,164
Income tax payable		**247,233**	247,135
		40,379,990	44,220,462
Liabilities directly associated with disposal group classified as held for sale	6	**43,775,329**	-
TOTAL CURRENT LIABILITIES		**84,155,319**	44,220,462
NON CURRENT LIABILITIES			
Borrowings	16	**-**	13,565,337
Deferred tax liability	4	**-**	4,873,436
Provisions	17	**30,048**	7,589,085
TOTAL NON CURRENT LIABILITIES		**30,048**	26,027,858
TOTAL LIABILITIES		**84,185,367**	70,248,320
NET (LIABILITIES) / ASSETS		**(10,244,367)**	123,362,941
(SHAREHOLDERS' DEFICIT) / EQUITY			
Contributed equity	18	**272,412,761**	270,249,312
Reserves	19	**(91,563,299)**	(89,368,130)
Accumulated losses		**(191,459,189)**	(58,911,382)
Equity attributable to equity holders of the parent		**(10,609,727)**	121,969,800
Non-controlling interest		**365,360**	1,393,141
TOTAL (SHAREHOLDERS' DEFICIT) / EQUITY		**(10,244,367)**	123,362,941

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	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 year		-	(132,547,807)	-	-	-	-	-	(628,337)	(133,176,144)
Revaluation of financial assets available for sale		-	-	-	7,973	-	-	-	-	7,973
Impairment of financial assets available for sale recycled to loss for the year		-	-	-	357,167	-	-	-	-	357,167
Translation of foreign operations from functional currencies to presentation currencies		-	-	-	-	-	(2,847,735)	-	(681,069)	(3,528,804)
Total comprehensive income for the year		-	(132,547,807)	-	365,140	-	(2,847,735)	-	(1,309,406)	(136,339,808)
Shareholder equity contribution	18	2,163,449	-	-	-	-	-	-	-	2,163,449
Share based payments	20	-	-	569,051	-	-	-	-	-	569,051
Acquisition of a non-controlling interest	19	-	-	-	-	-	-	(281,625)	281,625	-
AS AT 31 DECEMBER 2013		272,412,761	(191,459,189)	7,920,077	190,783	(101,516,017)	2,123,483	(281,625)	365,360	(10,244,367)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Contributed equity US$	Accumulated losses US$	Share-based payment reserve US$	Revaluation reserve US$	Merger reserve US$	Foreign currency translation 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 year		**-**	**(3,560,998)**	**-**	**-**	**-**	**-**	**198,854**	**(3,362,144)**
Revaluation of financial assets available for sale		**-**	**-**	**-**	**(1,052,842)**	**-**	**-**	**-**	**(1,052,842)**
Impairment of financial assets available for sale recycled to loss for the year		**-**	**-**	**-**	**1,644,254**	**-**	**-**	**-**	**1,644,254**
Translation of foreign operations from functional currencies to presentation currencies		**-**	**-**	**-**	**-**	**-**	**(1,561,555)**	**157,362**	**(1,404,193)**
Total comprehensive income for the year		**-**	**(3,560,998)**	**-**	**591,412**	**-**	**(1,561,555)**	**356,216**	**(4,174,925)**
Share issue	18	**35,523,023**	**-**	**-**	**-**	**-**	**-**	**-**	**35,523,023**
Transaction costs on share issue	18	**(1,477,539)**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,477,539)**
Shareholder equity contribution	18	**3,998,625**	**-**	**-**	**-**	**-**	**-**	**-**	**3,998,625**
Share based payments	20	**-**	**-**	**2,074,762**	**-**	**-**	**-**	**-**	**2,074,762**
AS AT 31 DECEMBER 2012		**270,249,312**	**(58,911,382)**	**7,351,026**	**(174,357)**	**(101,516,017)**	**4,971,218**	**1,393,141**	**123,362,941**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 US$	2012 US$
Cash flows from operating activities			
Payments to suppliers and employees		**(1,074,113)**	(3,506,553)
Interest received		**10,688**	40,607
Income tax paid		**(6,214)**	(8,897)
Net cash flows used in operating activities	7(b)	**(1,069,639)**	(3,474,843)
Cash flows from investing activities			
Receipt of security deposits		**195,293**	152,332
Proceeds from disposal of plant and equipment		**124,019**	-
Payment for plant and equipment		**(8,113)**	(1,519,666)
Payment for exploration and evaluation activities		**(12,449,763)**	(23,775,922)
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 flows used in investing activities		**(12,138,564)**	(32,143,256)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	35,523,023
Transaction costs of issue of shares		**-**	(1,477,539)
Proceeds from borrowings		**15,019,593**	8,400,000
Repayment of borrowings		**(2,000,000)**	(7,110,000)
Finance costs paid		**(41,081)**	(233,631)
Net cash flows from financing activities		**12,978,512**	35,101,853
Net decrease in cash and cash equivalents		**(229,691)**	(516,246)
Cash and cash equivalents at the beginning of the year		**374,980**	918,421
Effects of exchange rate changes on the balance of cash held in foreign currencies		**65,953**	(27,195)
Cash and cash equivalents at the end of the year		**211,242**	374,980

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

The financial report of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 30 October 2014.

International Petroleum Limited is a 'for profit entity' and is a company limited by shares incorporated in Australia. Its shares are publicly traded on the National Stock Exchange of Australia (code: IOP).

2. BASIS OF PREPARATION OF ANNUAL REPORT

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for financial assets available for sale and derivative financial assets, which have been measured at fair value.

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

Compliance with IFRS

The financial report complies with Australian Accounting Standards. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Comparative financial information

When the presentation or classification of items in the financial report is amended, comparative amounts are reclassified unless the reclassification is impracticable.

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 year ended 31 December 2013, the Group incurred a net loss after tax of US$133,176,144 and a cash outflow from operating activities of US$1,069,639. The cash and cash equivalents balance at 31 December 2013 was US$211,242. The Group's net liability position at 31 December 2013 was US$10,244,367 and its net current liability position was US$16,116,796.

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 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. SUMMARY OF ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following is a summary of the material accounting policies adopted by the Company and the Group in the preparation of the consolidated financial statements. The accounting policies have been consistently applied, unless otherwise stated.

New Accounting Standards and Interpretations

The Group has adopted all new and amended Australian Accounting Standards and Interpretations effective as of 1 January 2013, including:

- AASB 10 *Consolidated Financial Statements*, AASB 127 *Separate Financial Statements*
- AASB 11 *Joint Arrangements, AASB 128 Investments in Associates and Joint Ventures*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- 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 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
- AASB 2012 9 - Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039

The adoption of the standards or interpretations is described below:

AASB 10 *Consolidated Financial Statements* and AASB 127 *Separate Financial Statements*

AASB 10 establishes single control model that applies to all entities including special purpose entities. AASB 10 replaces the parts of previously existing AASB 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and Interpretation 112 Consolidation – Special Purpose Entities. AASB 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in AASB 10, all three criteria must be met, including

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The application of AASB 10 had no impact on the consolidation of interests in other entities held by the Group.

AASB 11 *Joint Arrangements* and AASB 128 *Investment in Associates and Joint Ventures*

AASB 11 replaces AASB 131 Interests in Joint Ventures and Interpretation 113 Jointly- controlled Entities - Non-monetary Contributions by Ventures.

AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

The application of AASB 11 did not have a significant impact on the Group.

AASB 12 *Disclosure of Interests in Other Entities*

AASB 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in AASB 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. New disclosures are provided in Note 27.

AASB 13 *Fair Value Measurement*

AASB 13 establishes a single source of guidance under Australian Accounting Standards for all fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under Australian Accounting Standards. AASB 13 defines fair value as an exit price. As a result of the guidance in AASB 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. AASB 13 also requires additional disclosures.

Application of AASB 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Additional details are also provided in Note 21.

AASB 119 *Employee Benefits (Revised 2011)*

The revised standard changes the definition of short term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

The change in distinction between short-term and other long-term employee benefits did not have a significant impact on the Group.

AASB 2011-9 *Presentation of Items of Other Comprehensive Income – Amendments to AASB 101*

The amendments to AASB 101 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings).

The amendments affect presentation only and have no impact on the Group's financial position or performance.

AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*

AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.

The application of AASB 2012-2 did not have a significant impact on the Group.

AASB 2012-5 ***Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle***

AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:

- Repeat application of AASB 1 is permitted (AASB 1)
- Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 *Presentation of Financial Statements*)

The application of AASB 2012-5 did not have a significant impact on the Group.

AASB 2012-9 ***Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039***

AASB 2012-9 amends AASB 1048 *Interpretation of Standards* to evidence the withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia.*

The application of AASB 2012-9 had no impact on the Group.

Accounting Standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the reporting period ended 31 December 2013 are set out below. The Group is still in the process of determining the impact of the new Standards and Interpretations.

Reference	Title	Summary	Application date of standard	Application date for the Group
AASB 1053	Application of Tiers of Australian Accounting Standards	This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements: a. Tier 1: Australian Accounting Standards b. Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: a. For-profit entities in the private sector that have public accountability (as defined in this standard) b. The Australian Government and State, Territory and Local governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: a. For-profit private sector entities that do not have public accountability b. All not-for-profit private sector entities c. Public sector entities other than the Australian Government and State, Territory and Local governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.	1 July 2013	1 Oct 2013

Reference	**Title**	**Summary**	**Application date of standard**	**Application date for the Group**
AASB 2011-4	Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	1 January 2014
AASB 2012-3	Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 January 2014
Interpretation 21	*Levies*	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	1 January 2014

<table>
<tr><th>Reference</th><th>Title</th><th>Summary</th><th>Application date of standard</th><th>Application date for the Group</th></tr>
<tr><td>AASB 9</td><td>Financial Instruments</td><td>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.

a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.

b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

► The change attributable to changes in credit risk are presented in other comprehensive income (OCI)

► The remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.

