International Petroleum Limited

(ABN 76 118 108 615)

(Formerly International Goldfields Limited)

Annual Report
For the Period Ended
30 June 2010

CONTENTS

CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN
Antony William Paul Sage

NON-EXECUTIVE DIRECTORS
Timothy Paul Turner
Mark Gwynne
Frank Timis
Mark Ashurst

COMPANY SECRETARY
Timothy Paul Turner

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STOCK EXCHANGE LISTING
National Stock Exchange
Code: IOP

Your Directors present their report on International Petroleum Limited and its controlled entities ("International Petroleum Group" or the "Consolidated Entity") for the period ended 30 June 2010.

OFFICERS

Directors

The names of Directors in office during the year and up to the date of this report are as follows:

Mr Antony William Paul Sage (appointed as Non-Executive Chairman on 15 June 2010, prior to that Mr Sage held the position of Executive Chairman)
Mr Timothy Paul Turner
Mr Mark Gwynne
Mr Frank Timis (appointed 15 June 2010)
Mr Mark Ashurst (appointed 15 June 2010)

Company Secretary

Mr Timothy Paul Turner (appointed 24 November 2009)

PRINCIPAL ACTIVITIES

The Consolidated Entity's principal activity is oil and gas exploration which represents a change from the principal activity of mineral exploration and development disclosed in the Annual Report for the year ended 30 June 2009. This change has occurred as a consequence of the acquisition of Eastern Petroleum Corporation Limited which is discussed in more detail below.

REVIEW OF OPERATIONS

International Petroleum Limited (formerly International Goldfields Limited) ("International Petroleum" or the "Company") had historically focused on the exploration and development of its farm-in rights to a platinum project in the Bushveld region of South Africa, known as the Tubatse Project. However, in October 2009 the Company entered into an Asset Sale Agreement ("Agreement') pursuant to which the Company agreed to sell its 15% interest in the Tubatse Project to Nkwe Platinum Limited ("NKWE") for $60 million.

Under the Agreement:

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

Also in October 2009, the Company entered into a Share Sale Agreement with Eastern Petroleum Corporation Limited ("Eastern") and the shareholders of Eastern. The agreement set out that International Petroleum would acquire 100% of Eastern's share capital in exchange for the issue of 675,965,359 International Petroleum shares and 135,193,072 International Petroleum options to the shareholders of Eastern.

Eastern's wholly owned subsidiary, North Caspian Petroleum Limited ("NCPL") operates and owns a 50% interest in subsoil use rights for the exploration of hydrocarbons in an early stage project in eastern and south eastern Kazakhstan ("Kazakhstan Project"). The remaining 50% interest is owned by Remas Corporation LLP, a privately owned Kazakhstan company.

The Share Sale Agreement included the completion of a placement to raise a minimum of $20 million and the receipt of conditional approval to be re-quoted on the Australian Securities Exchange ("ASX") as conditions precedent.

REVIEW OF OPERATIONS (continued)

In March 2010, ASX advised International Petroleum that it would not re-admit the Company to quotation if it proceeded with the acquisition of Eastern ("ASX Decision"). The Company subsequently appealed the ASX Decision which resulted in the ASX Decision being overturned. Contemporaneous with its ASX appeal, the Company pursued a listing on the National Stock Exchange of Australia ("NSX").

On 23 April 2010, the Company lodged a prospectus to raise $30 million with the Australian Securities and Investments Commission and on 7 May 2010 the offer under the prospectus closed fully subscribed.

International Petroleum was admitted to NSX's Official List on 15 June 2010 and completed its acquisition of Eastern on that date. On 23 June 2010, the Consolidated Entity was admitted to Official Quotation on NSX (NSX code: IOP). The Company subsequently de-listed its securities from trading on ASX and was removed from ASX's official list on 3 September 2010. All of the Company's ordinary shares are now quoted on NSX under the code IOP.

On 14 July 2010, the Company commenced drilling its second well ("**Well A-2**"), within its 32,865 km^2 Alakol licence area in the east of Kazakhstan, on the Chinese border. The Alakol basin is considered to be similar to the Junggar and Zaisan basins across the border in China that are both proven oil provinces. Well A-2 will be drilled to a total depth of 3,500m.

The Company has acquired, processed and interpreted 1350km of 2D seismic data within the licence area and identified 5 prospects and a number of leads. The Company has also completed a number of geological studies and remote sensing work over the licence area. Well A-2 is a follow-up well to the first exploration well, Well A-1, drilled on Prospect H in 2009. After Well A-1, the Company reprocessed and reinterpreted the seismic data and Well A-2 will test the Paleozoic sequence, which is expected to occur from 2,500m and comprise of Permian and Carboniferous sediments underlying the volcanic rocks intersected in Well A-1.

International Petroleum's acquisition of Eastern is required to be accounted for as a reverse acquisition under Australian Accounting Standards. Consequently, the current period financial result for the Consolidated Entity comprises the financial result of International Petroleum from 15 June 2010 (the date it was deemed to have been acquired by Eastern) to 30 June 2010 and the financial result of Eastern from 1 January 2010 (date since last audited financial statements) to 30 June 2010.

