

International Petroleum Limited

(ABN 76 118 108 615)

*Half-year Financial Report
for the Period Ended
30 June 2018*

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CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN

Antony Sage

NON-EXECUTIVE DIRECTORS

Frank Timis

Timothy Turner

COMPANY SECRETARY

Anya Belogortseva

PRINCIPAL & REGISTERED OFFICE

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WA 6007

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STOCK EXCHANGE LISTING

National Stock Exchange of Australia (NSX)

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 half-year ended 30 June 2018.

Directors

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

Mr Antony Sage
Mr Timothy Turner
Mr Frank Timis

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 3, 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 3, 2018.

DIRECTORS' REPORT

FINANCIAL SUMMARY

The Group incurred a loss after income tax of US\$448,840 (2017: US\$125,397 loss), all of which relates to continuing operations. The Group's result from continuing operations includes the following:

- Net foreign exchange losses of US\$105,211 primarily related to the movements in the carrying values of bank accounts denominated in a foreign currency (2017: losses of US\$22,109).
- Employee expenses of US\$292,436 (2017: US\$129,486).

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

CASH FLOWS, LIQUIDITY AND FUNDING

Net cash flows used in operations during the 6 months ended 30 June 2018 were US\$246,886 (6 months ended 30 June 2017: US\$124,006).

No funding was received by the Group during the 6 months ended 30 June 2018 (6 months ended 30 June 2017: nil).

CHANGES TO CONTRIBUTED EQUITY

No shares were issued during the 6 months ended 30 June 2018 (6 months ended 30 June 2017: nil).

There were no options or performance shares granted during the current period (6 months ended 30 June 2017: nil). 500,000 options with an exercise price of \$0.10 expired on 15 April 2018. As at 30 June 2018, there were no share options on issue.

No dividends were proposed or paid during the 6 months ended 30 June 2018 (30 June 2017: no dividends).

NSX SUSPENSION

At the Company's request the Company's shares have been suspended from trading on the NSX since 27 March 2013. The Company has been working towards meeting its reporting obligations and is now up to date.

The Company continues to look at and evaluate potential oil & gas exploration and production opportunities in Europe, CIS, Africa and Asia 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.

SUBSEQUENT EVENTS

The following significant events and transactions have taken place subsequent to 30 June 2018:

- 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 was listed for 3 July 2018 with a time estimate of 2 days. Due to unforeseen circumstances the Court of Appeal dates changed to take place on 9th and 10th July 2018. The judgement relating to this case is still pending at the date of this report.

DIRECTORS' REPORT

Interest on the amount payable of £2,003,972 (US\$2,645,824) accrues at 8% per annum, accruing daily. Interest through to 31 July 2018 has been accrued for in this report, totalling £267,196 (US\$352,777).

- 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 3, 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 3, 2018.

No other event has arisen between 30 June 2018 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.


RISK MANAGEMENT AND CORPORATE GOVERNANCE

The Group's risk management and corporate governance statements were included in the 2017 annual report. These statements remain current.

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 6.

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



Antony Sage
Director

Perth, 27 July 2018

27 July 2018

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

Dear Directors

RE: INTERNATIONAL PETROLEUM LIMITED

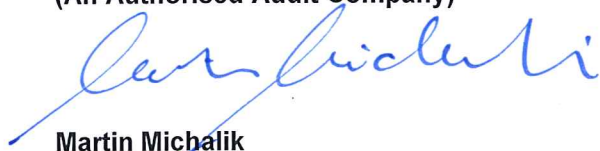
In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of International Petroleum Limited.

As Audit Director for the review of the financial statements of International Petroleum Limited for the half-year ended 30 June 2018, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,

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



Martin Michalik
Director

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

	Note	30 June 2018 US\$	30 June 2017 US\$
Continuing operations			
Revenue	3(a)	86,467	306,053
Consulting expenses		(38,619)	(168,860)
Compliance and regulatory expenses		(43,327)	(9,893)
Other expenses	3(b)	(46,152)	(82,305)
Employee expenses	3(c)	(292,436)	(129,486)
Travel costs		-	(9,246)
Foreign currency (loss)		(105,211)	(22,109)
Finance costs	3(d)	(9,562)	(9,551)
Loss before tax		(448,840)	(125,397)
Income tax expense		-	-
Loss for the period from continuing operations		(448,840)	(125,397)
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Foreign exchange gain/(loss) on translation of foreign operations		149,186	(262,823)
Other comprehensive income/(loss) for the period, net of tax		149,186	(262,823)
Total comprehensive loss for the period		(299,654)	(388,220)
Loss for the period is attributable to:			
Equity holders of the parent		(448,840)	(125,397)
Non-controlling interest		-	-
		(448,840)	(125,397)
Total comprehensive loss for the period is attributable to:			
Equity holders of the parent		(299,654)	(388,220)
Non-controlling interest		-	-
		(299,654)	(388,220)
Earnings per share			
From continuing and discontinued operations			
Basic/diluted loss per share (cents)		(0.03)	(0.01)
From continuing operations			
Basic/diluted loss per share (cents)		(0.03)	(0.01)