The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes:

1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures;

2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time; and

3. The mandatory effective date moved to 1 January 2017.</td><td>I January 2017</td><td>1 January 2017</td></tr>
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Reference	Title	Summary	Application date of standard	Application date for the Group
AASB 2013-3	*Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*	AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 January 2014
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	1 January 2014
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 *Business Combinations* when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.	1 January 2014	1 January 2014

Reference	Title	Summary	Application date of standard	Application date for the Group
AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010–2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) *Annual Improvements to IFRSs 2010–2012 Cycle* and *Annual Improvements to IFRSs 2011–2013 Cycle*. Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items: ► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. ► AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ► AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	1 October 2014
AASB 2014-1 Part A -Annual Improvements 2011–2013 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items: ► AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. ► AASB40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 July 2014	1 January 2015
AASB 1031	*Materiality*	The revised AASB 1031 is an interim standard that cross-references to other Standards and the F*ramework (*issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014.	1 January 2014	1 October 2014

Reference	Title	Summary	Application date of standard	Application date for the Group
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*.	Part A –periods ending on or after 20 Dec 2013 Part B - periods beginning on or after 1 January 2014 Part C - reporting periods beginning on or after 1 January 2015	Part a - period ending 30 Sept 2014 Part B - period beginning 1 Oct 2014 Part C - period beginning 1 Oct 2015
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 October 2016
AASB 2014-2	Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements [AASB 1053]	The Standard makes amendments to AASB 1053 Application of Tiers of Australian Accounting Standards to: ► clarify that AASB 1053 relates only to general purpose financial statements; ► make AASB 1053 consistent with the availability of the AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* option in AASB 1 *First-time Adoption of Australian Accounting Standards*; ► clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1; permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather that applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements; and ► specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.	1 July 2014	1 October 2014

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of International Petroleum Limited ("IOP" or "the Company") and its subsidiaries for the year ended 31 December 2013 (together the Group).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

a) Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

b) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Operating segments have been identified based on the information available to chief operating decision makers – being the Board and the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category called "all other segments".

c) Foreign currency translation

Functional and presentation currency

The Company has elected United States Dollars as its presentation currency. Where the functional currencies of entities within the consolidated group differ from United States Dollars, they have been translated into United States Dollars. The functional currency of the Company is Australian Dollars. The Company is listed on an Australian stock exchange, National Stock Exchange ("NSX").

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in the foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Translation of Group Companies' functional currency to presentation currency

On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their income and expenditure are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

e) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due to it according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the amount expected to be received. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

f) Inventories

Inventories including consumables, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Consumables – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including import duties and other taxes (other than those subsequently recoverable by the Group from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials.

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

g) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 "Financial Instruments: Recognitions and Measurement" are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification is determined at the date of initial recognition and depends on the purpose for which the investments were acquired or originated.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transactions costs.

Subsequent to initial recognition, these instruments are measured as set out below. Financial instruments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

g) Investments and other financial assets (continued)

Financial assets available-for-sale

Financial assets available-for-sale, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. Subsequent to initial recognition, financial assets available-for-sale are carried at fair value with revaluation gains and losses recorded in other comprehensive income.

Derivative financial assets

Derivative financial assets are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss. The Group does not hold any derivatives for hedging purposes.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that loans and receivables or financial assets available-for-sale are impaired. In the case of available-for-sale financial instruments, a prolonged decline in their value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised to profit/loss for the year in the consolidated statement of comprehensive income.

h) Exploration and evaluation expenditure

Exploration and evaluation expenditure is recorded at historical costs on an area of interest basis. Expenditure on an area of interest is capitalised and carried forward where rights to tenure of the area of interest are current and:

(i) it is expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or

(ii) exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Accumulated costs in respect of areas of interest which are abandoned, are written off in full against profit in the period in which the decision to abandon the area is made.

Costs of site restoration are provided from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the exploration permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Revenues and related costs arising from the sale of oil from an area of interest during its exploration phase are credited / charged to exploration and evaluation expenditure, and to oil and gas properties during the development phase prior to achieving commercial production.

Projects are advanced to development status when it is expected that further expenditure can be recouped through sale or successful development and exploitation of the area of interest.

i) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	**Depreciation rate**
Plant and equipment	14-50%

Gains and proceeds on disposals are determined by comparing proceeds with carrying amounts. These are included in the Statement of Comprehensive Income.

j) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the reporting date that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

k) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Costs of site restoration are provided from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

l) Contributed equity

Contributed equity is recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

m) Share-based payments

The fair value of shares issued and options granted are recognised as an expense or an asset as appropriate, with a corresponding increase in equity. For shares issued, the fair value is measured at the share price on the date the shares were issued. For options granted, the fair value is measured at grant date taking into account market performance conditions only, and will be spread over the vesting period during which the holder becomes unconditionally entitled to the options. The fair value of the options is measured using the Black-Scholes model.

Upon exercise of options, the balance of the share-based payments reserve relating to those options is transferred to the redeemed option reserve and the proceeds received, net of any directly attributable transaction costs are credited to share capital.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

n) Revenue

Revenues are recognised at the fair value of the consideration received or receivable net of the amount of Goods and Services Tax or Value Added Tax paid to taxation authorities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the revenue have been resolved. The Group bases its estimates on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

Interest

Interest revenue is recognised on a time proportional basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected useful life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when the Group's right to receive the payment is established.

o) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the relevant national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

p) Other taxes

Revenue, expenses and assets are recognised net of the amount of Value Added Tax ("VAT") and Goods and Services Tax ("GST"), except:

- where the VAT/GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of VAT/GST included.

The net amount of GST/VAT recoverable from, or payable to, taxation authorities is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to taxation authorities are classified as operating cash flows.

q) Earnings per share

(i) Basic earnings per share ("EPS") is calculated by dividing the net profit or loss attributable to members for the reporting period, after excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares of the Company, adjusted for any bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

r) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

s) Business combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the fair value of the acquiree's identifiable net assets. Costs directly attributable to the acquisition are expensed.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured at fair value as at the acquisition date through profit or loss.

s) Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling shareholders' interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Any contingent consideration to be transferred by the acquiree will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured.

t) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the statement of comprehensive income over the period of the borrowing using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short-term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

Even though exploration and evaluation assets can be qualifying assets, they generally do not meet the "probable economic benefits" test and also are rarely debt funded. Any related borrowing costs incurred during this phase are therefore generally recognised in profit and loss in the period they are incurred.

v) Non-current assets classified as held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

- When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.
- Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.
- In the statement of profit or loss and other comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.
- Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

w) Significant accounting judgements, estimates and assumptions

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results of the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amounts of the asset are determined.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for financial assets available-for-sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is recognised in the profit or loss for the year in in the Consolidated Statement of Comprehensive Income.

Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss in the Statement of Comprehensive Income.

Exploration and evaluation expenditure

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided certain conditions are met. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed the recoverable amount. These calculations and reviews require the use of assumptions and judgement.

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 exploitation of the areas of interest, or alternatively, by their sale.

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the information becomes available.

Restoration provision

Abandonment and restoration costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its restoration provision at each reporting date. The ultimate abandonment and restoration costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change. Therefore, significant estimates and assumptions are made in determining the provision for restoration. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future abandonment and restoration costs required.

w) Significant accounting judgements, estimates and assumptions (continued)

Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations.

Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on its understanding of the tax laws in the relevant jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group does not recognise deferred tax assets relating to carried forward tax losses or temporary differences where there is no certainty that sufficient future taxable incomes will be generated to utilise such losses and temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model. Judgement is applied in the determination of the inputs used in the Black-Scholes valuation model.

Derivative financial assets

The Group has measured derivative financial assets at fair value at the reporting date. The fair value is determined using the Black-Scholes model. Judgement is applied in the determination of the inputs used in the Black-Scholes valuation model.

Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the future outcome of events.

Functional currency

Each entity within the Group is required to determine its functional currency, which is the currency of the primary economic environment in which the entity operates. Management considers all its foreign subsidiaries and branches to be foreign operations whose functional currencies are the local currencies of the economies in which they operate. In arriving at this determination, management has given priority to the currency that influences the labour, material and other costs of exploration activities, as they consider this to be a primary indicator of each functional currency.

4. INCOME TAX

	2013 US$	2012 US$
(a) The income tax expense/(benefit) for the year comprises:		
Current tax	**40,546**	(1,467,358)
Deferred tax	**-**	(4,221,719)
Total tax expense/(benefit) from continuing operations	**40,546**	(5,689,077)
(b) The prima facie tax on pre-tax accounting loss from operations reconciles to the income tax expense/(benefit) as follows:		
Loss before tax from continuing operations	**(75,681,941)**	(8,354,467)
Loss before tax from discontinued operations	**(58,386,718)**	(1,459,665)
Loss before tax	**(134,068,659)**	(9,814,132)
Income tax benefit calculated at 30%	**(40,220,598)**	(2,944,239)
Foreign tax rate adjustment	**11,955,297**	570,174
	(28,265,301)	(2,374,065)
Add/(less) tax effect of:		
- Adjustment to current tax related to prior years	**28,110**	(1,718,417)
- Non-deductible items	**11,068,235**	447,594
- Adjustment to deferred tax related to prior years	**-**	(3,737,215)
- Unrecognised deferred tax asset attributable to tax losses and other temporary differences	**16,276,441**	930,115
Income tax benefit attributable to the Group	**(892,515)**	(6,451,988)
Income tax expense/(benefit) from continuing operations reported in the consolidated statement of comprehensive income	**40,546**	(5,689,077)
Income tax benefit attributable to discontinued operations	**(933,061)**	(762,911)
	(892,515)	(6,451,988)

Recognised deferred tax assets and liabilities

The deferred tax balances comprise the following temporary differences relating to continuing operations:

	2013 US$	2012 US$
Continuing operations temporary differences		
Available for sale financial assets	**-**	-

4. INCOME TAX (CONTINUED)

The deferred tax balances comprise the following temporary differences relating to discontinued operations:

	2013	2012
	US$	US$
Discontinued operations temporary differences		
Exploration and evaluation expenditure	**(7,627,417)**	(8,122,741)
Tax losses	**3,021,509**	3,217,725
Other deductible temporary differences	**623,659**	31,580
Deferred tax liability	**(3,982,249)**	(4,873,436)
Other deductible temporary differences	**360,159**	42,716
Deferred tax asset	**360,159**	42,716
Net deferred tax liability	**(3,622,090)**	(4,830,720)

