International Petroleum Limited

(ABN 76 118 108 615)

Annual Financial Report for the year ended 31 December 2016

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CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN
Antony Sage

NON-EXECUTIVE DIRECTORS
Timothy Turner
Frank Timis

COMPANY SECRETARY
Anya Belogortseva

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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 2016.

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

Company Secretary
Mr Jason Brewer (resigned 27 November 2017)
Ms Anya Belogortseva (appointed 27 November 2017)

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

PROJECTS

Kazakhstan Project

The Group, through its wholly owned subsidiary, North Caspian Petroleum Ltd, operates and owns a 50% interest in subsoil use rights for the exploration of hydrocarbons in an early stage project in Kazakhstan ("Alakol Licence Area" or "Kazakhstan Project"). The remaining 50% is owned by Remas Corporation LLP, a privately owned Kazakhstan company.

The Alakol Licence Area is located in eastern Kazakhstan and borders the western boundary of the People's Republic of China. The main target reservoirs in the Alakol basin are carbonates or sandstones of Paleozoic age occurring at depths ranging between 1,600 and 3,500 metres. The Alakol basin is considered to be similar to the Junggar and Zaisan basins across the border in China which are both proven oil provinces.

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

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

On 4 August 2014, the Group received a notification from the Ministry of Energy of the Republic of Kazakhstan (formerly the Ministry of Oil and Gas) ("ME") that its rights to the Alakol licence had been withdrawn by ME unilaterally. The Group did not accept this as being justified and filed a lawsuit against ME demanding that the licence be reinstated back to the Group. A first instance court hearing was held on 16 January 2015 to address our claim for the licence to be reinstated and was decided in our favour. It was also recommended by the court of first instance that the licence expiry date be extended to account for lost time since the date the licence was withdrawn. ME appealed this decision, and won. Immediately following this appeal court decision, the Group submitted a cessation appeal against it on 28 April 2015 and an official ruling against this was issued on 10 June 2015. The Group had one year, 10 June 2016, to submit its appeal to the Supreme Court.

Due to new legislation, specifically the Civil Procedural Code of the Republic of Kazakhstan, which was to be applied retrospectively, the deadline to submit an appeal to the Supreme Court changed to 10 December 2015. During December 2015 the Group lodged its appeal to the Supreme Court of Kazakhstan regarding Alakol project's Subsurface Use Contract having been withdrawn by ME unilaterally. The Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation had subsequently been lodged through the General Prosecutors office in relation to this decision. Their decision was received by the Group during Quarter 3, 2017 stating that the time had lapsed for us to enforce the application for revocation and that only the Court of First Instance could decide whether the time could be restored and only the Supreme Court could decide if there was a case to re-adjudicate. Therefore, during Quarter 4, 2017 the Group filed two further motions. One motion to the Supreme Court to compel to re-adjudicate, the decision is pending and expected in Quarter 1, 2018. And another motion was to the Court of First Instance of Astana with request to restore the lapsed time, the decision is pending and expected by the end of Quarter 1, 2018.

Garatau and Tubatse Project

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

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 Group has no interest in the other two prospecting licences forming part of the Garatau Project. Due to the continued uncertainty surrounding ownership title, the Group assigns no value to its 10% interest in prospecting licences Nooitverwacht 324 KT and Eerste Geluk 327 KT.

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 Group by the revised agreement date of 31 December 2012. Group has fully impaired the carrying value of Hoepakrantz 291 KT as at 31 December 2015.

On 22 January 2016, the Group commenced legal proceedings in the Supreme Court of Western Australia against NKWE Platinum Ltd (NKWE) claiming A$45,000,000 in relation to the failure by NKWE to pay for the purchase of International Petroleum's 10% interest in prospective platinum tenements known as Hoepakrantz 291 KT, Nooitverwacht 324 KT and Eerste Geluk 327 KT located in the Eastern Limb of the Bushveld Complex in the Republic of South Africa (Tubatse Project or IGC Project) in accordance with the Sale Agreement between International Petroleum and NKWE dated 4 October 2009 (Sale Agreement).

Despite International Petroleum's several attempts to resolve this matter without formal legal proceedings and to the mutual satisfaction of both parties, NKWE has failed to honour its commitments to International Petroleum. Accordingly, International Petroleum was left with no choice but to commence legal proceedings against NKWE.

On 29 February 2016, the Group was served with a defence from NKWE together with a counter-claim in the sum of A$10 million seeking restitution of funds previously paid by NKWE to International Petroleum under the Sale Agreement between International Petroleum and NKWE Platinum dated 4 October 2009.

During May 2016, all legal proceedings were settled with NKWE on the basis that each party agreed to its claim against the other being dismissed, with no orders as to costs. As part of the settlement agreement, an amount of A$280,000 (US$208,122) was paid by NKWE to the Company on 20 May 2016.

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 Group 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 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 was 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 was 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 Group 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 Group undertook a reconnaissance survey of the area in June 2014.

During June 2016, the Group relinquished the exploration permits due to the continuing threats to security along the Niger-Nigerian border and the Republic of Niger's declaration of a state of emergency in this region, including areas contained within the Group's exploration blocks, a force majeure has been in place since February 2015. This security risk, combined with the deterioration of the global oil market, means the Group cannot continue with planned exploration in Niger.

NSX SUSPENSION

At the Company's request the Company's shares have been suspended from trading on the NSX since 27 March 2013. The Company is currently working towards meeting its reporting obligations and will apply to the NSX and request that trading resume in due course. An announcement will be sent to shareholders once the trading suspension is lifted.

FINANCIAL SUMMARY

The Group incurred a loss after income tax of US$3,165,255 (2015: loss of US$6,361,211); of which a loss of US$3,165,255 (2015: loss of US$6,361,211) related to continuing operations and nil (2015: nil) related to discontinued operations. The Group's result from continuing operations includes the following:

- Impairment losses on exploration and evaluation expenditure of US$35,953 (2015: US$3,646,156) reflecting the Group's ongoing evaluation of its exploration portfolio. The background for the impairment losses are detailed in Note 11 to the financial statements.
- Net foreign exchange losses of US$44,191 (2015: net foreign exchange gains of US$387,029) primarily related to the movements in cash balances denominated in a foreign currency.
- Employee expenses of US$2,162,949 (2015: US$1,157,037)

The exploration activities in 2016 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$966,116 (2015: US$3,149,532). There was a decrease of US$792,624 in the cash balance from US$1,399,695 at 31 December 2015 to US$607,071 at 31 December 2016.

No funding was received by the Group during the year (2015: nil).

CHANGES TO CONTRIBUTED EQUITY

No shares were issued during the year (2015:nil).

No options were granted during the year (2015: 1,500,000 options). As at 31 December 2016, there were 2,500,000 share options on issue (31 December 2015: 14,000,000 share options on issue).

No dividends were proposed or paid during the year (2015: no dividends).

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 2016:

- Towards the end of 2014, a wrongful dismissal claim and other employment related claims were brought against the Company and two of its Directors by its former Chief Executive Officer, Alex Osipov. A judgment was handed down by the UK Employment Tribunal, provisionally awarding £1,767,203.16 including taxes to the former employee. No amounts have been paid in respect of this award by the Company. The Company and its Directors strongly dispute the claims and lodged an appeal with the Employment Appeal Tribunal in the UK (EAT).

  Unfortunately, the Company was not successful in its appeal to the EAT. Judgement was given on 27 July 2017 by the EAT and EAT's sealed Order of 27 July 2017 was received by the Company on 8

August 2017 against the Company, Mr Frank Timis and Mr Antony Sage in the total amount of £2,003,972 gross on a joint and several liability basis. An application for permission to appeal certain aspects of this Judgement to the Court of Appeal on behalf Messrs. Timis and Sage was lodged on 17 August 2017.

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

Interest on the amount payable of £2,003,972 accrues at 8% per annum, accruing daily. Interest through to 31 January 2018 has been accrued for in this report, totalling £187,037.

- Following the relinquishment of all of the Company's assets in Niger in Quarter 2, 2016, the Company's representative office in Niger was officially closed in January 2017.

- Kazakhstan project –- As previously reported, during December 2015 the Group lodged its appeal to the Supreme Court of Kazakhstan regarding Alakol project's Subsurface Use Contract having been withdrawn by ME unilaterally. The Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation had subsequently been lodged through the General Prosecutors office in relation to this decision. Their decision was received by the Group during Quarter 3, 2017 stating that the time had lapsed for us to enforce the application for revocation and that only the Court of First Instance could decide whether the time could be restored and only the Supreme Court could decide if there was a case to re-adjudicate. Therefore, during Quarter 4, 2017 the Group had filed two further motions. One motion to the Supreme Court to compel to re-adjudicate, the decision is pending and expected in Quarter 1, 2018. And another motion was to the Court of First Instance of Astana with request to restore the lapsed time, the decision is pending and expected by the end of Quarter 1, 2018.

- 1,500,000 unlisted options with an exercise price of A$0.06 per option expired on 8 June 2017.