The prior period financial result for the Consolidated Entity comprises the financial result of Eastern for the period from 1 January 2009 to 31 December 2009 (the period covered in its last audited financial statements). Eastern's functional currency is United States Dollars. Eastern's income statement for the year ended 31 December 2009 has been converted to Australian Dollars using the average USD/AUD exchange rate for the 12 months ended 31 December 2009.

The Consolidated Entity incurred a loss after income tax of $10,254,917 for the period ended 30 June 2010 (2009: $2,126,266).

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 CHANGES IN STATE OF AFFAIRS

Refer to the Review of Operations which outlines the significant changes in the state of affairs, the most significant of which are the change in focus to an oil and gas exploration company post the acquisition of Eastern Petroleum Corporation Limited and the listing of the Consolidated Entity on NSX.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Subsequent to 30 June 2010, the Board of Directors resolved to change the year-end of International Petroleum Limited to 31 December so that it is aligned with the year-end of Eastern Petroleum Corporation Limited.

On 3 September 2010, International Petroleum Limited was de-listed from ASX at the request of the Company.

No other event has arisen between 30 June 2010 and the date of this report that would be likely to materially affect the operations of the Consolidated Entity or its state of affairs which have not otherwise been disclosed in this financial report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Consolidated Entity will continue to meet its obligations with respect to its 50% interest in subsoil use rights for the exploration of hydrocarbons in Kazakhstan.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity 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.

INFORMATION ON DIRECTORS

Antony William Paul Sage	*Non-Executive Chairman*
Qualifications	B.Com, FCPA, CA, FTIA
Experience	Mr Sage has in excess of 24 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 companies for the last 15 years. Mr Sage is also Executive Chairman of ASX listed entities Cape Lambert Resources Limited and Cauldron Energy Limited and is Non-Executive Chairman of ASX listed Corvette Resources Limited and Fe Limited and NSX listed African Petroleum Corporation Limited
Interest in Shares and Options	Mr Sage has an interest in 1,555,691fully paid ordinary shares
Timothy Paul Turner	*Non-Executive Director and Company Secretary*
Qualifications	B.Bus, FCPA, FTIA, Registered Company Auditor
Experience	Mr Turner is senior partner with accounting firm, Hewitt Turner & Gelevitis. Mr Turner specialises in domestic business structuring, corporate and trust tax planning and the issuing of audit opinions. Mr Turner also has in excess of 21 years experience in new ventures, capital raisings and general business consultancy. Mr Turner has a Bachelor of Business (Accounting and Business Administration), is a Registered Company Auditor, Fellow of CPA Australia and a Fellow of the Taxation Institute of Australia. Mr Turner is also a Director of ASX listed entities Cape Lambert Resources Limited and Legacy Iron Limited and NSX listed African Petroleum Corporation Limited. Mr Turner was appointed Company Secretary on 24 November 2009.
Interest in Shares and Options	Mr Turner has an interest in 161,819 fully paid ordinary shares

Mark Gwynne	*Non-Executive Director*
Experience	Mr Gwynne has been involved in exploration and mining for over 17 years and has held management positions on mine sites and in the service sector of the mining industry, including general manager of an exploration consultancy. Mr Gwynne has extensive skills in exploration and mining logistics and management, as well as acquisition and divestment of mineral assets. Mr Gwynne is also a Director of Monitor Energy Limited and Fe Limited.
Interest in Shares and Options	Mr Gwynne does not hold any shares or options in the Company.
Frank Timis	*Non-Executive Director (appointed on 15 June 2010)*
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$1 billion on the financial markets worldwide and is Executive Chairman of African Minerals Limited, an AIM listed mineral exploration company with significant interests in Sierra Leone. Mr Timis is also a Non-Executive Director of NSX listed African Petroleum Corporation Limited.
Interest in Shares and Options	Mr Timis holds 444,018,420 fully paid ordinary shares which are subject to a 12 month escrow restriction ending on 15 June 2010. Mr Timis also holds 88,083,684 unlisted share options which are subject to a 12 month escrow restriction ending on 15 June 2010. The options have an exercise price of $0.25 and an expiry date of 30 June 2012.
Mark Ashurst	*Non-Executive Director (appointed on 15 June 2010)*
Qualifications	BA (Hons) Law; Fellow of the Institute of Chartered Accountants in England and Wales
Experience	Mr Ashurst graduated from Sheffield University with a degree in law and is a qualified Barrister and Chartered Accountant. He is a member of the Institute of Chartered Accountants in England and Wales. Mr Ashurst has been employed as a senior investment banker with a broad range of corporate finance and broking skills gained from over 20 years in the City of London. Institutions Mr Ashurst has worked for include BZW, Hoare Govett and, more recently, Canaccord Adams. He has advised both UK and overseas listed companies and has significant expertise in Initial Public Offerings, fund raising and mergers and acquisitions. Mr Ashurst is also Non-Executive Director of AIM listed African Minerals Limited and is an Executive Director of NSX listed African petroleum Corporation Limited.
Interest in Shares and Options	Mr Ashurst does not hold any shares or options in the Company

REMUNERATION REPORT (audited)

This report details the nature and amount of remuneration for key management personnel of the International Petroleum Group.