Movement in net deferred tax liability during the current year

	As at 1 January 2013	Tax income/ (expense) for the year recognised in income	Recognised in other comprehensive income Revaluation of financial assets	Foreign exchange differences	As at 31 December 2013
	US$	US$	US$	US$	US$
Available for sale financial assets	**-**	**-**	**-**	**-**	**-**
Exploration and evaluation expenditure	**(8,122,741)**	**-**	**-**	**495,324**	**(7,627,417)**
Tax losses	**3,217,725**	**-**	**-**	**(196,216)**	**3,021,509**
Other deductible temporary differences	**74,296**	**938,845**	**-**	**(29,323)**	**983,818**
Net deferred tax liability	**(4,830,720)**	**938,845**	**-**	**269,785**	**(3,622,090)**

Movement in net deferred tax liability during the prior year

	As at 1 January 2012	Tax income/ (expense) for the year recognised in income	Recognised in other comprehensive income Revaluation of financial assets	Foreign exchange differences	As at 31 December 2012
	US$	US$	US$	US$	US$
Available for sale financial assets	**(119,073)**	464,027	(343,162)	(1,792)	**-**
Exploration and evaluation expenditure	**(11,376,219)**	3,757,692	-	(504,214)	**(8,122,741)**
Tax losses	**2,552,918**	499,542	-	165,265	**3,217,725**
Other deductible temporary differences	**50,570**	20,207	-	3,519	**74,296**
Net deferred tax liability	**(8,891,804)**	4,741,468	(343,162)	(337,222)	**(4,830,720)**

5. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	Note	2013 US$	2012 US$
(a) Revenue			
Interest revenue		**5,415**	33,576
Other revenue		**-**	78,597
		5,415	112,173
(b) Employee expenses			
Employee benefits		**(532,404)**	(386,979)
Directors' remuneration		**(652,156)**	(791,089)
Share based payments[(i)]	20	**242,862**	(812,891)
		(941,698)	(1,990,959)

[(i)] The share based payments recognised for the period are US$569,051 (2012: US$2,074,762), of which a reversal of US$242,862 (2012: expense of US$812,891) is recognised in the Statement of Comprehensive Income and US$811,913 (2012: US$1,261,871) has been capitalised to exploration and evaluation expenditure.

	Note	2013 US$	2012 US$
(c) Finance costs			
Interest expense		**(2,110,115)**	(680,191)
Commitment fees on funding facilities		**(140,000)**	(174,117)
		(2,250,115)	(854,308)
(d) Allowances for impairment			
Impairment loss on financial assets available for sale	13	**(357,167)**	(1,644,254)
Impairment loss on exploration and evaluation expenditure	14	**(74,500,062)**	(130,090)
Other impairment reversal/(loss)[(ii)]		**131,621**	(151,183)
		(74,725,608)	(1,925,527)

[(ii)] The other impairment reversal in 2013 relates to the reversal of the previous impairment of a term deposit maintained as rehabilitation bond.

	Note	2013 US$	2012 US$
(e) Lease rentals			
Lease rental expense		**30,960**	35,108

6. DISCONTINUED OPERATIONS

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

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.

An active program to locate a buyer and sell the companies was initiated prior to 31 December 2013.

As at 31 December 2013, IPL Siberia and IPL Russia were classified as a disposal group held for sale and as a discontinued operation.

The results of the discontinued operation included in the consolidated statement of comprehensive income are set out below. The comparative profit and cash flows from the discontinued operation have been re-presented to include the operation classified as discontinued in the current year.

	2013 US$	2012 US$
Loss for the year from a discontinued operation		
Revenue	**3,167**	5,074
Consulting expenses	**(47,905)**	(187,764)
Compliance and regulatory expenses	**(17,154)**	(140,538)
Other expenses	**(3,070,906)**	(352,496)
Occupancy costs	**-**	(5,744)
Employee expenses	**(26,291)**	(138,118)
Foreign currency (losses)/gains	**(42,428)**	36,190
Depreciation expense	**(8,489)**	(9,685)
Finance costs	**(346,052)**	(666,584)
Impairment loss recognised on the re-measurement to fair value less costs to sell [(i)]	**(54,830,660)**	-
Loss before tax from a discontinued operation	**(58,386,718)**	(1,459,665)
Attributable income tax benefit:		
Related to current pre-tax loss	**933,061**	762,911
Related to measurement to fair value less costs of disposal (deferred tax)	**-**	-
Loss for the year from a discontinued operation	**(57,453,657)**	(696,754)

[(i)] For the year ended 31 December 2013, an impairment loss of US$54,830,660 was recognised on the Russian exploration assets. The exploration assets were impaired to reflect the the fair value less costs to sell in respect of the Group's interest in the Russian exploration assets, refer to note 26 for the details pertaining to the sale agreement.

	2013 US$	2012 US$
Earnings per share		
Basic/diluted loss per share (cents) from a discontinued operation	**(4.83)**	(0.08)

6. DISCONTINUED OPERATIONS (CONTINUED)

	2013 US$	2012 US$
Cash flows from a discontinued operation		
Net cash used in operating activities	**(90,620)**	(217,967)
Net cash used in investing activities	**(11,247,121)**	(27,116,216)
Net cash from financing activities	**-**	-
Net cash outflows	**(11,337,741)**	(27,334,183)

The major classes of assets and liabilities classified as held for sale at 31 December are as follows:

	2013 US$	2012 US$
Assets		
Exploration and evaluation expenditure	**53,801,021**	-
Plant and equipment	**994,192**	-
Deferred tax asset	**360,159**	-
Inventories	**64,835**	-
Prepayments	**19,000**	-
Trade and other receivables	**404,887**	-
Cash and cash equivalents	**114,336**	-
Assets classified as held for sale	**55,758,430**	-
Liabilities		
Borrowings (non-current)	**(9,529,825)**	-
Provisions (non-current)	**(8,346,195)**	-
Deferred tax liability	**(3,982,249)**	-
Income tax payable	**(5,636)**	-
Trade and other payables	**(21,911,424)**	-
Liabilities directly associated with assets classified as held for sale	**(43,775,329)**	-
Net assets directly associated with disposal group	**11,983,101**	-
Included in Other Comprehensive Income:		
Foreign currency translation reserve	**3,066,372**	-
Reserve of disposal group classified as held for sale	**3,066,372**	-

7. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, at bank and investments in money market instruments, net of outstanding bank overdrafts.

	2013 US$	2012 US$
Cash and cash equivalents	**96,906**	374,980
Cash and cash equivalents classified as held for sale	**114,336**	-
	211,242	374,980

(b) Reconciliation of loss for the period to net cash flows from operating activities

	2013 US$	2012 US$
Loss before tax	**(134,068,659)**	(9,814,132)
Non-cash adjustments:		
Depreciation	**11,307**	10,989
Profit on disposal of financial assets	**-**	(17,329)
Gain on derivative financial instruments	**(7,776,354)**	(484,677)
Share-based payments (expense reversal)/expense	**(242,862)**	812,891
Finance costs	**2,596,167**	1,520,892
Foreign currency losses	**3,962,453**	404,761
Loss on disposal of property, plant and equipment	**63,387**	-
Allowances for impairment	**129,556,268**	1,925,527
Working capital adjustments:		
(Increase)/decrease in trade and other receivables	**307,958**	(244,887)
(Increase)/decrease in inventories	**-**	-
Increase/(decrease) in trade and other payables	**4,526,910**	2,420,019
Tax paid	**(6,214)**	(8,897)
Net cash used in operating activities	**(1,069,639)**	(3,474,843)

8. TRADE AND OTHER RECEIVABLES

	2013 US$	2012 US$
Trade receivables	**-**	155,745
VAT/GST recoverable	**39,849**	4,204,524
Other receivables	**52,538**	151,062
	92,387	4,511,331

9. INVENTORIES

	2013 US$	2012 US$
Consumables at net realisable value	**-**	670,305

10. DERIVATIVE FINANCIAL ASSETS

	2013 US$	2012 US$
At 1 January	**3,955,072**	-
Initial recognition of embedded derivatives	**1,724,426**	3,458,101
Gain on derivative financial instruments	**7,776,354**	484,677
Foreign exchange differences on translation of foreign operations	**(1,483,068)**	12,294
At 31 December	**11,972,784**	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 current and prior period, as explained in Note 16. The fair values are determined using the Black-Scholes model. The related assumptions used at initial recognition of the put options are as follows:

Convertible Loan	Drawdown date	Drawdown date share price A$	Expected volatility	Option life days	Conversion price A$	Dividend yield	Risk free rate
Loan 1	20 July 2012	0.10[1]	125%	382	0.15	-	2.34%
Loan 2	7 – 14 September 2012	0.12-0.125[2]	124%-125%	365-372	0.15	-	2.34%
Loan 3	16 October 2012	0.11[3]	121%	365	0.15	-	2.34%
Loan 4 - 1	21 December 2012	0.065[4]	110%	375	0.07	-	2.34%
Loan 4 - 2	28 January 2013	0.07[5]	91%	368	0.07	-	2.34%

[1] The equivalent US$ share price on drawdown date is equal to US$0.10
[2] The equivalent US$ share price on drawdown date is equal to US$0.12-US$0.13
[3] The equivalent US$ share price on drawdown date is equal to US$0.11
[4] The equivalent US$ share price on drawdown date is equal to US$0.07
[5] The equivalent US$ share price on drawdown date is equal to US$0.07

The derivative financial assets are revalued at each reporting date using the Black-Scholes model. The revaluation of the derivative financial assets at reporting date resulted in a gain of US$7,776,354 (2012: gain of US$484,677) being recognised in the Statement of Comprehensive Income.