- 500,000 unlisted options with an exercise price of A$0.25 per option expired on 18 July 2017.

- Jason Brewer resigned as Company Secretary on 27 November 2017 and Anya Belogortseva was appointed Company Secretary on the same day.

- The Group's investment in Citation Resources Limited shares, of A$100,000, was fully provided for prior to 31 December 2016. On 10 March 2017 the Group received full reimbursement for the investment, and this will be shown as other income in the 2017 financial year.

No other event has arisen between 31 December 2016 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 Group'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 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), ASX-listed Caeneus Minerals Ltd (December 2010 to January 2016) and ASX-listed African Iron Limited (January 2011 to March 2012) and unlisted Kupang Resources Ltd (September 2010 to August 2015). 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, CTA, Registered Company Auditor and SMSF Auditor.
Experience	Mr Turner is senior partner with accounting firm, HTG Partners. Mr Turner specialises in domestic business structuring, corporate advisory and the issuing of audit opinions. Mr Turner also has in excess of 30 years' experience in new ventures 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 OSLO 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. Mr Timis was also director of NSX listed African Petroleum Corporation Limited (June 2010 to October 2013) and Executive Chairman of African Minerals Limited until early 2015.
Interest in Shares and Options	Mr Timis, or entities he controls or is a beneficiary of, holds 565,665,277 fully paid ordinary shares

COMPANY SECRETARY

Jason Brewer *(resigned 27 November 2017)*
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.

Anya Belogortseva *(appointed 27 November 2017)*
Ms Belogortseva has over 20 years of administrative, legal and commercial experience in the oil and gas industry with both international public and private companies. She has been with the International Petroleum Group for over 12 years and is currently also the Chief Executive Officer of the Company. Prior to joining International Petroleum, she has worked for European Hydrocarbons, PetroKazakhstan, Lukoil, BP amongst others and has operated in Niger, Senegal, Kazakhstan, Russia, the UK, South America and the Caribbean.

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

(ii) Other Key Management Personnel

Jason Brewer	Company Secretary (resigned 27 November 2017
Anya Belogortseva	Chief Executive Officer, Finance Director, appointed Company Secretary 27 November 2017

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 not 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$325,174 (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. At times, options are awarded with no performance conditions attached, instead vesting on certain service period milestones being reached, in order to retain talented executives. Discretionary bonuses are awarded, subject to the approval of the Remuneration Committee, based on assessment of performance and other discretionary factors.

The 2014 remuneration report received positive shareholder support at the 2015 Annual General Meeting with a vote of 99% in favour. The 2015 remuneration report is yet to be presented at an Annual General Meeting. The intention is to present the 2015 and 2016 remuneration reports at an Annual General Meeting in Quarter 1, 2018.

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

Below is a summary of the performance of the Group for the last 5 years:

	2012 US$	2013 US$	2014 US$	2015 US$	2016 US$
Profit/(loss) for the year	(3,362,144)	(133,176,144)	3,806,739	(6,361,211)	(3,165,255)
Basic EPS (cents)	(0.31)	(11.27)	0.29	(0.38)	(0.19)
Share price at end of period (A$)*	A$0.065	A$0.06	A$0.06	A$0.06	A$0.06

* The Company's shares have been suspended from trading on the NSX since 27 March 2013.

Details of remuneration of directors and key management personnel of International Petroleum for the year ended 31 December 2016

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 2016.

	Short term benefits			Post-employment benefits	Share-based payments			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)]	74,329	-	-	-	-	-	74,329	-	-
T Turner [(ii)]	35,678	-	-	-	-	-	35,678	-	-
F Timis [(iii)]	-	-	-	-	-	-	-	-	-
	110,007	**-**	**-**	**-**	**-**	**-**	**110,007**	**-**	**-**
Key management									
A Belogortseva [(iv)]	138,755	-	-	21,548	-	-	160,303	-	-
J Brewer [(v)]	35,678	-	-	-	-	-	35,678	-	-
Total	**284,440**	**-**	**-**	**21,548**	**-**	**-**	**305,988**	**-**	**-**

Details of remuneration of directors and key management personnel of International Petroleum for the year ended 31 December 2015

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 2015.

	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)*	75,120	-	-	-	-	-	75,120	-	-
T Turner *(ii)*	36,058	-	-	-	-	-	36,058	-	-
F Timis (iii)	(197,191)	-	-	-	-	-	(197,191)	-	-
	(86,013)	**-**	**-**	**-**	**-**	**-**	**(86,013)**	**-**	**-**
Key management									
A Belogortseva (iv)	347,978	-	320,373[2]	33,529	284	-	702,164	0.04	-
J Brewer (v)	36,058	-	-	-	-	-	36,058	-	-
Total	**298,023**	**-**	**320,373**	**33,529**	**284**	**-**	**652,209**	**0.04**	**-**

[1] Share based payments represents the fair value of options recognised in the financial statements during 2015.
[2] A bonus of US$320,373 (GBP225,000) has been accrued by the Company for 2015 for Ms Belogortseva in line with the terms of her employment agreement with the Company. No bonus has been paid to Ms Belogortseva during the current year.

(i) An aggregate amount of US$74,329 (A$100,000) was paid, or accrued, 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 (2015: US$75,120 (A$100,000)). The Company is not liable to pay for accrued amounts owing to Mr Sage for his services as a director of the Company, until the Company has sufficient funds to do so.

(ii) An aggregate amount of US$35,678 (A$48,000) was paid, or accrued, to CRMS, an entity controlled by Mr Turner, for the provision of his services as a director of the Company for the current year (2015: US$36,058 (A$48,000)). The Company is not liable to pay for accrued amounts owing to Mr Turner for his services as a director of the Company, until the Company has sufficient funds to do so.

(iii) No amount was recognised in the current year for Mr Timis's provision of services as a director of the Company. An aggregate amount of US$(197,191) (A$262,500) was recognised in relation to Frank Timis for the provision of his services as a director of the Company for the prior year and included a forgiveness of amounts due of US$229,727 (A$300,000) by Mr Timis.

(iv) An aggregate amount of US$138,755 was paid, or was due and payable, to Ms Belogortseva for the provision of her services as Chief Executive Officer and Finance Director (2015: US$347,978). Ms Belogortseva is guaranteed a bonus each year equivalent to her annual salary. No amount has been accrued in the current year in relation to her bonus for the current year due to the cash position of the Company, as agreed by Ms Belogortseva (2015: US$320,373 accrued).

Ms Belogortseva holds 1,500,000 unlisted options in the Company. The options were issued in the prior year and have an exercise price of A$0.06, an expiry date of 8 June 2017 and vest upon the sale of the Company's Nigerien exploration asset. These options expired on 8 June2017.

(v) An aggregate amount of US$35,678 (A$48,000) was paid, or was due and payable, to J C Trust, an entity controlled by Mr Brewer for company secretary and legal counsel services provided in the current year (2015: US$36,058 (A$48,000)).

Options recognised as part of key management remuneration for the year ended 31 December 2016

There were no options awarded to key management personnel during the current year. 1,500,000 options were awarded in the prior year, of which none have vested during the current year. The value of options that are expected to vest and which had not vested at 31 December 2016 will be recognised over the appropriate vesting periods. There are no options recognised as part of key management remuneration for the year ended 31 December 2016.

Options awarded, exercised, cancelled or forfeited during the year ended 31 December 2016

There were no options granted to key management personnel during the current year.

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

Number of shares held by directors and other key management personnel

	As at 1 January 2016	Balance held upon appointment	Awarded as remuneration	Acquired on exercise of options	Other net changes	As at 31 December 2016
Directors						
A Sage	15,480,691	-	-	-	-	15,480,691
T Turner	161,819	-	-	-	-	161,819
F Timis	565,665,277[1]	-	-	-	-	565,665,277[1]
Key management personnel						
J Brewer[2]	-	-	-	-	-	-
A Belogortseva[3]	-	-	-	-	-	-
	581,307,787	**-**	**-**	**-**	**-**	**581,307,787**

[1] The Timis Trust, of which Mr Timis is a beneficiary, is the ultimate holder of 565,665,277 fully paid ordinary shares.
[2] Resigned as Company Secretary 27 November 2017.
[3] Appointed as Company Secretary 27 November 2017.

Number of options held by directors and other key management personnel

	As at 1 January 2016	Balance held upon appointment	Options awarded as remuneration	Options expired	Other net changes	As at 31 December 2016 Held	Vested
Directors							
A Sage	-	-	-	-	-	-	-
T Turner	-	-	-	-	-	-	-
F Timis	-	-	-	-	-	-	-
Key management personnel							
Jason Brewer[1]	-	-	-	-	-	-	-
A Belogortseva[2]	3,000,000	-	-	(1,500,000)	-	1,500,000	-
	3,000,000	**-**	**-**	**(1,500,000)**	**-**	**1,500,000**	**-**

[1] Resigned as Company Secretary 27 November 2017.
[2] Appointed as Company Secretary 27 November 2017.

No performance shares were held by directors and other key management personnel during the current and prior years.