These financial statements should be read in conjunction with the notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	30 June 2018 US\$	31 December 2017 US\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	171,128	416,867
Trade and other receivables		20,689	8,186
Prepayments		56,338	60,067
TOTAL CURRENT ASSETS		248,155	485,120
NON CURRENT ASSETS			
Exploration and evaluation expenditure	5	-	-
TOTAL NON CURRENT ASSETS		-	-
TOTAL ASSETS		248,155	485,120
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	6,510,822	6,438,912
Income tax payable		177,601	186,822
TOTAL CURRENT LIABILITIES		6,688,423	6,625,734
TOTAL LIABILITIES		6,688,423	6,625,734
NET LIABILITIES		(6,440,268)	(6,140,614)
SHAREHOLDERS' (DEFICIT)			
Contributed equity	7	285,751,343	285,751,343
Reserves	8	(94,110,029)	(94,259,215)
Accumulated losses		(198,081,582)	(197,632,742)
Equity attributable to equity holders of the parent		(6,440,268)	(6,140,614)
Non-controlling interest		-	-
TOTAL SHAREHOLDERS' DEFICIT		(6,440,268)	(6,140,614)

These financial statements should be read in conjunction with the notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2018

	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 2018	285,751,343	(197,632,742)	5,640,530	(101,516,017)	1,616,272	(6,140,614)
Loss for the period	-	(448,840)	-	-	-	(448,840)
Translation of foreign operations from functional currencies to presentation currencies	-	-	-	-	149,186	149,186
Total comprehensive loss for the period	-	(448,840)	-	-	149,186	(299,654)
Share based payments	-	-	-	-	-	-
AS AT 30 JUNE 2018	285,751,343	(198,081,582)	5,640,530	(101,516,017)	1,765,458	(6,440,268)
AS AT 1 JANUARY 2017	285,751,343	(197,178,916)	5,640,530	(101,516,017)	1,908,040	(5,395,020)
Loss for the period	-	(125,397)	-	-	-	(125,397)
Translation of foreign operations from functional currencies to presentation currencies	-	-	-	-	(262,823)	(262,823)
Total comprehensive loss for the period	-	(125,397)	-	-	(262,823)	(388,220)
Share based payments	-	-	-	-	-	-
AS AT 30 JUNE 2017	285,751,343	(197,304,313)	5,640,530	(101,516,017)	1,645,217	(5,783,240)

These financial statements should be read in conjunction with the notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

	Note	30 June 2018 US\$	30 June 2017 US\$
Cash flows from operating activities			
Receipts from customers		86,590	-
Payments to suppliers and employees		(333,476)	(354,672)
Receipt from insurers		-	230,655
Interest received		-	11
Net cash flows used in operating activities		(246,886)	(124,006)
Cash flows from investing activities			
Return of security deposits		-	32,909
Proceeds from disposal of financial assets available for sale		-	75,756
Net cash flows from investing activities		-	108,665
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Net (decrease) in cash and cash equivalents		(246,886)	(15,341)
Cash and cash equivalents at the beginning of the period		416,867	607,071
Effects of exchange rate changes on the balances of cash held in foreign currencies		1,147	(4,141)
Cash and cash equivalents at the end of the period		171,128	587,589

These financial statements should be read in conjunction with the notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of International Petroleum Limited and its subsidiaries (“the Group”) for the half-year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Board of Directors on 23 July 2018.

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

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

This general purpose condensed financial report for the half-year ended 30 June 2018 has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2017 and considered together with any public announcements made by International Petroleum Limited during the half-year ended 30 June 2018 in accordance with the continuous disclosure obligations of the NSX Listing Rules.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group’s 2017 annual financial report for the financial year ended 31 December 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

From 1 January 2018 the Group has adopted all new and amended Standards and Interpretations that are relevant to their operations and effective for the current reporting period. None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2018 affected any of the amounts recognised in the current period or any prior period.