11. RESTRICTED CASH

	2013 US$	2012 US$
Security deposits in place for credit cards	**16,680**	80,901
Security deposits for applications in Kazakhstan	**32,809**	32,880
	49,489	113,781

12. PLANT AND EQUIPMENT

	2013 US$	2012 US$
At cost	**49,147**	1,642,920
Accumulated depreciation	**(30,184)**	(159,604)
	18,963	1,483,316
Reconciliations of the carrying amounts of plant and equipment during the year are set out below:		
As at 1 January	**1,483,316**	57,770
Additions	**8,113**	1,519,666
Disposals	**(308,198)**	-
Depreciation charge(i)	**(89,166)**	(129,305)
Foreign exchange differences on translation of foreign operations	**(80,910)**	35,185
Discontinued operations (note 6)	**(994,192)**	-
Carrying amount as at 31 December	**18,963**	1,483,316

(i) The depreciation charge for the year includes US$77,859 (2012: US$118,316) capitalised as exploration and evaluation expenditure.

13. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2013 US$	2012 US$
Available-for-sale-investments		
Investments in listed securities at fair value	**315,234**	357,250

Available-for-sale financial assets comprise investments in the ordinary share capital of various listed entities. Their fair value has been determined directly by reference to published price quotations in an active market.

During the 6 months ended 30 June 2013, the Company determined that there had been a significant and prolonged decline in the value of these listed securities. Consequently an allowance for impairment of US$357,167 (year ended 31 December 2012: US$1,644,254) has been included in the loss for the year in the Consolidated Statement of Comprehensive Income. Under the accounting standards, this impairment is unable to be reversed through the profit and loss and as a result the gain of US$190,783 from 1 July to 31 December 2013 has been recognised in the revaluation reserve.

14. EXPLORATION AND EVALUATION EXPENDITURE

	2013 US$	2012 US$
At cost	**99,170,302**	205,588,186
Impairment allowance	**(93,651,511)**	(23,681,826)
Net carrying value	**5,518,791**	181,906,360
Reconciliations of the carrying amounts of exploration and evaluation expenditure during the year are set out below:		
As at 1 January	**181,906,360**	140,217,437
Exploration and evaluation expenditure incurred	**15,007,171**	42,132,330
Allowances for impairment	**(129,330,722)**	(130,090)
Foreign exchange differences on translation of foreign operations	**(8,262,997)**	(313,317)
Discontinued operations (note 6)	**(53,801,021)**	
Carrying amount as at 31 December	**5,518,791**	181,906,360
Reconciliations of the movement in the impairment allowance during the year are set out below:		
As at 1 January	**(23,681,826)**	(23,845,973)
Impairment allowance increase[(i)]	**(129,330,722)**	(130,090)
Foreign exchange differences on translation of foreign operations	**4,530,377**	294,237
Discontinued operations (note 6)	**54,830,660**	-
Carrying amount as at 31 December	**(93,651,511)**	(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.

[(i)] 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$3,549,080. 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$3,549,080 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 (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 (a wholly-owned subsidiary whose assets principally comprise the Alakol licence) 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 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. 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$64,374,038 has been recognised during the period.

14. 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 (US$11.6 million net of selling costs). 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 31 December 2013. Accordingly, an allowance for impairment of US$54,830,660 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.

15. TRADE AND OTHER PAYABLES

	Note	2013 US$	2012 US$
Trade payables		**4,565,993**	25,046,705
Other payables		**2,723,954**	2,136,458
Payable to related party	27	**1,245,000**	-
		8,534,947	27,183,163

16. BORROWINGS

	2013 US$	2012 US$
Current		
Secured loans from related parties[1]	**11,303,983**	10,879,462
Convertible loans from related party[2]	**11,863,486**	5,910,702
Unsecured loans from third parties[3,4]	**8,430,341**	-
	31,597,810	16,790,164
Non-current		
Unsecured loan[5]	**-**	13,565,337
	-	13,565,337
Total borrowings	**31,597,810**	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.

16. 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
  (ii) 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 31 December 2013, Loan Facility A was drawn down in full. Interest incurred for the period of US$324,903 was capitalised to the loan amount (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 and US$125,000 in the year ended 31 December 2012.

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 26.

[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 31 December 2013
		A$	US$	US$	US$
Loan 1	6 August 2013	0.15	2,000,000	1,819,287	2,194,535
Loan 2	14 September 2013	0.15	2,000,000	1,825,720	2,149,708
Loan 3	16 October 2013	0.15	2,000,000	1,832,261	2,116,333
Loan 4	31 January 2014	0.07	5,200,000	4,743,185	5,402,910
			11,200,000	**10,220,453**	**11,863,486**

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.

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 shareholder equity contributions; and were assigned an initial fair value of US$1,724,426 during the period (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 shareholder equity contributions.

The carrying value of the debt components of the convertible loans measured at amortised cost include capitalised finance costs of US$1,643,033 (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.

16. 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 26.

[3] 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$401,516.

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 26.

[4] 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.

[5] 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$346,050 has been capitalised to the loan amount (2012: US$474,584). The total capitalised interest at 31 December 2013 is US$1,411,387 (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 will 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$13,911,387 reducing the non-current borrowings balance to US$9,529,825.

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. The non-current loan balance of US$9,529,825 and the US$4,381,562 consideration payable is included in note 6 – Discontinued Operations.

17. PROVISIONS

	Provision for site restoration	
	2013	**2012**
	US$	**US$**
As at 1 January	**7,589,085**	1,312,737
Increase resulting from re-measurement	**1,335,102**	7,789,261
Restoration costs incurred	**-**	(1,735,429)
Foreign exchange differences on translation of foreign operations	**(547,944)**	222,516
Discontinued operations (note 6)	**(8,346,195)**	-
As at 31 December	**30,048**	7,589,085

The remaining restoration provision balance at 31 December 2013 relates to the exploration project in Kazakhstan. The provisions have been calculated based on the present value of the expected future cash flows associated with the restoration activities required under the licence agreement.

18. CONTRIBUTED EQUITY

	2013	**2012**
	US$	**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

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholders' meetings, each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

	No. of shares		US$	
	2013	**2012**	**2013**	**2012**
As at 1 January	**1,176,262,031**	1,010,532,031	**266,250,687**	232,205,203
Issue of shares pursuant to a capital raising[(i)]	**-**	165,730,000	**-**	34,045,484
As at 31 December	**1,176,262,031**	1,176,262,031	**266,250,687**	266,250,687

[(i)] On 6 February 2012, the Company completed a share placement to institutions and sophisticated investors of 165,730,000 fully paid ordinary shares at an issue price of A$0.20 per share raising A$33,146,000 (US$35,523,023) before transaction costs amounting to US$1,477,539.

(b) Shareholder equity contribution

The drawdown of convertible loans by the Company (see Note 16) resulted in an equity contribution to the value of US$2,163,449 in the period (2012: US$3,998,625). The equity contribution is the difference between the initial fair value of the convertible loans recognised 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.

Capital Risk Management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

18. CONTRIBUTED EQUITY (CONTINUED)

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels, distributions to shareholders and share and option issues. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

Management monitors capital requirements through cash flow forecasting. Capital is defined as issued share capital. Management may seek further capital if required through the issue of capital or changes in the capital structure.

The Group has no externally imposed capital requirements.

19. RESERVES

Nature and purpose of reserves

Share-based payment reserve

The share based payment reserve is used to recognise the fair value of options and performance shares issued.

Revaluation reserve

The revaluation reserve is used to recognise the changes in fair value of available-for-sale investments held.

Merger reserve

The merger reserve balance relates entirely to the acquisition of North Caspian Petroleum Ltd by Eastern Petroleum Corporation Ltd in 2007.

Foreign currency translation reserve

The Foreign currency translation reserve is used to recognise foreign currency exchange differences arising on translation of balances from functional currencies to presentation currency.

Other reserve

The Other reserve balance relates to the acquisition of the remaining 25% shareholding in Souville Investments Limited on 17 June 2013. The 25% ownership of the shares was transferred prior to 31 December 2013, while the completion date of the agreement is post 31 December 2013. Therefore the minority interest balance was reclassified from Non-controlling interest to Other reserve at the share transfer date.

20. SHARE BASED PAYMENTS

Shares

There has been no performance shares awarded during the current year.

On 27 May 2011, shareholders agreed to award Mr Hopkinson 10,000,000 performance shares upon the following milestones being achieved:

- 2,500,000 shares awarded when the Company achieves a share price of A$0.50 for 30 consecutive days.
- 2,500,000 shares awarded when the Company achieves a share price of A$0.75 for 30 consecutive days.
- 2,500,000 shares awarded when the Company achieves a share price of A$1.00 for 30 consecutive days.
- 2,500,000 shares awarded when the Company achieves a share price of A$1.50 for 30 consecutive days.

As at 31 December 2013, none of the milestones have been reached, and therefore no performance shares have been issued. The fair value of the performance shares on grant date is US$2,329,299 or US$0.23 per share (A$2,200,000 or A$0.22 per share). An amount of US$126,529 has been recognised in respect of these performance shares in the current year within the line item "Employee remuneration" within the Statement of Comprehensive Income (2012: US$172,924). An amount of US$442,849 has been capitalised in respect of these performance shares for the current year (2012: US$437,593).

20. SHARE BASED PAYMENTS (CONTINUED)

Options

During the current year, 3,500,000 unlisted options have been issued to directors, employees and consultants of the Company (2012: 5,500,000 unlisted options). An amount of US$192,504 has been reversed in relation to awards issued in the current and prior years (2012: US$1,464,245). This amount has been recognised within the line item "Employee remuneration" within the Statement of Comprehensive Income.

The following share-based payment options were granted during the current year:

Grant date	Number of options	Exercise Price A$	Expiry Date	Fair Value at Grant Date A$	Fair Value at Grant Date US$
25 March 2013	1,000,000	0.10[1]	15 April 2018	0.05	0.05
17 July 2013	500,000	0.25[2]	30 June 2015	0.02	0.02
17 July 2013	500,000	0.35[3]	30 June 2015	0.02	0.02
17 July 2013	500,000	0.45[4]	30 June 2015	0.01	0.01
17 July 2013	500,000	0.55[5]	30 June 2015	0.01	0.01
17 July 2013	500,000	0.65[6]	30 June 2015	0.01	0.01

[1]The equivalent US$ exercise price per option at 31 December 2013 is equal to US$0.09

[2]The equivalent US$ exercise price per option at 31 December 2013 is equal to US$0.22

[3]The equivalent US$ exercise price per option at 31 December 2013 is equal to US$0.31

[4]The equivalent US$ exercise price per option at 31 December 2013 is equal to US$0.40

[5]The equivalent US$ exercise price per option at 31 December 2013 is equal to US$0.49

[6]The equivalent US$ exercise price per option at 31 December 2013 is equal to US$0.58

The weighted average fair value of the options granted during the current year is A$0.10 (2012: A$0.34). Options were priced using the Black-Scholes option pricing model. Expected volatility used is 125% and is based on the historical volatility. No allowance has been made for the effects of early exercise.