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 9 June 2015 and extended on an annual basis;

(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$74,329 for 2016. 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 of 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.

(e) 12 months' notice required by the Company or the Executive without cause.

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 9 June 2013, and extended on an annual basis;

(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$35,678 for 2016. 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.

Frank Timis - Non-Executive Director

No remuneration was paid to Frank Timis for the current year. An aggregate amount of US$(197,191) (A$262,500) was recognised in relation to Frank Timis for the provision of his services as a director of the Company for the prior year and included a forgiveness of amounts due of US$229,727 (A$300,000) by Mr Timis.

Anya Belogortseva – Chief Executive Officer, Finance Director, appointed Company Secretary 27 November 2017

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 was increased to £225,000 effective 1 April 2015, then reduced to £157,500 effective 1 December 2015 and settled in pounds sterling. In the prior year Ms Belogortseva's salary was settled in USD, equivalent to US$347,978; a further 10% of her UK salary was paid directly to nominated pension fund; an allowance of £100 per day spent in Kazakhstan paid net, after settlement of payroll taxes; and an accommodation allowance of up to £5,000 per month. No amount was paid for Ms Belogortseva's accommodation in the prior year.

    Ms Belogortseva was remunerated £76,408 (US$109,877) for her role as CEO and Finance Director for the current year with a further US$21,548 paid directly to her nominated pension fund. No amount was paid to for Ms Belogortseva's accommodation in the current year. Ms Belogortseva accepts the reduced remuneration for the current year and has waived any shortfall, due to the cash position of the Company.

(b) US$28,878 local fees were paid for services as a director of North Caspian Petroleum Limited branch in Kazakhstan (2015: nil).
(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. The options have expired unexercised during the current year. No options have been granted during the current year.
(d) Award of 1,500,000 options with an exercise price of A$0.06 and expiry date of 8 June 2017. The options were awarded on 9 June 2015 and vest on the sale of the Niger Asset. The options expired on 8 June 2017.
(e) Ms Belogortseva is guaranteed a bonus each year equivalent to her annual salary. No amount has been accrued in the current year in relation to her bonus for the current year due to the cash position of the Company, as agreed by Ms Belogortseva (2015: US$320,373 accrued).
(f) 6 months termination notice applies.

Jason Brewer - Company Secretary, resigned 27 November 2017

The engagement conditions of Jason Brewer were approved by the Board on commencement of his employment with a fee of US$2,890 (A$4,000) per month for company secretarial services.

Related party transactions with key management personnel in 2016:

(i) As at 31 December 2016, the following amounts were payable to directors of the Company and Key Management Personnel, or their nominees:

	2016 US$
Okewood Pty Ltd, an entity controlled by Mr Sage	**33,031**
CRMS, an entity controlled by Mr Turner	**38,052**
JC Trust Pty Ltd, an entity controlled by Mr Brewer	**11,531**
Ms Belogortseva	**-**

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:	2	-	-	-	-
Number of meetings attended:					
Antony Sage	2	-	-	-	-
Timothy Turner	2	-	-	-	-
Frank Timis	-	-	-	-	-

The directors were eligible to attend all directors' meetings.

[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, three 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

Towards the end of 2014, a wrongful dismissal claim and other employment related claims were brought against the Company and two of its Directors by its former Chief Executive Officer, Alex Osipov. A judgment was handed down by the UK Employment Tribunal, provisionally awarding £1,767,203.16 including taxes to the former employee. No amounts have been paid in respect of this award by the Company. The Company and its Directors strongly dispute the claims and lodged an appeal with the Employment Appeal Tribunal in the UK (EAT).

Unfortunately, the Company was not successful in its appeal to the EAT. Judgement was given on 27 July 2017 by the EAT and EAT's sealed Order of 27 July 2017 was received by the Company on 8 August 2017 against the Company, Mr Frank Timis and Mr Antony Sage in the total amount of GBP£2,003,972.35 gross on a joint and several liability basis. An application for permission to appeal certain aspects of this Judgement to the Court of Appeal on behalf Messrs. Timis and Sage was lodged on 17 August 2017.

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

Interest on the amount payable of £2,003,972 accrues at 8% per annum, accruing daily. Interest through to January 2018 has been accrued for in this report, totalling £187,037.

No other 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 other 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 s.300(9) of the Corporations Act 2001.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Stantons International, 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 Stantons International 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
15 April 2018	0.10	500,000

Shares issued on the exercise of options

During the year, no ordinary shares were issued upon the exercise of options (2015: 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 20.

NON AUDIT SERVICES

No non-audit services were provided by related practices of the Company's auditors, Stantons International during the current year (2015: nil).

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

Antony Sage
Director

Perth, 31 January 2018

Stantons International Audit and Consulting Pty Ltd
trading as
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31 January 2018

Board of Directors
International Petroleum Limited
32 Harrogate Street
West Leederville, WA 6007

Dear Sirs

RE: INTERNATIONAL PETROLEUM LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of International Petroleum Limited.

As Audit Director for the audit of the financial statements of International Petroleum Limited for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik
Director

CORPORATE GOVERNANCE STATEMENT

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) are not considered independent.

Non-Executive Director, Mr T. Turner, was considered to have been independent throughout the year.

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 Ms Belogortseva. The Board considers relevant industry experience and specific expertise important in providing strategic guidance and oversight of the Company. Mr Belogortseva assumed the role of Chief Executive Officer Mr Osipov's termination as Chief Executive Officer on 26 October 2014.

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

Mr A. Sage	11 years, 2 month	(Chairman)
Mr F. Timis	6 years, 9 months	(Non-Executive Director)
Mr T. Turner	11 years, 2 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$325,174 (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 T. Turner (Chairman)
- Mr A. Sage

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 T. Turner

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 T. Turner

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 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 US$	2015 US$
Continuing operations			
Revenue	5(a)	**89**	1,462
Other income	5(a)	**278,646**	264,804
Consulting expenses		**(404,357)**	(1,259,993)
Compliance and regulatory expenses		**(66,935)**	(152,668)
Travel costs		**(36,000)**	(93,211)
Other expenses		**(524,929)**	(390,605)
Occupancy costs		**(124,753)**	(219,213)
Employee expenses	5(b)	**(2,162,949)**	(1,157,037)
Foreign currency (losses)/gains		**(44,191)**	387,029
Depreciation expense		**(25,806)**	(5,175)
Finance costs	5(c)	**(18,086)**	(18,626)
Allowances for impairment	5(d)	**(35,953)**	(3,719,154)
(Loss)/profit before tax		**(3,165,224)**	(6,362,387)
Income tax (expense)/benefit	4	**(31)**	1,176
(Loss)/profit for the year from continuing operations		**(3,165,255)**	(6,361,211)
Discontinued operations			
Profit(loss) for the year from discontinued operations		**-**	-
(Loss)/profit for the year		**(3,165,255)**	(6,361,211)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Foreign exchange (loss)/gain on translation of foreign operations		**(53,342)**	384,281
Other comprehensive(loss)/ income for the year, net of income tax		**(53,342)**	384,281
Total comprehensive (loss)/income for the year		**(3,218,597)**	(5,976,930)
(Loss)/profit for the year is attributable to:			
Equity holders of the parent		**(3,165,255)**	(6,361,211)
Non-controlling interest		**-**	-
		(3,165,255)	(6,361,211)
Total comprehensive loss for the year is attributable to:			
Equity holders of the parent		**(3,218,597)**	(5,976,930)
Non-controlling interest		**-**	-
		(3,218,597)	(5,976,930)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