The Group has not elected to early adopt any new standards or amendments.

The financial report is presented in United States dollars (“US\$” or “US dollars”).

Going Concern

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

During the period ended 30 June 2018, the Group incurred a net loss after tax of US\$448,840 and a cash outflow from operating activities of US\$246,886. The cash and cash equivalents balance at 30 June 2018 was US\$171,128. The Group’s net liability position at 30 June 2018 was US\$6,440,268 and its net current working capital deficiency was US\$6,440,268.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 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. REVENUE AND EXPENSES

Components of revenue and expenses related to continuing operations that require separate disclosure are as follows:

	Period ended 30 June 2018 US\$	Period ended 30 June 2017 US\$
(a) Revenue		
Interest revenue	-	11
Other income	86,467	306,042
	86,467	306,053

Other income for the current period consists of US\$86,467 received for consulting fees. Other income for the prior period consists of US\$230,655 of reimbursed legal costs. Other income for the prior period also includes US\$75,387 received for full reimbursement of the Company's investment in Citation Resources Limited shares.

	Period ended 30 June 2018 US\$	Period ended 30 June 2017 US\$
(b) Other expenses		
Other expenses	(46,152)	(63,654)
Bad debts	-	(18,651)
	(46,152)	(82,305)

(c) Employee expenses		
Employee benefits expense	(235,375)	(73,700)
Directors' remuneration	(57,061)	(55,786)
	(292,436)	(129,486)

Employee benefits expense for the current period includes an accrual for £40,079 (US\$52,916) of interest with interest accrued up to 31 July 2018 (30 June 2017: £26,720 (US\$33,885)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE AND EXPENSES (CONTINUED)

	Period ended 30 June 2018 US\$	Period ended 30 June 2017 US\$
(d) Finance costs		
Interest expense	(9,562)	(9,551)

4. CASH AND CASH EQUIVALENTS

	30 June 2018 US\$	31 December 2017 US\$
Cash at bank and on hand	189,325	438,053
Provision for unrecoverable cash and cash equivalents ¹	(18,197)	(21,186)
	171,128	416,867

¹ Provision for unrecoverable cash and cash equivalents represents balances with Kazakhstan International Bank (KIB) as at 30 June 2018, whose banking licence has been cancelled.

5. EXPLORATION AND EVALUATION EXPENDITURE

	30 June 2018 US\$	31 December 2017 US\$
At cost	38,514,370	39,068,925
Less: impairment provisions	(38,514,370)	(39,068,925)
Net Carrying value	-	-
	6 months ended 30 June 2018 US\$	12 months ended 31 December 2017 US\$
Reconciliation of movement		
At 1 January	-	-
Current period exploration expenditure incurred	-	-
Impairment reversal / (allowance for impairment)	-	-
Foreign exchange differences on translation of foreign operations	-	-
At end of reporting period	-	-
Movement in impairment provision:		
At 1 January	(39,068,925)	(39,006,660)
Impairment allowance increase	-	-
Foreign exchange differences on translation of foreign operations	554,555	(62,265)
Exploration expenditure written off	-	-
At end of reporting period	(38,514,370)	(39,068,925)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

The carrying value of exploration and evaluation expenditure as at 30 June 2018 is fully impaired to nil (31 December 2017: 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.

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 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 Company. A first instance court hearing was held on 16 January 2015 to address the Group's claim for the licence to be reinstated and was decided in the Group's 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 the Group's 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 the Group 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 3, 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 3, 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 30 June 2018. No impairment expense was required for the current period as the asset was already fully impaired as at 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**6. TRADE AND OTHER PAYABLES**

	30 June 2018	31 December 2017
	US\$	US\$
Current liabilities		
Trade payables	1,528,528	1,509,186
Accruals	4,673,756	4,623,887
Other payables	308,538	305,839
	6,510,822	6,438,912

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) Accruals includes £2,003,972 (US\$2,645,824) being the amount payable to Mr Osipov as per the judgement of the UK Tribunal, plus interest up to 31 July 2018 of £267,196 (US\$352,777).

Trade and other payables includes US\$1,396,638 of creditor amounts that are past due (31 December 2017: US\$1,455,147).