The value of options capitalised during the period was US$369,063 (2012: US$824,276).

The options issued to directors, employees and consultants in the current year are in recognition of services provided and to be provided in the future. Holders of options do not have any voting or dividend rights in relation to the options.

The following share-based payment options were granted during the prior year:

Grant date	Number of options	Exercise Price A$	Expiry Date	Fair Value at Grant Date A$	Fair Value at Grant Date US$
13 July 2012	1,500,000	0.25[1]	5 March 2017	0.10	0.10
18 July 2012	500,000	0.25[1]	30 June 2013	0.12	0.13
18 July 2012	500,000	0.35[2]	30 June 2013	0.11	0.12
18 July 2012	500,000	0.45[3]	30 June 2013	0.10	0.11
18 July 2012	500,000	0.55[4]	30 June 2013	0.09	0.10
18 July 2012	500,000	0.65[5]	30 June 2013	0.09	0.09
18 July 2012	1,500,000	0.25[1]	18 July 2017	0.16	0.17
	5,500,000				

[1] The equivalent US$ exercise price per option at 31 December 2012 is equal to US$0.26

[2] The equivalent US$ exercise price per option at 31 December 2012 is equal to US$0.36

[3] The equivalent US$ exercise price per option at 31 December 2012 is equal to US$0.47

[4] The equivalent US$ exercise price per option at 31 December 2012 is equal to US$0.57

[5] The equivalent US$ exercise price per option at 31 December 2012 is equal to US$0.67

20. SHARE BASED PAYMENTS (CONTINUED)

Options forfeited during the current year

During the current year 1,500,000 unlisted options with an exercise price of A$0.25 and 500,000 unlisted options with an exercise price of A$0.10 were forfeited upon resignation of certain employees of the Company. An amount of US$176,885, which had been capitalised in prior periods in respect of these options, has been reversed in the current year. For the prior year, US$79,496 has been reversed within the line item “Employee remuneration” in the Statement of Comprehensive Income, in recognition of unvested options that have been forfeited as a result of the holders ceasing to be employed with the Company as at the end of the prior year.

Options outstanding at 31 December 2013

The following shows the model inputs for the options granted and outstanding at 31 December 2013:

Expiry Date	Exercise Price A$	Number Under Option	Dividend Yield (%)	Risk Free Rate (%)	Expected life of Options (years)	Share price at grant date A$	Share price at grant date US$
16 November 2015	0.30[1]	8,000,000	-	5.23	2	0.19	0.19
16 March 2016	0.25[2]	2,000,000	-	4.64	3	0.23	0.21
18 July 2017	0.25[2]	500,000		3.79	3	0.23	0.21
16 March 2016	0.25[2]	1,500,000	-	4.68	3	0.30	0.25
1 June 2014	0.30[1]	200,000	-	4.85	1	0.26	0.28
1 June 2016	0.25[2]	18,000,000	-	5.05	3	0.22	0.23
15 April 2016	0.25[2]	1,500,000	-	5.14	3	0.20	0.21
8 August 2016	0.25[2]	1,500,000	-	4.54	3	0.16	0.17
8 August 2016	0.25[2]	1,500,000	-	4.05	3	0.18	0.19
30 June 2015	0.25[2]	500,000	-	2.57	2	0.06	0.06
30 June 2015	0.35[3]	500,000	-	2.57	2	0.06	0.06
30 June 2015	0.45[4]	500,000	-	2.57	2	0.06	0.06
30 June 2015	0.55[5]	500,000	-	2.57	2	0.06	0.06
30 June 2015	0.65[6]	500,000	-	2.57	2	0.06	0.06
10 September 2016	0.25[2]	1,500,000	-	3.87	3	0.19	0.20
5 March 2017	0.25[2]	1,500,000	-	2.34	3	0.13	0.13
15 April 2018	0.10[7]	500,000	-	3.25	4	0.06	0.06
TOTAL		**40,700,000**					

1 The equivalent US$ exercise price per option at 31 December 2013 is equal to US$0.27

2 The equivalent US$ exercise price per option at 31 December 2013 is equal to US$0.22

3 The equivalent US$ exercise price per option at 31 December 2013 is equal to US$0.31

4 The equivalent US$ exercise price per option at 31 December 2013 is equal to US$0.40

5 The equivalent US$ exercise price per option at 31 December 2013 is equal to US$0.49

6 The equivalent US$ exercise price per option at 31 December 2013 is equal to US$0.58

7 The equivalent US$ exercise price per option at 31 December 2013 is equal to US$0.09

20. SHARE BASED PAYMENTS (CONTINUED)

The following reconciles the outstanding share options granted, exercised and forfeited during the year:

	2013		**2012**	
	Number of Options	**Weighted Average Exercise Price A$**	**Number of Options**	**Weighted Average Exercise Price A$**
Balance at beginning of the period	**41,700,000**	**0.27**[1]	173,893,072	0.25[7]
Granted during the year	**3,500,000**	**0.35**[2]	5,500,000	0.34[8]
Exercised during the year	**-**	-	-	-
Forfeited/cancelled during the year	**(2,000,000)**	**0.21**[3]	(2,500,000)	0.25[9]
Expired during the year	**(2,500,000)**	**0.45**[4]	(135,193,072)	0.25[9]
Balance at end of the year	**40,700,000**	**0.27**[5]	41,700,000	0.27[10]
Exercisable at end of the period	**20,566,667**	**0.26**[6]	17,033,333	0.24[7]

1 The US$ equivalent weighted average exercise price is US$0.24
2 The US$ equivalent weighted average exercise price is US$0.31
3 The US$ equivalent weighted average exercise price is US$0.19
4 The US$ equivalent weighted average exercise price is US$0.40
5 The US$ equivalent weighted average exercise price is US$0.24
6 The US$ equivalent weighted average exercise price is US$0.23
7 The US$ equivalent weighted average exercise price is US$0.25
8 The US$ equivalent weighted average exercise price is US$0.35
9 The US$ equivalent weighted average exercise price is US$0.26
10 The US$ equivalent weighted average exercise price is US$0.28

The share options outstanding at the end of the period had a weighted average exercise price of A$0.27 (2012: A$0.27) and the weighted average remaining contractual life was 855 days (2012: 1,167 days).

21. FINANCIAL INSTRUMENTS

The Group's principal financial instruments are cash and restricted cash, receivables, derivative financial assets, available for sale investments, trade and other payables and borrowings.

The financial instruments classified as held for sale (refer note 6) are excluded from this disclosure note.

Fair value

The directors consider that the carrying values of these financial instruments approximate to their fair values. The carrying value of the trade and other receivables and the carrying value of the trade and other payables approximate the fair value, as the receivables are due to be paid in 12 months and the payables are due to be settled in 12 months.

The Group uses a level 1 method in estimating fair value of equity securities. Under the level 1 method, the fair value is calculated using quoted prices in active markets. The Group uses a level 2 method in estimating fair values of derivative financial assets. Under the level 2 method, this technique uses non-market observable inputs in option pricing models. There has been no transfer between different levels of fair value hierarchy.

	Carrying amount		Fair value	
	2013	**2012**	**2013**	**2012**
	US$	**US$**	**US$**	**US$**
Financial assets				
Cash and cash equivalents	**96,906**	374,980	**96,906**	374,980
Restricted cash	**49,489**	113,781	**49,489**	113,781
Trade and other receivables	**92,387**	4,511,331	**92,387**	4,511,331
Derivative financial assets	**11,972,784**	3,955,072	**11,972,784**	3,955,072
Financial assets available-for-sale	**315,234**	357,250	**315,234**	357,250
Financial liabilities				
Trade and other payables	**8,534,947**	27,183,163	**8,534,947**	27,183,163
Borrowings	**31,597,810**	30,355,501	**31,597,810**	30,355,501

Risk exposure and responses

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The Group does not use any form of derivatives to hedge its risk exposure, as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

21. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents and variable interest bearing loans), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2013 US$	2012 US$
Financial assets		
Cash and cash equivalents – variable rate	**96,906**	374,980
Restricted cash – variable rate	**49,489**	113,781
Financial liabilities		
Borrowings – variable rate	**11,303,983**	10,879,462
Borrowings – fixed rate	**20,293,828**	19,476,039

The following sensitivity analysis is based on interest rate risk exposure in existence at the reporting date. At the reporting date, if interest rates applicable to variable rate financial instruments had increased or decreased by 100 basis points, which is management's assessment of the reasonably possible change, with all other variables held constant the profit before tax and equity would have been affected as follows:

	Profit before tax higher/(lower)		**Equity higher/(lower)**	
	2013 US$	**2012 US$**	**2013 US$**	**2012** US$
+ 1% (100 basis points)	**(111,576)**	(103,594)	**(111,576)**	(103,594)
- 1 % (100 basis points)	**111,576**	103,594	**111,576**	103,594

The impact is mainly due to the higher or lower interest rate applied on variable rate borrowings.

(b) Foreign currency risk

The Group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of the entities within the Group. The Group has not entered into any derivative financial instruments to hedge such transactions.

The Group's presentation currency is US dollar. As a result of most subsidiaries having functional currencies other than the US dollar, the consolidated statement of financial position can be affected significantly by movements in the exchange rates.

21. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Foreign currency risk (continued)

At the reporting date, the Group had the following exposure to the US dollar and Great British Pound. The foreign currency risk originates due to the functional currency being different from the exposure currencies tabled. The foreign currency risk assessment excludes the risk arising on translation from functional currencies to the US dollar presentational currency. The Group's exposure to foreign currency changes for all other currencies is not material.