		2016	2015
		US$	US$
Earnings per share			
From continuing and discontinued operations			
Basic/diluted (loss)/earnings per share (cents)	18	**(0.19)**	(0.38)
From continuing operations			
Basic/diluted (loss)/earnings per share (cents)	18	**(0.19)**	(0.38)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016	2015
		US$	US$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	**607,071**	1,399,695
Trade and other receivables	7	**41,961**	225,201
Prepayments		**75,634**	152,320
TOTAL CURRENT ASSETS		**724,666**	1,777,216
NON CURRENT ASSETS			
Restricted cash	8	**-**	20,383
Plant and equipment	9	**-**	25,740
Financial assets available-for-sale	10	**-**	1,599
Deferred tax asset	4	**-**	-
Exploration and evaluation expenditure	11	**-**	-
TOTAL NON CURRENT ASSETS		**-**	47,722
TOTAL ASSETS		**724,666**	1,824,938
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	**5,946,841**	3,812,755
Income tax payable		**172,845**	175,011
TOTAL CURRENT LIABILITIES		**6,119,686**	3,987,766
NON CURRENT LIABILITIES			
Deferred tax liability	4	**-**	-
Provisions	13	**-**	13,595
TOTAL NON CURRENT LIABILITIES		**-**	13,595
TOTAL LIABILITIES		**6,119,686**	4,001,361
NET (LIABILITIES) / ASSETS		**(5,395,020)**	(2,176,423)
EQUITY / (SHAREHOLDERS' DEFICIT)			
Contributed equity	14	**285,751,343**	285,751,343
Reserves	15	**(93,967,447)**	(93,914,105)
Accumulated losses		**(197,178,916)**	(194,013,661)
Equity attributable to equity holders of the parent		**(5,395,020)**	(2,176,423)
Non-controlling interest		**-**	-
TOTAL (SHAREHOLDERS' DEFICIT) / EQUITY		**(5,395,020)**	(2,176,423)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Contributed equity US$	Accumulated losses US$	Share-based payment reserve US$	Merger reserve US$	Foreign currency translation reserve US$	Total US$
AS AT 1 JANUARY 2016		**285,751,343**	**(194,013,661)**	**5,640,530**	**(101,516,017)**	**1,961,382**	**(2,176,423)**
Loss for the year		**-**	**(3,165,255)**	**-**	**-**	**-**	**(3,165,255)**
Translation of foreign operations from functional currencies to presentation currencies		**-**	**-**	**-**	**-**	**(53,342)**	**(53,342)**
Total comprehensive (loss)/income for the year		**-**	**(3,165,255)**	**-**	**-**	**(53,342)**	**(3,218,597)**
AS AT 31 DECEMBER 2016		**285,751,343**	**(197,178,916)**	**5,640,530**	**(101,516,017)**	**1,908,040**	**(5,395,020)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Contributed equity US$	Accumulated losses US$	Share-based payment reserve US$	Merger reserve US$	Foreign currency translation reserve US$	Total US$
AS AT 1 JANUARY 2015		**285,751,343**	**(187,652,450)**	**5,639,686**	**(101,516,017)**	**1,577,101**	**3,799,663**
Loss for the year		**-**	**(6,361,211)**	**-**	**-**	**-**	**(6,361,211)**
Translation of foreign operations from functional currencies to presentation currencies		**-**	**-**	**-**	**-**	**384,281**	**384,281**
Total comprehensive (loss)/income for the year		**-**	**(6,361,211)**	**-**	**-**	**384,281**	**(5,976,930)**
Shares issued	15	**-**	**-**	**-**	**-**	**-**	**-**
Share based payments	17	**-**	**-**	**844**	**-**	**-**	**844**
AS AT 31 DECEMBER 2015		**285,751,343**	**(194,013,661)**	**5,640,530**	**(101,516,017)**	**1,961,382**	**(2,176,423)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 US$	2015 US$
Cash flows from operating activities			
Receipts from customers		**25,848**	282,997
Payments to suppliers and employees		**(992,053)**	(3,394,621)
Interest received		**89**	1,462
Income tax paid		**-**	(39,370)
Net cash flows used in operating activities	6(b)	**(966,116)**	(3,149,532)
Cash flows from investing activities			
Receipt of security deposits		**1,323**	-
Proceeds from sale of Tubatse Project		**208,122**	-
Payment for purchase of available-for-sale investments		**-**	(72,998)
Payment for plant and equipment	9	**-**	(23,986)
Payment for exploration and evaluation activities		**(35,953)**	(930,910)
Net cash flows from/(used in) investing activities		**173,492**	(1,027,894)
Cash flows from financing activities			
Interest paid		**-**	(3,373)
Net cash flows used in financing activities		**-**	(3,373)
Net decrease in cash and cash equivalents		**(792,624)**	(4,180,799)
Cash and cash equivalents at the beginning of the year		**1,399,695**	5,688,513
Effects of exchange rate changes on the balance of cash held in foreign currencies		**-**	(108,019)
Cash and cash equivalents at the end of the year		**607,071**	1,399,695

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 2016 was authorised for issue in accordance with a resolution of the directors on 31 January 2018.

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 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 2016, the Group incurred a net loss after tax of US$3,165,255 and a cash outflow from operating activities of US$966,116. The cash and cash equivalents balance at 31 December 2016 was US$607,071. The Group's net liability position at 31 December 2016 was US$5,395,020 and its net current working capital deficiency was US$5,395,020.

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 a wrongful dismissal claim and other employment related claims brought against the Company and two of its Directors by a former employee of the Company. The Group's funding objectives include:

i) negotiating with certain creditors to revise payment amounts and terms, and
ii) a full completion of appeals process by the Company against a wrongful dismissal claim and other employment related claims brought against the Company and two of its Directors by a former employee of the Company; and
iii) a loan or a capital raising.

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 revise payment amounts and terms and filing legal claims to recover the amounts owed to them, and
ii) unfavourable decision on the Company's appeal against a wrongful dismissal claim and other employment related claims brought against the Company and two of its Directors by a former employee of the Company.

Should the Group's funding objectives not be achieved and the Company's appeal against the wrongful dismissal claim and other employment related claims brought against the Company be unsuccessful, 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

Standards and Interpretations adopted in the current year

The Group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 January 2016:

- AASB 2015-3 Amendments to Australian Standards arising from the Withdrawal of AASB 2031 Materiality

  The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

New Accounting Standards for application in future periods

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

  The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

  The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract(s); and
  - recognise revenue when (or as) the performance obligations are satisfied.

  This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's revenue recognition and disclosures.

- AASB 16: *Leases* (applicable to annual reporting periods commencing on or after 1 January 2019).

  When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

  The main changes introduced by the new Standard are as follows:

  - recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
  - depreciating the right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
  - inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
  - application of practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
  - additional disclosure requirements.

  The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's recognition of leases and disclosures.

- AASB 2014-10*: Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods commencing on or after 1 January 2018).

  This Standard amends AASB 10: Consolidated *Financial Statements* with regards to a parent losing control over a subsidiary that is not a "business" as defined in AASB 3: Business Combinations to an associate or joint venture and requires that:

  - a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
  - the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
  - any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

  Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Other standards not yet applicable

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

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 2016 (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 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 being the functional currency of all major subsidiaries in the Group, 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 Profit or Loss and Other 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 Profit or Loss and Other 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 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.

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 Profit or Loss and Other 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 are 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.

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 year’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 wholly 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 wholly 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.

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.

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

Non-current assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available information specific to the Group, at each reporting date. These estimates are most relevant to exploration expenditure recognised by the Group.

Financial assets

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.

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.

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.

Environment Provisions

As at the date of this report, there is no requirement for rehabilitation of the environment in relation to any exploration activities undertaken by the Group. In the event that an obligation exists, a provision for the cost of such rehabilitation will be recognised.

4. INCOME TAX

	2016 US$	2015 US$
(a) The income tax (benefit)/expense for the year comprises:		
Current tax	**(31)**	1,176
Deferred tax	**-**	-
Total tax expense/(benefit) from continuing operations	**(31)**	1,176
(b) The prima facie tax on pre-tax accounting loss from operations reconciles to the income tax expense/(benefit) as follows:		
Profit/(loss) before tax from continuing operations	**(728,829)**	3,224,856
Profit/(loss) before tax from discontinued operations	**-**	-
Profit/(loss) before tax	**(728,829)**	3,224,856
Income tax expense/(benefit) at 30% (2015: 30%)	**(218,649)**	967,457
Foreign tax rate adjustment	**-**	-
Profit/(loss) before tax	**(218,649)**	967,457
Add/(less) tax effect of:		
- Non-allowable / non-assessable items	**(5,005)**	(285,088)
- Recognised deferred tax asset attributable to tax losses and other temporary differences	**-**	-
- Unrecognised deferred tax asset attributable to tax losses and other temporary differences	**223,623**	(681,193)
Income tax (expense)/benefit attributable to the Group	**(31)**	1,176
Income tax (benefit)/expense from continuing operations reported in the consolidated statement of comprehensive income	**-**	-

Recognised deferred tax assets and liabilities

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

	2016 US$	2015 US$
Continuing operations temporary differences		
Available for sale financial assets	**-**	-

Movement in net deferred tax liability during the current year

	As at 1 January 2016 US$	Tax income/ (expense) for the year recognised in income US$	Recognised in other comprehensive income: Revaluation of financial assets US$	Recognised in other comprehensive income: Foreign exchange differences US$	As at 31 December 2016 US$
Available for sale financial assets	-	-	-	-	**-**
Exploration and evaluation expenditure	-	-	-	-	**-**
Tax losses	-	-	-	-	**-**
Other deductible temporary differences	-	-	-	-	**-**
Net deferred tax liability	-	-	-	-	**-**

4. INCOME TAX (CONTINUED)

Movement in net deferred tax liability during the prior year

	As at 1 January 2015	**Tax income/ (expense) for the year recognised in income**	**Recognised in other comprehensive income**		**As at 31 December 2015**
			Revaluation of financial assets	**Foreign exchange differences**	
	US$	**US$**	**US$**	**US$**	**US$**
Available for sale financial assets	-	-	-	-	-
Exploration and evaluation expenditure	-	-	-	-	-
Tax losses	-	-	-	-	-
Other deductible temporary differences	-	-	-	-	-
Net deferred tax liability	-	-	-	-	-

The above note has been prepared for the Parent entity, International Petroleum Limited only, as the taxation information relating to the subsidiaries is incomplete and the estimation of which is potentially misleading. Accordingly, given the loss making positions of all of the subsidiaries, and the uncertainty surrounding going concern of the consolidated entity, no deferred tax assets on taxation losses have been brought to account.

5. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

	2016 US$	2015 US$
(a) Revenue and income		
Interest revenue	**89**	1,462
Revenue from the sale of inventory	**-**	44,137
Rental income [(i)]	**70,524**	217,831
Other income	**208,122**	2,836
	278,646	264,804

[(i)] Rental income relates to the sub lease of London offices to related parties. As at 31 December 2016 a provision been made for US$109,839 of rental income which is overdue.

	Note	2016 US$	2015 US$
(b) Employee expenses			
Employee benefits[(iii)]		**(2,052,942)**	(1,242,206)
Directors' remuneration[(i)]		**(110,007)**	86,013
Share based payments[(ii)]		**-**	(844)
		(2,162,949)	(1,157,037)

[(i)] The directors' remuneration for the prior year includes a reversal of previously accrued director fees of US$229,727 (A$300,000).

[(ii)] The share based payments recognised for the year is nil (2015: US$844).

[(iii)] Employee benefits expense for the current year includes an accrual to bring the provision for the Osipov accrual to £2,003,972 (US$2,465,207) as per the judgement of the UK Tribunal, plus interest up to 31 January 2018 of £187,037 (US$230,086).

	2016 US$	2015 US$
(c) Finance costs		
Interest expense	**(18,086)**	(18,626)
	(18,086)	(18,626)

	Note	2016 US$	2015 US$
(d) Allowances for impairment			
Impairment loss on financial assets available for sale	10	**-**	(72,998)
Impairment loss on exploration and evaluation expenditure	11	**(35,953)**	(3,646,156)
		(35,953)	(3,719,154)

5. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS (CONTINUED)

	2016 US$	2015 US$
(e) Lease rentals		
Lease rental expense	**124,753**	203,191

6. 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.

	2016 US$	2015 US$
Cash and cash equivalents	**628,257**	1,399,695
Provision for unrecoverable cash and cash equivalents[(i)]	**(21,186)**	-
	607,071	1,399,695

[(i)] Provision for unrecoverable cash and cash equivalents represents balances with Kazakhstan International Bank (KIB) as at 31 December 2016, whose banking licence has been cancelled.

(b) Reconciliation of profit/(loss) for the year to net cash flows from operating activities

	2016 US$	2015 US$
Profit/(loss) before tax from continuing operations	**(3,165,224)**	(6,362,387)
Profit/(loss) before tax from discontinued operations	**-**	-
Profit/(loss) before tax	**(3,165,224)**	(6,362,387)
Non-cash adjustments:		
Depreciation	**25,806**	-
Share-based payments expense/(reversal)	**-**	844
Finance costs	**-**	18,626
Gain on disposal of Tubatse Project	**(208,122)**	-
Bad debts written off	**218,285**	-
Foreign currency (gains)/losses	**29,500**	(4,918)
Allowances for impairment	**35,953**	3,719,154
Working capital adjustments:		
(Increase)/decrease in trade and other receivables	**(13,063)**	(150,250)
(Increase)/decrease in prepayments	**76,686**	184,367
Increase/(decrease) in trade and other payables and provisions	**2,034,063**	(554,968)
Net cash used in operating activities	**(966,116)**	(3,149,532)

7. TRADE AND OTHER RECEIVABLES

	2016 US$	2015 US$
Trade receivables [(i)]	**109,839**	118,873
Rental deposits paid [(ii)]	**33,898**	33,898
GST/VAT recoverable	**63,169**	24,465
Other receivables	**52,604**	47,965
Provision for doubtful debts	**(217,549)**	-
	41,961	225,201

[(i)] Trade receivables relates to rental income due from related parties in respect of the sub lease of the Company's London offices.

[(ii)] Rental deposits paid is for the Company's leased London offices.

At reporting date, all of the trade and other receivables except for $41,961 were past due and impaired.

8. RESTRICTED CASH

	2016 US$	2015 US$
Security deposits in place for credit cards	**-**	15,147
Security deposits for applications in Kazakhstan	**-**	5,236
	-	20,383

9. PLANT AND EQUIPMENT

	2016 US$	2015 US$
At cost	**59,694**	59,472
Accumulated depreciation	**(59,694)**	(33,732)
	-	25,740
Reconciliations of the carrying amounts of plant and equipment during the year are set out below:		
As at 1 January	**25,740**	8,990
Additions	**-**	23,986
Disposals	**-**	-
Depreciation charge	**(25,806)**	(5,175)
Foreign exchange differences on translation of foreign operations	**66**	(2,061)
Carrying amount as at 31 December	**-**	25,740

10. FINANCIAL ASSETS AVAILABLE-FOR-SALE

	2016	2015
	US$	US$
Available-for-sale-investments		
Investments in listed securities at fair value (i)	**-**	1,599

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.

(i) The Group's investment in Citation Resources Limited shares, of US$72,998 (A$100,000), was fully provided for in the prior year. On 10 March 2017 the Group received full reimbursement for the investment, and this will be shown as other income in the 2017 financial year.

11. EXPLORATION AND EVALUATION EXPENDITURE

	2016	2015
	US$	US$
At cost	**39,006,660**	58,433,195
Impairment allowance	**(39,006,660)**	(58,433,195)
Net carrying value	**-**	-
Reconciliations of the carrying amounts of exploration and evaluation expenditure during the year are set out below:		
As at 1 January	**-**	3,307,099
Exploration and evaluation expenditure incurred	**35,953**	339,057
Allowances for impairment	**(35,953)**	(3,646,156)
Foreign exchange differences on translation of foreign operations	**-**	-
Carrying amount as at 31 December	**-**	-
Reconciliations of the movement in the impairment allowance during the year are set out below:		
As at 1 January	**(58,433,195)**	(86,962,499)
Impairment allowance increase	**(35,953)**	(3,646,156)
Foreign exchange differences on translation of foreign operations	**38,216**	32,175,460
Exploration expenditure written off	**19,424,272**	-
Carrying amount as at 31 December	**(39,006,660)**	(58,433,195)

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.

The carrying value of exploration and evaluation expenditure as at 31 December 2016 is fully impaired to nil (2015: nil).

During June 2016, the Group advised that the Manga-1, Manga-2, Ténéré Ouest and Aborak Oil exploration permits, known as the Niger assets, have been relinquished by the Group. Due to the continuing threats to security along the Niger-Nigerian border and the Republic of Niger's declaration of a state of emergency in this region, including areas contained within the Company's exploration blocks, a force majeure has been in place since February 2015. This security risk means the Group cannot continue with planned exploration in Niger. The Niger assets have been fully written off as at 31 December 2016, with an impairment expense of US$35,953 recognised during the current period (year ended 31 December 2015: US$3,683,175).

11. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

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. On 4 August 2014, the Gruop received a notification from the Ministry of Energy of the Republic of Kazakhstan (formerly the Ministry of Oil and Gas) ("ME") that its rights to the Alakol licence had been withdrawn by ME unilaterally. The Group did not accept this as being justified and filed a lawsuit against ME demanding that the licence be reinstated back to the Company. A first instance court hearing was held on 16 January 2015 to address our claim for the licence to be reinstated and was decided in our favour. It was also recommended by the court of first instance that the licence expiry date be extended to account for lost time since the date the licence was withdrawn. ME appealed this decision, and won. Immediately following this appeal court decision, the Group submitted a cessation appeal against it on 28 April 2015 and an official ruling against this was issued on 10 June 2015. The Group had one year, till the 10 June 2016, to submit its appeal to the Supreme Court.

Due to new legislation, specifically the Civil Procedural Code of the Republic of Kazakhstan, which was to be applied retrospectively, the deadline to submit an appeal to the Supreme Court changed to 10 December 2015. During December 2015 the Group lodged its appeal to the Supreme Court of Kazakhstan regarding Alakol project's Subsurface Use Contract having been withdrawn by ME unilaterally. The Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation had subsequently been lodged through the General Prosecutors office in relation to this decision. Their decision was received by the Group during Quarter 3, 2017 stating that the time had lapsed for us to enforce the application for revocation and that only the Court of First Instance could decide whether the time could be restored and only the Supreme Court could decide if there was a case to re-adjudicate. Therefore, during Quarter 4, 2017 the Group had filed two further motions. One motion to the Supreme Court to compel to re-adjudicate, the decision is pending and expected in Quarter 1, 2018. And another motion was to the Court of First Instance of Astana with request to restore the lapsed time, the decision is pending and expected by the end of Quarter 1, 2018.

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 fully impaired as at 31 December 2016. No impairment expense was required for the current period as the asset was already fully impaired as at 31 December 2015 (year ended 31 December 2015: US$37,019 reversal).

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").

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 assigned no value to its 10% interest in prospecting licences Nooitverwacht 324 KT and Eerste Geluk 327 KT.

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. Company had fully impaired the carrying value of Hoepakrantz 291 KT as at 31 December 2015.