7. CONTRIBUTED EQUITY

	30 June 2018	31 December 2017
	US\$	US\$
Issued ordinary shares	266,250,687	266,250,687
Shareholder equity contribution – convertible loans (a)	6,162,074	6,162,074
Shareholder equity contribution – loans (b)	13,338,582	13,338,582
	285,751,343	285,751,343

(a) Shareholder equity contribution – convertible loans

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.

(b) Shareholder equity contribution – 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 period.

(c) Options and performance rights

There were no options or performance shares granted during the current period (6 months ended 30 June 2017: nil). 500,000 options with an exercise price of \$0.10 expired on 15 April 2018. As at 30 June 2018, there were no share options on issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. 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.

9. SEGMENT REPORTING

For management purposes, the Group is organised into one main operating segment, which involves exploration for hydrocarbons. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based on analysis of the Group as one segment. The financial results, 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 geographical analysis of the location of non-current assets is as follows:

	30 June 2018	31 December 2017
	US\$	US\$
Australia	-	-
United Kingdom	-	-
Africa	-	-
Kazakhstan	-	-
	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. COMMITMENTS AND CONTINGENCIES**Capital commitments**

At 30 June 2018 the Group had no capital commitments in respect of its licence obligations (31 December 2017: 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 by the letter from the Civil Appeals Office, that permission to appeal was granted by the Court of Appeal at an oral hearing on 16 October 2017 to which the parties were not invited. The hearing was given a hear-by date of 19 November 2018. On 21 November 2017, the Company received a letter from the Civil Appeals Office notifying that the hearing for this matter was listed for 3 July 2018 with a time estimate of 2 days. Due to unforeseen circumstances the Court of Appeal dates changed to take place on 9th and 10th July 2018. The judgement relating to this case is still pending at the date of this report.

Interest on the amount payable of £2,003,972 (US\$2,645,824) accrues at 8% per annum, accruing daily. Interest through to 31 July 2018 has been accrued for in this report, totalling £267,196 (US\$352,777).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events and transactions have taken place subsequent to 30 June 2018:

- 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. Due to unforeseen circumstances the Court of Appeal dates changed to take place on 9th and 10th July 2018. The judgement relating to this case is still pending at the date of this report.

Interest on the amount payable of £2,003,972 (US\$2,645,824) accrues at 8% per annum, accruing daily. Interest through to 31 July 2018 has been accrued for in this report, totalling £267,196 (US\$352,777).

No other event has arisen between 30 June 2018 and the date of this report that would be likely to materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

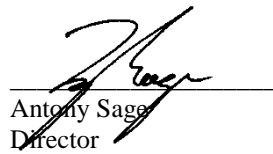
DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the Group for the period ended 30 June 2018 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*
- (b) subject to the matters set out in note 2 in the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Antony Sage
Director

Perth, 27 July 2018

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of International Petroleum Limited, which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for International Petroleum Limited (the consolidated entity). The consolidated entity comprises both International Petroleum Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of International Petroleum Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of International Petroleum Limited on 27 July 2018.

Basis for Disclaimer of Review Conclusion

Going Concern

As referred to in Note 2 to the financial statements, the half-year financial statements have been prepared on a going concern basis. The consolidated entity comprising the Company and its subsidiaries incurred a loss from continuing operations of US\$448,840 for the half year ended 30 June 2018 and had net cash outflows of US\$246,886 for the half year ended 30 June 2018. The consolidated entity had a working capital deficiency as at 30 June 2018 of US\$6,440,268.

As referred in Notes 2 and 10, the Consolidated Entity'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 (US\$2,645,824), in addition to related interest of £267,196 (US\$352,777), up to 31 July 2018, has been accrued in the financial statements. The appeal by the Company and the two directors was set down for 3 July 2018 and then postponed to 9 and 10 July 2018. The judgment relating to this case is still pending as at the date of this review report.

The ability of the Consolidated Entity 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 Consolidated Entity raising further working capital and/or successfully exploiting its mineral assets; and
- iii. The Consolidated Entity successfully negotiating with certain trade creditors to revise payment amounts and terms.

In the event that the Consolidated Entity does not receive a more favourable outcome to the Consolidated Entity with respect to the appeal against the Employment Appeals Tribunal judgement handed down in favour of the former executive, and the Consolidated Entity 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 Consolidated Entity may not be able to meet its liabilities and continue as a going concern.

Disclaimer of Review Conclusion

Because of the significance of the matters described in the Basis for Disclaimer of Review Conclusion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for a Review Conclusion. Accordingly, we do not express a conclusion on the Financial Report for the half year ended 30 June 2018.

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
27 July 2018