	Currency	2013 US$	2012 US$
Financial assets			
Cash and cash equivalents	GBP	**88,598**	30,762
Restricted cash	GBP	**16,594**	80,901
Financial liabilities			
Borrowings	USD	**31,597,810**	16,790,164
Trade and other payables	USD	**871,072**	199,784
Trade and other payables	GBP	**3,459,473**	1,136,892

The following sensitivity analysis is based on the foreign currency risk exposure in existence at the reporting date. At the reporting date, had the exchange rates moved as illustrated in the table below, with all other variables held constant the profit before tax and equity would have been affected as follows:

	Profit before tax higher/(lower)		Equity higher/(lower)	
	2013 US$	2012 US$	2013 US$	2012 US$
US dollar to AUD + 10%	**(3,246,888)**	(1,698,995)	**(3,246,888)**	(1,698,995)
US dollar to AUD - 10%	**3,246,888**	1,698,995	**3,246,888**	1,698,995
US dollar to GBP + 10%	**335,428**	102,523	**335,428**	102,523
US dollar to GBP - 10%	**(335,428)**	(102,523)	**(335,428)**	(102,523)

The impact is mainly due to the higher or lower US dollar to AUD applied on the US dollar denominated borrowings.

(c) Commodity price risk

The Group is still in the exploration and evaluation phase. Consequently, its financial assets and liabilities are subject to minimal commodity price risk.

(d) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Group has adopted the policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group does not have any significant credit risk exposure to any single counter-party.

(i) Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

21. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk (continued)

(ii) Trade and other receivables

Trade and other receivables as at the reporting date mainly comprise VAT/GST refundable by the applicable Government Authority. No amount is part due or impaired. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Management does not expect any counterparty to fail to meet their obligations.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

(e) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities:

2013	6 months or less US$	6 – 12 months US$	1 – 5 years US$	Greater than 5 years US$	Total US$
Trade and other payables	**8,534,947**	**-**	**-**	**-**	**8,534,947**
Borrowings	**-**	**32,715,791**	**-**	**-**	**32,715,791**

2012	6 months or less US$	6 – 12 months US$	1 – 5 years US$	Greater than 5 years US$	Total US$
Trade and other payables	27,183,163	-	-	-	27,183,163
Borrowings	10,959,311	6,512,014	14,380,137	-	31,851,462

(f) Equity market risk

The Group is exposed to equity market risk. This impacts listed equity investments held by the Group, classified in the Statement of Financial Position as financial assets available-for-sale, and derivative financial assets comprising put options over the Company's own listed shares.

At the reporting date the financial instruments influenced by share price movements were:

	2013 US$	2012 US$
Financial assets		
Derivative financial assets	**11,972,784**	3,955,072
Financial assets available-for-sale	**315,234**	357,250

The fair value of the available for sale assets has been based on the quoted share price of the shares and as such it is categorised as Level 1.

21. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Equity market risk (continued)

The table below summarises the expected impact of an increase/decrease of 10% in the ASX 200 index on the Group's profit before tax and on equity. The analysis is based on the assumption that the ASX 200 index had increased or decreased by 10%, with all other variables held constant, and that the listed equity instruments held by the Group and the Company's own listed shares changed in value according to the ASX 200 index. The same analysis was performed for 2012.

	Profit before tax higher/(lower)		Equity higher/(lower)	
	2013 US$	**2012 US$**	**2013 US$**	**2012 US$**
10% increase in ASX 200 index	**-**	(176,965)	**31,523**	(141,240)
10% decrease in ASX 200 index	**-**	200,445	**(31,523)**	164,720

The impact is mainly due to the higher or lower ASX 200 index applied on the financial assets available for sale.

22. LOSS PER SHARE

	2013 Cents per share	**2012 Cents per share**
Basic loss per share		
From continuing operations	**(6.44)**	(0.23)
From discontinued operations	**(4.83)**	(0.08)
Total basic loss per share	**(11.27)**	(0.31)
Diluted loss per share		
From continuing operations	**(6.44)**	(0.23)
From discontinued operations	**(4.83)**	(0.08)
Total diluted loss per share	**(11.27)**	(0.31)

	2013 US$	**2012 US$**
Basic and diluted loss per share:		
The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:		
Loss attributable to the ordinary equity holders used in calculating basic and diluted loss per share	**(132,547,807)**	(3,560,998)
Loss for the year from discontinued operations	**(56,825,320)**	(895,608)
Loss used for continuing operations	**(75,722,487)**	(2,665,390)

	Number of shares	
	2013	**2012**
Weighted average number of ordinary shares on issue during the year used in the calculation of basic and diluted loss per share	**1,176,262,031**	1,159,960,720

Options on issue are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which the options are dilutive. There are 40,700,000 options outstanding at 31 December 2013 (2012: 41,700,000 options). These options together with the put options embedded in the convertible notes (see note 16) are considered anti-dilutive due to the impact of reducing the loss per share; and therefore excluded from the diluted earnings per share calculation.

23. 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 upon 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:

	2013 US$	2012 US$
Australia	**315,234**	357,250
Africa	**5,518,791**	15,647,031
Kazakhstan	**68,452**	63,474,580
Russia	**-**	104,424,562
	5,902,477	183,903,423

24. COMMITMENTS AND CONTINGENCIES

Remuneration commitments

	2013 US$	2012 US$
Commitments for the payment of remuneration under long term contracts in existence at the reporting date but not recognised as liabilities, payable:		
Within 1 year	**872,206**	1,070,654
Later than 1 year and not later than 5 years	**-**	-
Later than 5 years	**-**	-
	872,206	1,070,654

Refer further to the remuneration report in the Directors' Report for details of service contracts.

Office rental commitments

	2013 US$	2012 US$
Commitments for the payment of lease rentals in existence at the reporting date but not recognised as liabilities, payable:		
Within 1 year	**46,898**	296,718
Later than 1 year and not later than 5 years	**72,207**	123,334
Later than 5 years	**-**	-
	119,105	420,052

Capital commitments

At 31 December 2013 the Group had US$59,186,520 in capital commitments in respect of its licence obligations (2012: US$20,329,468).

24. COMMITMENTS AND CONTINGENCI ES (CONTINUED)

Contingent Assets

On 4 October 2009, the Company entered into an asset sale agreement with Nkwe Platinum Limited ("Nkwe") to sell its 15% interest in the South African Tubatse platinum project ("Tubatse Project") for A$60 million. Under the asset sale agreement:

- A$10 million was due to be paid to the Company within 5 days of it obtaining shareholder approval. These funds have been paid to the Company, which entitles Nkwe to a 5% interest in the Tubatse Project.
- A$50 million is due to be paid to the Company within 30 days of the earlier of:
    - the grant of mining rights in respect of the Tubatse Project; and
    - Xstrata South Africa exercising its option with Nkwe such that Xstrata South Africa will acquire a 50% interest in the land that is the subject of the Tubatse Project.
- If the payment of A$50 million is not made by Nkwe when it falls due, Nkwe will have no right to acquire the remaining 10% interest in the project.

In August 2011, the asset sale agreement between Nkwe and the Company was varied such that the consideration payment for the remaining 10% interest was reduced from A$50 million to A$45 million and the conditions precedent were removed such that the revised consideration payment of A$45 million was no longer payable by Nkwe within 30 days of the earlier of the grant of mining rights or Xstrata exercising its option with Nkwe. Instead, Nkwe was required to pay the amount of A$45 million on or before 31 December 2011.

In January 2012, the asset sale agreement was again varied such that the consideration for the remaining 10% interest in the Tubatse Project was to be settled on the earlier of the following:

(a) A$45 million payable on or before 30 June 2012, or
(b) A$50 million on the occurrence of a Change in Control Event (takeover of Nkwe or a merger by way of a scheme of arrangement).

In August 2012, the asset sale agreement was again varied such that the consideration for the remaining 10% interest in the Tubatse Project was to be settled on the earlier of the following:

(a) A$45 million payable on or before 31 December 2012, or
(b) A$50 million on the occurrence of a Change in Control Event (takeover of Nkwe or a merger by way of a scheme of arrangement).

The consideration negotiated has not been recorded as a receivable by the Company because of the lack of certainty that the sale will be completed and that the funds will be received from Nkwe.

Contingent Liabilities

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 financial report no financial claims have been lodged by the Buyer. More detail surrounding the transaction is disclosed in note 26.

25. REMUNERATION OF AUDITORS

	2013 US$	2012 US$
Paid or payable to Ernst & Young		
Audit or review of financial reports		
Ernst & Young Australia	**121,096**	112,464
Ernst & Young related practices	**195,091**	488,241
	316,187	600,705
Non-audit services – Ernst & Young related practices	**19,684**	419,726
	335,871	1,020,431

26. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The following significant events and transactions have taken place subsequent to 31 December 2013:

In August 2014 the Group received notification from the Kazakhstan Ministry of Oil & Gas ("MOG") that its rights to the Alakol 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.

26. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE (CONTINUED)

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 financial report. 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 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.

No other event has arisen between 31 December 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.

27. RELATED PARTY INFORMATION

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

(a) Ultimate parent

International Petroleum Limited is the ultimate parent of the Group.

(b) Corporate Structure

The legal corporate structure of the Group is set out below. The Company's principal activity through its group entities is oil and gas exploration. All entities within the Group support or are involved in this activity.