On 22 January 2016, the Company commenced legal proceedings in the Supreme Court of Western Australia against NKWE Platinum Ltd (NKWE) claiming A$45,000,000 in relation to the failure by NKWE to pay for the purchase of International Petroleum's 10% interest in prospective platinum tenements known as Hoepakrantz 291 KT, Nooitverwacht 324 KT and Eerste Geluk 327 KT located in the Eastern Limb of the Bushveld Complex in the Republic of South Africa (Tubatse Project or IGC Project) in accordance with the Sale Agreement between International Petroleum and NKWE dated 4 October 2009 (Sale Agreement).

Despite International Petroleum's several attempts to resolve this matter without formal legal proceedings and to the mutual satisfaction of both parties, NKWE failed to honour its commitments to International Petroleum. Accordingly, International Petroleum was left with no choice but to commence legal proceedings against NKWE.

On 29 February 2016, the Company was served with a defence from NKWE together with a counter-claim in the sum of A$10 million seeking restitution of funds previously paid by NKWE to International Petroleum under the Sale Agreement between International Petroleum and NKWE Platinum dated 4 October 2009.

11. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

During May 2016, all legal proceedings were settled with NKWE on the basis that each party agreed to its claim against the other being dismissed, with no orders as to costs. As part of the settlement agreement, an amount of A$280,000 was paid by NKWE to the Company on 20 May 2016. All exploration expenditure on the Tubtase Project was fully impaired in prior years and has been written off during the current period.

12. TRADE AND OTHER PAYABLES

	2016 US$	**2015 US$**
Trade payables and accruals	**1,461,671**	1,273,788
Other accruals [iii]	**4,173,256**	2,335,472
Other payables	**311,914**	203,495
	5,946,841	3,812,755

Terms and conditions relating to the above financial instruments:

(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.

(ii) Other payables and accruals are non-interest bearing and have an average term of 30 days.

(iii) Other accruals includes £2,003,972 (US$2,465,207) being the amount payable to Mr Osipov as per the judgement of the UK Tribunal, plus interest up to 31 January 2018 of £187,037 (US$230,086).

Trade and other payables includes US$1,340,525 of creditor amounts that are past due (2015: US$1,432,346).

13. PROVISIONS

	Provision for site restoration	
	2016 US$	**2015 US$**
As at 1 January	**13,595**	25,309
Decrease resulting from re-measurement	**(13,595)**	-
Foreign exchange differences on translation of foreign operations	**-**	(11,714)
	-	13,595

14. CONTRIBUTED EQUITY

	2016 US$	2015 US$
Issued ordinary shares (a)	**266,250,687**	266,250,687
Shareholder equity contribution – convertible loans (b)	**6,162,074**	6,162,074
Shareholder equity contribution – loans (c)	**13,338,582**	13,338,582
	285,751,343	285,751,343

(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$	
	2016	**2015**	**2016**	**2015**
As at 1 January	**1,679,602,608**	1,679,602,608	**279,589,269**	279,589,269
Movement	**-**	-	**-**	-
As at 31 December	**1,679,602,608**	1,679,602,608	**279,589,269**	279,589,269

(b) Shareholder equity contribution

The equity contribution is the difference between the initial fair value of the convertible loans recognised as debt and the loan proceeds received. There were no new convertible loan agreements entered into during the current period.

(c) Shareholder equity contributions – loans

The equity contribution is the difference between the fair value of loans and the 503,340,577 shares in the Company issued in settlement of the Company's loans with African Petroleum Corporation Limited, Range Resources Limited and Varesona Participation Corporation in 2014. There were no loans required to be repaid during the current year.

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.

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.

15. 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.

16. SHARE BASED PAYMENTS

Options

During the current year, no unlisted options have been issued by the Company (2015: 1,500,000 unlisted options to an employee of the Company). During the current year no amount has been expensed, in respect of these options, within the line item "Employee expenses" within the Statement of Profit or Loss and Other Comprehensive Income (2015: US$1,516 expensed). In the prior year, US$1,055 was capitalised to Exploration and Evaluation Expenditure and US$1,727 reversed from being capitalised within Exploration and Evaluation Expenditure.

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$
8 June 2015	1,500,000	0.06	8 June 2017	390	297

The weighted average fair value of the options granted during the prior year is A$0.06. Options were priced using the Black-Scholes option pricing model. Expected volatility used was 125% and is based on the historical volatility. No allowance has been made for the effects of early exercise.

The options issued to an employee in the prior year were 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.

Options forfeited and cancelled during the current year

During the current year no options were forfeited or cancelled (2015: 2,000,000 unlisted options, 500,000 of which with an exercise price of A$0.10, and 1,500,000 with an exercise price of A$0.25 were either forfeited or cancelled upon resignation of certain employees). No amount which had been capitalised in prior periods in respect of these options, has been reversed in the current year (2015: US$1,727).

Options expired during the current year

During the current year, 10,000,000 options with an exercise price of A$0.06 expired and 1,500,000 options with an exercise price of A$0.25 expired (2015: 8,000,000 options with an exercise price of A$0.30 and 2,500,000 options with an exercise price of between A$0.25 and A$0.65).

16. SHARE BASED PAYMENTS (CONTINUED)

Options outstanding at 31 December 2016

The following shows the model inputs for the options outstanding at 31 December 2016:

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$
15 April 2018	0.10[1]	500,000	-	3.25	2	0.06	0.06
18 July 2017	0.25[2]	500,000	-	3.79	1	0.23	0.21
8 June 2017	0.06[3]	1,500,000	-	2.01	1	0.06	0.06
TOTAL		**2,500,000**					

[1] The equivalent US$ exercise price per option at 31 December 2016 is equal to US$0.07

[2] The equivalent US$ exercise price per option at 31 December 2016 is equal to US$0.18

[3] The equivalent US$ exercise price per option at 31 December 2016 is equal to US$0.04

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

	2016		**2015**	
	Number of Options	**Weighted Average Exercise Price A$**	**Number of Options**	**Weighted Average Exercise Price A$**
Balance at beginning of the year	**14,000,000**	**0.09[1]**	25,000,000	0.21[5]
Granted during the year	**-**	**-**	1,500,000	0.06[3]
Exercised during the year	**-**	**-**	-	-
Forfeited/cancelled during the year	**-**	**-**	(2,000,000)	0.21[5]
Expired during the year	**(11,500,000)**	**0.08[2]**	(10,500,000)	0.34[6]
Balance at end of the year	**2,500,000**	**0.11[4]**	14,000,000	0.09[1]
Exercisable at end of the year	**700,000**	**0.21[5]**	12,500,000	0.10[7]

[1] The US$ equivalent weighted average exercise price is US$0.07

[2] The US$ equivalent weighted average exercise price is US$0.06

[3] The US$ equivalent weighted average exercise price is US$0.04

[4] The US$ equivalent weighted average exercise price is US$0.07

[5] The US$ equivalent weighted average exercise price is US$0.15

[6] The US$ equivalent weighted average exercise price is US$0.25

[7] The US$ equivalent weighted average exercise price is US$0.07

The share options outstanding at the end of the period had a weighted average exercise price of A$0.11 (2015: A$0.09) and the weighted average remaining contractual life was 229 days (2015: 216 days).

17. 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 available for sale are excluded from this disclosure note.

Fair value

The directors consider that the carrying values of these financial instruments approximate 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	
	2016	2015	2016	2015
	US$	US$	US$	US$
Financial assets				
Cash and cash equivalents	**607,071**	1,399,695	**607,071**	1,399,695
Restricted cash	**-**	20,383	**-**	20,383
Trade and other receivables	**41,961**	225,201	**41,961**	225,201
Financial assets available-for-sale	**-**	1,599	**-**	1,599
Financial liabilities				
Trade and other payables	**5,946,841**	3,812,755	**5,946,841**	3,812,755
Tax payable	**172,845**	175,011	**172,845**	175,011

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.

(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.

17. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2016 US$	2015 US$
Financial assets		
Cash and cash equivalents – variable rate	**607,071**	1,399,695
Restricted cash – variable rate	**-**	20,383

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)	
	2016 US$	2015 US$	2016 US$	2015 US$
+ 1% (100 basis points)	**6,071**	**14,201**	**6,071**	**14,201**
- 1 % (100 basis points)	**(6,071)**	**(14,201)**	**(6,071)**	**(14,201)**

(b) Foreign currency risk

The Group is exposed to currency risk on purchases 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 dollars. As a result of the parent and some 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.

At the reporting date, the Group had the following exposure to the US dollar, Australian dollar, Kazakhstan Tenge (KZT) 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	2016 US$	2015 US$
Financial assets			
Cash and cash equivalents	USD	**363,491**	732,168
Cash and cash equivalents	AUD	**31,915**	82,484
Cash and cash equivalents	GBP	**189,695**	450,534
Restricted cash	GBP	**-**	15,147
Financial liabilities			
Trade and other payables	USD	**350,711**	355,237
Trade and other payables	AUD	**665,891**	514,328
Trade and other payables	GBP	**3,651,540**	1,842,380
Trade and other payables	KZT	**892,082**	857,486

17. FINANCIAL INSTRUMENTS (CONTINUED)

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)**	
	2016 US$	**2015 US$**	**2016 US$**	**2015 US$**
US dollar to AUD + 10%	**(319)**	(825)	**(319)**	(825)
US dollar to AUD – 10%	**319**	825	**319**	825
US dollar to GBP + 10%	**(18,970)**	(46,576)	**(18,970)**	(46,576)
US dollar to GBP – 10%	**18,970**	46,576	**18,970**	46,576

(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.