Name	Country of incorporation	Country of operation	% Equity interest 31 December 2013	31 December 2012
Parent entity: International Petroleum Limited	Australia	Australia		
Eastern Petroleum Corporation Ltd	United Kingdom	United Kingdom	**100%**	100%
Almroth Holdings Ltd	Cyprus	Cyprus	**100%**	100%
North Caspian Petroleum Ltd	United Kingdom	United Kingdom	**100%**	100%
North Caspian Petroleum LLP	Kazakhstan	Kazakhstan	**100%**	100%
International Petroleum Services Ltd	United Kingdom	United Kingdom	**100%**	100%
International Petroleum Ltd	Cayman Islands	Cayman Islands	**100%**	100%
IPL Siberia Ltd	Cayman Islands	Cayman Islands	**100%**	100%
IPL Africa Limited	Cayman Islands	Cayman Islands	**100%**	100%
IPL Niger Limited	Republic of Niger	Republic of Niger	**100%**	100%
Vamaro Investments Ltd	Cyprus	Cyprus	**100%**	100%
Zapadno-Novomolodezhny LLC	Russia	Russia	**100%**	100%
Yuzhno-Sardakovskoye LLC	Russia	Russia	**100%**	100%
Charlize Investments Ltd	Cyprus	Cyprus	**75%**	75%
VostokNefteGaz LLC	Russia	Russia	**75%**	75%
International Petroleum (Services) Ltd	Russia	Russia	**100%**	100%
Souville Investments Ltd	Cyprus	Cyprus	**100%**	75%
Irtysh-Neft LLC	Russia	Russia	**100%**	75%
International Petroleum Company LLC	Russia	Russia	**100%**	100%

(c) Directors and key management personnel

Details relating to key management personnel, including remuneration paid, are included in the Remuneration Report within the Directors' Report.

Compensation for directors and key management personnel

	2013 US$	2012 US$
Short-term employee benefits	**2,076,627**	2,702,961
Share based payments	**294,581**	1,348,208
Post-employment benefits	**82,496**	113,355
Total compensation	**2,453,704**	4,164,524

27. RELATED PARTY INFORMATION (CONTINUED)

(c) Directors and key management personnel (continued)

Number of shares held by directors and other key management personnel

	As at 1 January 2013	Balance held upon appointment	Awarded as remuneration	Acquired on exercise of options	Other net changes	As at 31 December 2013
Directors						
A Sage	15,480,691	-	-	-	-	15,480,691
T Turner	161,819	-	-	-	-	161,819
M Ashurst[1]	-	-	-	-	-	-
F Timis	444,018,420	-	-	-	-	444,018,420
W McAvock[2]	90,000	-	-	-	-	90,000
C Hopkinson[3]	-	-	-	-	-	-
T Antoniou[4]	-	-	-	-	-	-
P Godec[4]	-	-	-	-	-	-
V Mangazeev[5]	-	-	-	-	-	-
Key management personnel						
J Brewer[6]	-	-	-	-	-	-
C Tolcon[7]	-	-	-	-	-	-
A Belogortseva	-	-	-	-	-	-
S Pisarchuk[8]	-	-	-	-	-	-
A Osipov	-	-	-	-	-	-
	459,750,930	**-**	**-**	**-**	**-**	**459,750,930**

[1] Resigned 20 February 2013; [2] Resigned 12 June 2014; [3] Resigned 26 February 2014; [4] Resigned 22 August 2013; [5] Resigned 28 August 2013; [6] Appointed 31 January 2014; [7] Resigned 31 January 2014; [8] Resigned 28 February 2013

	As at 1 January 2012	Balance held upon appointment	Awarded as remuneration	Acquired on exercise of options	Other net changes	As at 31 December 2012
Directors						
A Sage	15,480,691	-	-	-	-	15,480,691
T Turner	161,819	-	-	-	-	161,819
M Gwynne	-	-	-	-	-	-
M Ashurst	-	-	-	-	-	-
F Timis	444,018,420	-	-	-	-	444,018,420
W McAvock	90,000	-	-	-	-	90,000
C Hopkinson	-	-	-	-	-	-
T Antoniou	-	-	-	-	-	-
P Godec[1]	-	-	-	-	-	-
V Mangazeev[2]	-	-	-	-	-	-
Key management personnel						
C Tolcon	-	-	-	-	-	-
A Belogortseva	-	-	-	-	-	-
K Hopkins[3]	-	-	-	-	-	-
S Pisarchuk	-	-	-	-	-	-
A Osipov	-	-	-	-	-	-
	459,750,930	**-**	**-**	**-**	**-**	**459,750,930**

[1] Appointed on 17 February 2012; [2] Appointed on 1 March 2012;

[3] On 31 July 2012, the employment contract relating to the services provided by K Hopkins was terminated.

27. RELATED PARTY INFORMATION (CONTINUED)

(c) Directors and key management personnel (continued)

Number of options held by directors and other key management personnel

	As at 1 January 2013	Balance held upon appointment	Options awarded as remuneration	Other net changes	As at 31 December 2013 Held	As at 31 December 2013 Vested
Directors						
A Sage	-	-	-	-	-	-
T Turner	-	-	-	-	-	-
M Ashurst[1]	-	-	-	-	-	-
F Timis	-	-	-	-	-	-
W McAvock[2]	3,000,000	-	-	-	3,000,000	1,666,667
C Hopkinson[3]	15,000,000	-	-	-	15,000,000	12,500,000
T Antoniou[4]	-	-	-	-	-	-
P Godec[4]	-	-	-	-	-	-
V Mangazeev[5]	-	-	-	-	-	-
Other key management personnel						
Jason Brewer[6]	-	-	-	-	-	-
Claire Tolcon[7]	-	-	-	-	-	-
A Belogortseva	1,500,000	-	-	-	1,500,000	1,500,000
S Pisarchuk[8]	1,500,000	-	-	(1,500,000)	-	-
A Osipov	2,500,000	-	-	-	2,500,000	1,000,000
	23,500,000	**-**	**-**	**(1,500,000)**	**22,000,000**	**16,666,667**

[1] Resigned 20 February 2013; [2] Resigned 12 June 2014; [3] Resigned 26 February 2014; [4] Resigned 22 August 2013; [5] Resigned 28 August 2013; [6] Appointed 31 January 2014; [7] Resigned 31 January 2014; [8] Resigned 28 February 2013

	As at 1 January 2012	Balance held upon appointment	Options awarded as remuneration	Other net changes	As at 31 December 2012 Held	As at 31 December 2012 Vested
Directors						
A Sage	-	-	-	-	-	-
T Turner	-	-	-	-	-	-
M Gwynne	-	-	-	-	-	-
M Ashurst	-	-	-	-	-	-
F Timis[1]	88,803,684	-	-	(88,803,684)	-	-
W McAvock	3,000,000	-	-	-	3,000,000	1,333,333
C Hopkinson	15,000,000	-	-	-	15,000,000	7,500,000
T Antoniou	-	-	-	-	-	-
P Godec[2]	-	-	-	-	-	-
V Mangazeev[3]	-	-	-	-	-	-
Other key management personnel						
Claire Tolcon	-	-	-	-	-	-
A Belogortseva	1,500,000	-	-	-	1,500,000	1,500,000
S Pisarchuk[4]	-	1,500,000	-	-	1,500,000	-
K Hopkins[5]	2,500,000	-	-	(2,500,000)	-	-
A Osipov	2,500,000	-	-	-	2,500,000	1,000,000
	113,303,684	**1,500,000**	**-**	**(91,303,684)**	**23,500,000**	**11,333,333**

[1] The options expired on 30 June 2012; [2] Appointed on 17 February 2012; [3] Appointed on 1 March 2012;
[4] Appointed to a key management position on 6 June 2012
[5] On 31 July 2012, the employment contract relating to the services provided by K Hopkins was terminated. Upon termination of the service agreement, all 2,500,000 options held by K Hopkins were cancelled / forfeited.

27. RELATED PARTY INFORMATION (CONTINUED)

(c) Directors and key management personnel (continued)

Number of performance shares held by directors and other key management personnel

	As at 1 January 2013	Balance held upon appointment	Options awarded as remuneration	Other net changes	As at 31 December 2013 Held	As at 31 December 2013 Vested
Directors						
C Hopkinson[1]	10,000,000	-	-	-	10,000,000	-

[1] Resigned 26 February 2014

	As at 1 January 2012	Balance held upon appointment	Options awarded as remuneration	Other net changes	As at 31 December 2012 Held	As at 31 December 2012 Vested
Directors						
C Hopkinson	10,000,000	-	-	-	10,000,000	-

See Note 20 for details of performance shares issued to key management personnel.

(d) Transactions with related parties:

(i) An aggregate amount of US$54,502 was paid, or was due and payable to Cape Lambert Resources Limited ('Cape Lambert'), for reimbursement of employee, consultancy and occupancy costs (2012: US$46,266). Mr Sage and Mr Turner are directors of Cape Lambert.

(ii) An aggregate amount of US$65,186 was paid, or was due and payable to African Petroleum Corporation Limited ('African Petroleum') for accounting support services (2012: US$59,883). Mr Turner and Mr Ashurst are directors of African Petroleum, and Mr Timis and Mr Sage were directors of African Petroleum until their resignation during 2013.

(iii) An aggregate amount of US$301,260 (2012: US$93,628) was paid, or was due and payable to African Petroleum Corporation Services Limited in respect of staff seconded to the Company. Mr Timis and Mr Sage were directors of African Petroleum until their resignation during 2013.

(iv) An aggregate amount of US$289,946 was paid, or was due and payable to African Minerals Engineering Limited ('African Minerals Engineering') for office rent and other accommodation-related services (2012: US$353,302). Mr Timis is a director of African Minerals Engineering.

(v) As at 31 December 2013, the following amounts were payable to directors of the Company or their nominees:

	2013 US$	2012 US$
Oakwood Pty Limited, a company controlled by Mr Sage	**105,733**	9,507
CRMS, an entity controlled by Mr Turner	**50,752**	4,563
MLR Advisory Limited, a company controlled by Mr Ashurst	**3,549**	-
Mr Timis	**166,363**	116,674
Mr Antoniou	**46,882**	19,705
Barade International Limited, a company controlled by Mr Godec	**38,010**	-
Mr Mangazeev	**49,344**	-

27. RELATED PARTY INFORMATION (CONTINUED)

(d) Transactions with related parties (continued)

(vi) 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's property.

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.

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 is extended to the earlier of (i) 31 December 2013; (ii) the date of the receipt by the Company of A$45,000,000 pursuant to the terms of the Nkwe Agreement; and (iii) the date the Company completes a raising of funds by way of a public offering of shares,
- 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
  (ii) 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 31 December 2013, Loan Facility A has been drawn down in full. Interest incurred for the period of US$324,903 was capitalised to the loan amount (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 and US$125,000 in the year ended 31 December 2012.