(i) Trade and other receivables

Trade and other receivables as at the reporting date mainly comprise of rental income due from the sub-lease of UK offices and VAT/GST refundable by the applicable Government Authority. The directors consider that the carrying amount of trade and other receivables approximates their fair value. Amounts doubtful of recovery have been fully provide for.

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.

17. FINANCIAL INSTRUMENTS (CONTINUED)

The following are the contractual maturities of financial liabilities:

2016	**6 months or less US$**	**6 – 12 months US$**	**1 – 5 years US$**	**Greater than 5 years US$**	**Total US$**
Trade and other payables	**(5,946,841)**	**-**	**-**	**-**	**(5,946,841)**

2015	**6 months or less US$**	**6 – 12 months US$**	**1 – 5 years US$**	**Greater than 5 years US$**	**Total US$**
Trade and other payables	**(3,812,755)**	**-**	**-**	**-**	**(3,812,755)**

(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.

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

	2016 US$	**2015 US$**
Financial assets		
Financial assets available-for-sale	**-**	1,599

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.

18. EARNINGS/(LOSS) PER SHARE

	2016 Cents per share	2015 Cents per share
Basic earnings/(loss) per share		
From continuing operations	**(0.19)**	(0.38)
From discontinued operations	**-**	-
Total basic earnings/(loss) per share	**(0.19)**	(0.38)
Diluted earnings/(loss) per share		
From continuing operations	**(0.19)**	(0.38)
From discontinued operations	**-**	-
Total diluted earnings/(loss) per share	**(0.19)**	(0.38)

	2016 US$	2015 US$
Basic and diluted earnings/(loss) per share:		
The loss and weighted average number of ordinary shares used in the calculation of basic and diluted earnings/loss per share are as follows:		
Profit/(loss) attributable to the ordinary equity holders used in calculating basic and diluted earnings/loss per share	**(3,165,255)**	(6,361,211)
Profit/(loss) for the year from discontinued operations	**-**	-
Profit/(loss) used for continuing operations	**(3,165,255)**	(6,361,211)

	Number of shares	
	2016	**2015**
Weighted average number of ordinary shares on issue during the year used in the calculation of basic and diluted earnings/(loss) per share	**1,679,602,608**	**1,679,602,608**

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 2,500,000 options outstanding at 31 December 2016 (2015: 14,000,000 options). These options are considered anti-dilutive due to the impact of reducing the loss per share; and therefore excluded from the diluted earnings per share calculation.

19. 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, assets and liabilities 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:

	2016 US$	2015 US$
Australia	**-**	1,599
United Kingdom	**-**	29,383
Africa	**-**	9,075
Kazakhstan	**-**	7,665
	-	47,722

20. COMMITMENTS AND CONTINGENCIES

Remuneration commitments

	2016 US$	2015 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	**106,661**	338,991
Later than 1 year and not later than 5 years	**46,661**	213,151
Later than 5 years	**-**	-
	153,322	552,142

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

Office rental commitments

	2016 US$	2015 US$
Commitments for the payment of lease rentals in existence at the reporting date but not recognised as liabilities, payable:		
Within 1 year	**-**	191,242
Later than 1 year and not later than 5 years	**-**	6,583
Later than 5 years	**-**	-
	-	197,825

The Group has ceased all lease agreements as at 31 December 2016.

Capital commitments

At 31 December 2016 the Group had no capital commitments in respect of its licence obligations (2015: nil).

Contingent Assets/Liabilities

Towards the end of 2014, a wrongful dismissal claim and other employment related claims were brought against the Company and two of its Directors by its former Chief Executive Officer, Alex Osipov. A judgment has been handed down by the UK Employment Tribunal, provisionally awarding £1,767,203.16 including taxes to the former employee. No amounts have been paid in respect of this award by the Company. The Company and its Directors strongly dispute the claims and lodged an appeal with the Employment Appeal Tribunal in the UK (EAT).

Unfortunately, the Company was not successful in its appeal to the EAT. Judgement was given on 27 July 2017 by the EAT and EAT's sealed Order of 27 July 2017 was received by the Company on 8 August 2017 against the Company, Mr Frank Timis and Mr Antony Sage in the total amount of GBP£2,003,972.35 gross on a joint and several liability basis. An application for permission to appeal certain aspects of this Judgement to the Court of Appeal on was lodged on 17 August 2017.

The Company was informed on 24 October 2017 behalf Messrs. Timis and Sage by the letter from the Civil Appeals Office, that permission to appeal was granted by the Court of Appeal at an oral hearing on 16 October 2017 to which the parties were not invited. The hearing was given a hear-by date of 19 November 2018. On 21 November 2017, the Company received a letter from the Civil Appeals Office notifying that the hearing for this matter is listed for 3 July 2018 with a time estimate of 2 days.

Interest on the amount payable of £2,003,972 accrues at 8% per annum, accruing daily. Interest through to 31 January 2018 has been accrued for in this report, totalling £187,037.

21. REMUNERATION OF AUDITORS

	2016 US$	2015 US$
Paid or payable to auditors		
Audit or review of financial reports		
Ernst & Young	**16,365**	21,515
Ernst & Young related practices	**-**	-
Stantons International	**40,000**	41,203
	56,365	62,718
Non-audit services (credits)/fees Ernst & Young related practices	**-**	105,715
	56,365	168,433

22. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The following significant events and transactions have taken place subsequent to 31 December 2016:

- Towards the end of 2014, a wrongful dismissal claim and other employment related claims were brought against the Company and two of its Directors by its former Chief Executive Officer, Alex Osipov. A judgment has been handed down by the UK Employment Tribunal, provisionally awarding £1,767,203.16 including taxes to the former employee. No amounts have been paid in respect of this award by the Company. The Company and its Directors strongly dispute the claims and lodged an appeal with the Employment Appeal Tribunal in the UK (EAT).

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

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

  Interest on the amount payable of £2,003,972 accrues at 8% per annum, accruing daily. Interest through to 31 January 2018 has been accrued for in this report, totalling £187,037.

- Following the relinquishment of all of the Company's assets in Niger in Quarter 2, 2016, Company's representative office in Niger was officially closed in January 2017.

- Kazakhstan project –- As previously reported, during December 2015 the Group lodged its appeal to the Supreme Court of Kazakhstan regarding Alakol project's Subsurface Use Contract having been withdrawn by ME unilaterally. The Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation had subsequently been lodged through the General Prosecutors office in relation to this decision. Their decision was received by the Group during Quarter 3, 2017 stating that the time had lapsed for us to enforce the application for revocation and that only the Court of First Instance could decide whether the time could be restored and only the Supreme Court could decide if there was a case to re-adjudicate. Therefore, during Quarter 4, 2017 the Group had filed two further motions. One motion to the Supreme Court to compel to re-adjudicate, the decision is pending and expected in Quarter 1, 2018. And another motion was to the Court of First Instance of Astana with request to restore the lapsed time, the decision is pending and expected by the end of Quarter 1, 2018.

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

- 1,500,000 unlisted options with an exercise price of A$0.06 per option expired on 8 June 2017.
- 500,000 unlisted options with an exercise price of A$0.25 per option expired on 18 July 2017.
- Jason Brewer resigned as Company Secretary on 27 November 2017 and Anya Belogortseva was appointed Company Secretary on the same day.
- The Group's investment in Citation Resources Limited shares, of A$100,000, was fully provided for prior to 31 December 2016. On 10 March 2017 the Group received full reimbursement for the investment, and this will be shown as other income in the 2017 financial year.

No other event has arisen between 31 December 2016 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.

23. 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 2016	31 December 2015
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 Africa Limited	Cayman Islands	Cayman Islands	**100%**	**100%**
IPL Niger Limited	Republic of Niger	Republic of Niger	**100%**	**100%**

23. RELATED PARTY INFORMATION (CONTINUED)

(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

	2016 US$	2015 US$
Short-term employee benefits	**284,440**	618,396
Share based payments	**-**	284
Post-employment benefits	**21,548**	33,529
Total compensation	**305,988**	652,209

(d) Transactions with related parties:

i. An aggregate amount of US$76,596 was paid, or was due and payable to Cape Lambert Resources Limited ('Cape Lambert'), for reimbursement of employee, consultancy, travel and occupancy costs (2015: US$67,412). Mr Sage and Mr Turner are directors of Cape Lambert.

ii. As at 31 December 2016, the following amounts were payable to directors and former directors of the Company or their nominees:

	2016 US$	2015 US$
CRMS, an entity controlled by Mr Turner	**38,052**	2,919
Okewood Pty Limited, an entity controlled by Mr Sage	**33,031**	-
MLR Advisory Limited, a company controlled by Mr Ashurst	**2,883**	2,919
Mr Antoniou	**10,810**	10,947
Barade International Limited, a company controlled by Mr Godec	**8,648**	8,758

US$89,573 has been accrued in respect of director and former directors' remuneration as at 31 December 2016 for directors of the Company or their nominees (2015: US$90,576).