(vii) In each of the months August 2012, September 2012 and October 2012 the Company secured three US$2.0 million convertible loan facilities ("Loan 1, Loan 2 and Loan 3") from Varesona Participation Corporation ("Varesona"), an entity controlled by non-executive director Mr Frank Timis. All three convertible loan facilities were fully drawn down during 2012 ("Loan Amounts") and interest is payable on the Loan Amounts at 5% per annum. The finance cost accrued on the loans for the year ended 31 December 2013 is US$821,590 (2012: US$250,477). The Loan Amounts plus interest are due for repayment 12 months from each agreement date.

If the Loan Amounts are not repaid by the repayment dates, the Loan Amounts 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 Loan Amounts into shares are not obtained, the Company must satisfy the Loan Amounts in cash and not shares.

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. During 2014 the convertible loans were converted to fully paid ordinary shares of the Company with shareholder approval attained on 8 September 2014. Details pertaining to the conversion are included in note 26.

27. RELATED PARTY INFORMATION (CONTINUED)

(d) Transactions with related parties (continued)

(viii) In January 2013, the Company secured a US$5.2 million convertible loan facility from Varesona Participation Corporation ("Varesona"), an entity controlled by non-executive director Mr Frank Timis. The convertible loan facility was fully drawn down in January 2013 ("Loan Amount"), including an advance of US$200,000 received in the prior year. Interest is payable on the Loan Amount at 5% per annum. The finance cost accrued on the loan for the year ended 31 December 2013 is US$658,981. The Loan Amount plus interest is repayable at any time subject to 5 days written notice.

If the Loan Amount is not repaid by the repayment dates, the Loan Amount will be converted, subject to the receipt of all necessary shareholder approvals, into shares at a deemed issue price equal to A$0.07 per share. If all necessary shareholder approvals for the conversion of the Loan Amount into shares are not obtained, the Company must satisfy the Loan Amount in cash and not shares. During 2014 the convertible loan was converted to fully paid ordinary shares of the Company with shareholder approval attained on 8 September 2014. Details pertaining to the conversion are included in note 26.

28. PARENT ENTITY FINANCIAL INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 3 for a summary of the significant accounting policies relating to the Group.

	Parent Entity	
	2013	**2012**
	US$	**US$**
Financial Position of parent entity at year-end		
Assets		
Current assets	**12,023,459**	4,006,363
Non-current assets	**4,387,314**	137,704,832
Total assets	**16,410,773**	141,711,195
Liabilities		
Current liabilities(i)	**34,361,424**	18,348,254
Non-current liabilities	**-**	-
Total liabilities	**34,361,424**	18,348,254
Net assets	**(17,950,651)**	123,362,941
Total equity of the parent entity comprising of		
Contributed equity	**273,523,178**	271,359,729
Share-based payment reserve	**34,999,111**	34,429,682
Revaluation reserve	**190,783**	(174,357)
Foreign currency translation reserve	**(6,972,292)**	7,914,202
Accumulated losses	**(319,691,431)**	(190,166,315)
Total equity	**(17,950,651)**	123,362,941
Results of the parent entity		
Loss for the year	**(129,525,116)**	(175,061,493)
Other comprehensive income	**(14,521,354)**	(457,322)
Total comprehensive loss for the year	**(144,046,470)**	(175,518,815)

28. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

(i) US$31,597,810 of the total current liabilities of US$34,361,424 at 31 December 2013 has been converted to fully paid ordinary shares of the Company post reporting date. Refer to the details in note 26.

Guarantees entered into by the parent entity

Subsequent to 31 December 2013, the parent provided letters of support to Eastern Petroleum Corporation Limited and International Petroleum Services Limited for a period of twelve months from the date of signing the companies' 2012 audited financial statements.

Contingent liabilities of the parent entity

There are no material contingent liabilities as at the balance date.

Contingent assets of the parent entity

On 4 October 2009, International Petroleum entered into an asset sale agreement with Nkwe Platinum Limited ("Nkwe") to sell its 15% interest in the South African Tubatse platinum project ("Tubatse Project") for A$60 million. This sales agreement has been revised several times after the initial agreement date and the sale had not yet been concluded. The detail pertaining to the transaction is disclosed in note 24.

Commitments of the parent entity

	2013 US$	2012 US$
Commitments for the payment of lease rentals in existence at the reporting date but not recognised as liabilities, payable:		
Within 1 year	**32,102**	37,889
Later than 1 year and not later than 5 years	**72,207**	123,334
Later than 5 years	**-**	-
	104,309	161,223

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 year ended 31 December 2013 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of its financial position as at 31 December 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(iii) complying with International Financial Reporting Standards as disclosed in Note 2.

(b) subject to the achievement of matters disclosed in Note 2 (Going Concern), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the year ended 31 December 2013.

Signed in accordance with a resolution of the Directors:

Antony Sage
Director

Perth, 30 October 2014

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's report to the members of International Petroleum Limited

Report on the financial report

We have audited the accompanying financial report of International Petroleum Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Independence

In conducting our audit 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 opinion

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

As described in Note 26 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.

The consolidated financial statements for the 12 months ended 31 December 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 audit 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 audit 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 14 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$3,549,080. We have been unable to obtain sufficient appropriate audit 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 audit 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 auditor's report.

Disclaimer of opinion

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Basis for disclaimer of opinion

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

As described in Note 26 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.

The consolidated financial statements for the 12 months ended 31 December 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 audit procedures in relation to these records.

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

Disclaimer of opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the remuneration report.

Report on Other Legal and Regulatory Requirements

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

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

Ernst & Young

Ernst & Young

Lewsen

D S Lewsen
Partner
Perth
30 October 2014

International Petroleum Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia ("NSX").

The Company's registered and principal place of business is 32 Harrogate Street, West Leederville, Western Australia 6007 Australia.

Shareholding

The distribution of members and their holdings of equity securities in the Company as at 26 September 2014 were as follows:

Category (size of holding)	Holders	Units
1- 1,000	35	13,768
1,001- 10,000	550	2,777,110
10,001- 100,000	512	16,984,041
100,001 – 1,000,000	115	35,449,848
1,000,001 - over	37	1,121,037,264
Total	**1,249**	**1,176,262,031**

Equity Securities

There are 1,249 shareholders, holding 1,176,262,031 fully paid ordinary shares.

All issued ordinary shares carry one vote per share and are entitled to dividends.

The number of shareholders holding less than a marketable parcel of ordinary shares is nil.

Options

Summarised below are the options (all unlisted) currently on issue together with their exercise price and expiry date:

Expiry date	Exercise price A$	Number under option
16 November 2015	0.30	8,000,000
30 June 2015	0.25	500,000
30 June 2015	0.35	500,000
30 June 2015	0.45	500,000
30 June 2015	0.55	500,000
30 June 2015	0.65	500,000
16 March 2016	0.25	3,500,000
15 April 2016	0.25	1,500,000
8 August 2016	0.25	3,000,000
5 March 2017	0.25	1,500,000
18 July 2017	0.25	2,000,000
15 April 2018	0.10	1,000,000
21 July 2019	0.01	10,000,000
2 October 2016	0.06	10,000,000

Voting Rights

In accordance with the Company's constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Options do not carry a right to vote.

Substantial Holders

The names of the substantial shareholders notified to the Company in accordance with section 671B of the Corporations Act as at 26 September 2014 are as follows:

	Fully paid ordinary shareholders	Number	% of held Issued Capital
1	Safeguard Management Limited <Timis Fund A/C>	444,018,420	37.75

Twenty Largest Shareholders

The names of the twenty largest fully paid ordinary shareholders as at 26 February 2013 are as follows:

	Name	Number of Fully Paid Ordinary Shares Held	% held of Issued Capital
1	SAFEGUARD MANAGEMENT LIMITED <TIMIS FUND A/C>	444,018,420	37.75
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	144,977,552	12.33
3	J P MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	132,896,329	11.30
4	CITICORP NOMINEES PTY LIMITED	90,429,873	7.69
5	CROWN MERCANTILE LIMITED	45,000,000	3.83
6	KONTILLO RESOURCES LIMITED	36,000,000	3.06
7	BNP PARIBAS NOMS PTY LTD <DRP>	28,463,061	2.42
8	LANGSTON KEY LIMITED	27,900,000	2.37
9	DEMPSEY RESOURCES PTY LIMITED	27,494,812	2.34
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	21,977,261	1.87
11	CS FOURTH NOMINEES PTY LTD	15,454,000	1.31
12	OKEWOOD PTY LTD	13,925,000	1.18
13	MR RUSSELL NEIL CREAGH	13,250,389	1.13
14	BNP PARIBAS NOMINEES PTY LTD <JARVIS A/C NON TREATY DRP>	11,014,377	0.94
15	PEMBURY NOMINEES PTY LTD	8,620,000	0.73
16	HKT AU PTY LTD <MORAMBA SERV SUPER PLAN A/C>	8,080,000	0.69
17	NATIONAL NOMINEES LIMITED	7,074,493	0.60
18	KERELA FINANCE CORPORATION	6,666,667	0.57
19	MR RUSSELL NEIL CREAGH	5,547,472	0.47
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 3	4,727,000	0.40
		1,093,516,706	**92.97**

Schedule of Exploration Assets held at the date of this report

Key Assets

Tenement No.	Prospect Area	Percentage
Manga 1	Niger	100%
Manga 2	Niger	100%
Aborak	Niger	100%
Ténéré Ouest	Niger	100%
1766 (*In dispute*)	Alakol	50%

Non-Core assets

Tenement No.	Prospect Area	Percentage
Hoepakrantz 291KT	Tubatse Project	10%
Nooitverwacht 324KT	Tubatse Project	10%
Eerste Geluk 327KT	Tubatse Project	10%

Five year summary of the results, assets and liabilities of the Group

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
	US$	US$	US$	US$	US$
Loss for the year	(133,176,144)	(3,362,144)	(27,463,912)	(15,539,009)	(1,659,551)
Total assets	73,941,000	193,611,261	143,825,835	124,021,844	43,276,729
Total liabilities	84,185,367	70,248,320	56,406,840	25,124,927	24,879,613
Net assets	(10,244,367)	123,362,941	87,418,995	98,896,917	18,397,116