24. 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	
	2016	**2015**
	US$	**US$**
Financial Position of parent entity at year-end		
Assets		
Current assets	**224,957**	685,337
Non-current assets	**-**	51,598
Total assets	**224,957**	736,935
Liabilities		
Current liabilities	**1,018,574**	1,059,630
Non-current liabilities	**8,273,696**	8,273,696
Total liabilities	**9,292,270**	9,333,326
Net liabilities	**(9,067,313)**	(8,596,391)
Total equity of the parent entity comprising of		
Contributed equity	**285,751,343**	285,751,343
Share-based payment reserve	**32,718,758**	32,720,387
Revaluation reserve	**-**	-
Foreign currency translation reserve	**20,227,773**	19,968,237
Accumulated losses	**(347,765,187)**	(347,036,358)
Total equity	**(9,067,313)**	(8,596,391)
Results of the parent entity		
(Loss)/gain for the year	**(728,829)**	3,224,856
Other comprehensive gain/(loss)	**259,536**	(7,068,225)
Total comprehensive (loss)/income for the year	**(469,293)**	(3,843,369)

Guarantees entered into by the parent entity

Subsequent to year end, 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' 2015 unaudited financial statements. The financial statements for Eastern Petroleum Corporation Limited and International Petroleum Services Limited for 2016 have not yet been prepared.

Contingent liabilities of the parent entity

Towards the end of 2014, a wrongful dismissal claim and other employment related claims were brought against the Company and two of its Directors by its former Chief Executive Officer, Alex Osipov. A judgment has been handed down by the UK Employment Tribunal, provisionally awarding £1,767,203.16 including taxes to the former employee. No amounts have been paid in respect of this award by the Company. The Company and its Directors strongly dispute the claims and lodged an appeal with the Employment Appeal Tribunal in the UK (EAT).

Unfortunately, the Company was not successful in its appeal to the EAT. Judgement was given on 27 July 2017 by the EAT and EAT's sealed Order of 27 July 2017 was received by the Company on 8 August 2017 against the Company, Mr Frank Timis and Mr Antony Sage in the total amount of GBP£2,003,972.35 gross on a joint and several liability basis. An application for permission to appeal certain aspects of this Judgement to the Court of Appeal on was lodged on 17 August 2017.

24. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

The Company was informed on 24 October 2017 behalf Messrs. Timis and Sage by the letter from the Civil Appeals Office, that permission to appeal was granted by the Court of Appeal at an oral hearing on 16 October 2017 to which the parties were not invited. The hearing was given a hear-by date of 19 November 2018. On 21 November 2017, the Company received a letter from the Civil Appeals Office notifying that the hearing for this matter is listed for 3 July 2018 with a time estimate of 2 days.

Interest on the amount payable of £2,003,972 accrues at 8% per annum, accruing daily. Interest through to 31 January 2018 has been accrued for in this report, totalling £187,037.

Commitments of the parent entity

	2016 US$	2015 US$
Commitments for the payment of lease rentals in existence at the reporting date but not recognised as liabilities, payable:		
Within 1 year	-	26,404
Later than 1 year and not later than 5 years	-	6,583
Later than 5 years	-	-
	-	32,987

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 2016 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated financial position as at 31 December 2016 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 2016.

Signed in accordance with a resolution of the Directors:

Antony Sage
Director

Perth, 31 January 2018

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
INTERNATIONAL PETROLEUM LIMITED

Report on the Audit of the Financial Report

Disclaimer of Opinion

We were engaged to audit the financial report of International Petroleum Limited, the Company and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2016, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

Because of the significance of the matters described in the Basis of Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an Audit Opinion on the financial report. Accordingly, we do not express an opinion on the financial report for the year ended 31 December 2016.

Basis for Disclaimer of Opinion

As referred to in Note 2 to the financial statements, the financial statements have been prepared on a going concern basis. The Group comprising the Company and its subsidiaries, incurred a loss of US$3,165,255, for the year ended 31 December 2016, had net cash outflows of US$792,624 for the year ended 31 December 2016 and had a working capital deficiency as at 31 December 2016 of US$5,395,020.

As referred to in Notes 2 and 22, the Group's ultimate liability to a former executive is dependent on an appeal by the Company and two of the directors of the Company against the Employment Appeals Tribunal judgement handed down on 27 July 2017 in favour of the former executive for a wrongful dismissal claim which awarded the former executive compensation of £2,003,972 and interest accruing from 27 July 2017. The full amount of compensation payable of £2,003,972 (USD2,465,207), in addition to interest of £187,037 (USD230,086), up to the date of this report, has been accrued in the financial statements. The appeal by the Company and the two directors has been set down for 3 July 2018.

The ability of the Group to continue as a going concern and meet its planned exploration, administration and other commitments is dependent upon:

i. The outcome of the appeal against the Employment Appeals Tribunal judgement in favour of the former executive;

ii. The Group raising further working capital and/or successfully exploiting its mineral assets; and

iii. The Group successfully negotiating with certain trade creditors to revise payment amounts and terms.

In the event that the Group does not receive a more favourable outcome to the Group with respect to the appeal against the Employment Appeals Tribunal judgement handed down in favour of the former executive, and the Group is not successful in raising further equity, successfully exploiting its mineral assets, and/or is unable to negotiate with its creditors to revise the liabilities and credit terms, the Group may not be able to meet its liabilities and continue as a going concern.

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, management is responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 15 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of International Petroleum Limited for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik
Director
West Perth, Western Australia
31 January 2018

NSX ADDITIONAL INFORMATION

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 31 December 2017 were as follows:

Category (size of holding)	Holders	Units
1- 1,000	35	13,768
1,001- 10,000	550	2,780,860
10,001- 100,000	512	17,029,495
100,001 – 1,000,000	111	33,110,942
1,000,001 - over	40	1,626,667,543
Total	**1,248**	**1,679,602,608**

Equity Securities

There are 1,248 shareholders, holding 1,679,602,608 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
15 April 2018	0.10	500,000
18 July 2017	0.25	500,000
8 June 2017	0.06	1,500,000

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 31 December 2017 are as follows:

	Fully paid ordinary shareholders	Number	% of held Issued Capital
1	Safeguard Management Limited <Timis Fund A/C>	444,018,420	26.44

Twenty Largest Shareholders

The names of the twenty largest fully paid ordinary shareholders as at 5 December 2016 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	26.44
2	AFRICAN PETROLEUM CORPORATION LIMITED	233,890,450	13.93
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	161,342,163	9.61
4	RANGE RESOURCES LIMITED	147,803,270	8.80
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	133,604,625	7.95
6	VARESONA PARTICIPATION CORPORATION	121,646,857	7.24
7	CITICORP NOMINEES PTY LIMITED	70,421,404	4.19
8	CROWN MERCANTILE LIMITED	45,000,000	2.68
9	KONTILLO RESOURCES SA	36,000,000	2.14
10	BNP PARIBAS NOMS PTY LTD <DRP>	28,553,061	1.70
11	LANGSTON KEY LIMITED	27,900,000	1.66
12	DEMPSEY RESOURCES PTY LIMITED	27,494,812	1.64
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	23,227,261	1.38
14	1620 CAPITAL PTY LTD	15,480,691	0.92
15	CS FOURTH NOMINEES PTY LTD	15,454,000	0.92
16	CCWIPP SINGLE USER TRUST	13,750,000	0.82
17	MR RUSSELL NEIL CREAGH	13,250,389	0.79
18	PEMBURY NOMINEES PTY LTD	8,620,000	0.51
19	HKT AU PTY LTD <MORAMBA SERV SUPER PLAN A/C>	8,080,000	0.48
20	DAVID GRANT ROBINSON	7,600,000	0.45
		1,583,137,403	**94.25**

Schedule of Exploration Assets held at the date of this report

Key Assets

Tenement No.	Prospect Area	Percentage
1766 (*In dispute*)	Alakol	50%

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

	Year ended 31 December 2016 US$	Year ended 31 December 2015 US$	Year ended 31 December 2014 US$	Year ended 31 December 2013 US$	Year ended 31 December 2012 US$
Profit/(loss) for the year	**(3,135,322)**	(6,361,211)	3,806,739	(133,176,144)	(3,362,144)
Total assets	**724,666**	1,824,938	9,465,493	73,941,000	193,611,261
Total liabilities	**6,089,753**	4,001,361	5,665,830	84,185,367	70,248,320
Net liabilities / assets	**(5,365,087)**	(2,176,423)	3,799,663	(10,244,367)	123,362,941