Remuneration policy
Details of directors and key management personnel

(i) Directors

Antony Sage	Non-Executive Chairman	
Timothy Turner	Non-Executive Director and Company Secretary	
Mark Gwynne	Non-Executive Director	
Frank Timis	Non-Executive Director	(appointed 15 June 2010)
Mark Ashurst	Non-Executive Director	(appointed 15 June 2010)

(ii) Other Key Management Personnel

Anya Belogortseva	Director General and Chief Financial Officer of North Caspian Petroleum Limited
Dr Valera Beloussov	President and Chief Executive Officer of North Caspian Petroleum Limited

There are no other specified executives of the company.

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

The remuneration policy, setting the terms and conditions for the Directors, was approved by the Board as a whole. The Board has established a separate remuneration committee post balance date.

The Consolidated Entity is an exploration entity, 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. The remuneration may consist of a salary, bonuses, or any other element but must not be a commission on, or percentage of, operating revenue. Currently there is no link between remuneration and shareholder wealth or company performance.

All remuneration paid to Directors is valued at the cost to the Consolidated Entity and expensed.
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 fees that can be paid to Non-Executive Directors is $150,000 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.

Consolidated Entity Performance and Shareholder Wealth and Directors' and Executives' Remuneration

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

The Board exercises its discretion in determining remuneration performance of executives. Given the early stage of the Consolidated Entity's key exploration project, the Board does not deem it to be realistic to measure performance against defined criteria. As such, remuneration and performance are not linked.

Below is a summary of the performance of the legal parent, International Petroleum Limited, for the 4 years to 30 June 2009 and the performance of the Consolidated Entity for the period to 30 June 2010:

	2006	**2007**	**2008**	**2009**	**2010**
	$	$	$	$	$
Profit/(loss) for the year	(534,856)	(5,037,391)	1,538,123	(1,270,938)	(10,254,917)
Basic EPS	(0.0187)	(0.0646)	0.0136	(0.0102)	(0.0165)

Details of remuneration of directors and key management personnel of the legal parent entity for the 12 months ended 30 June 2010

The remuneration of the directors and key management personnel of the legal parent entity (International Petroleum Limited) for the 12 months ended 30 June 2010 is as follows:

2010	Short Term Benefits					At Risk	
Name	Salary, Fees and Commissions	Non-cash Benefits	Cash Bonus	Total	Fixed	Short term incentive	Long term incentive
	$	$	$	$	%	%	%
Directors							
A Sage [(i)]	437,500	-	-	437,500	100%	-	-
T Turner [(ii)]	60,000	-	-	60,000	100%	-	-
M Gwynne [(iii)]	36,000	-	-	36,000	100%	-	-
F Timis [(iv)]	-	-	-	-	-	-	-
M Ashurst [(v)]	-	-	-	-	-	-	-
Total	**533,500**	**-**	**-**	**533,500**	**100%**	**-**	**-**

No share based payments have been awarded to the directors in the current period and no post employment benefits have been provided.

(i) An aggregate amount of $437,500 (2009: $437,500) was paid, or due and payable to Okewood Pty Ltd, a company controlled by Mr Sage, for the provision of his director services to the Company.

(ii) An aggregate amount of $60,000 (2009: $60,000) was paid, or due and payable to Corporate Resource and Mining Services ("CRMS"), for the provision of Mr Turner's director services to the Company.

(iii) An aggregate amount of $36,000 (2009: $7,000) was paid, or was due and payable to Silverwest Pty Ltd, a company controlled by Mr Gwynne for the provision of his director services to the Company.

(iv) Mr Timis was appointed to the Board on 15 June 2010. A service agreement with Mr Timis has not yet been entered into.

(v) Mr Ashurst was appointed to the Board on 15 June 2010. A service agreement with Mr Ashurst has not yet been entered into.

Details of remuneration of directors and key management personnel of the consolidated entity for the period 1 January 2010 to 30 June 2010

The reverse acquisition of International Petroleum by Eastern was completed on 15 June 2010. The table below sets out the remuneration of the directors of International Petroleum and the remuneration of the key management personnel of the consolidated entity for the period 1 January 2010 (the date since Eastern's last audited accounts) to 30 June 2010.

The directors fees for Mr Sage, Mr Turner and Mr Gwynne are for the period 16 June 2010 to 30 June 2010, being the period post the acquisition of International Petroleum by Eastern.

2010	**Short Term Benefits**			**Post Employment Benefits**			**At Risk**	
Name	**Salary, Fees and Commissions** $	**Non-cash Benefits** $	**Cash Bonus** $	**Pension Contribution** $	**Total** $	**Fixed** %	**Short term incentive** %	**Long term incentive** %
Directors								
A Sage (i)	18,229	-	-	-	18,229	100%	-	-
T Turner (ii)	2,500	-	-	-	2,500	100%	-	-
M Gwynne (iii)	1,500	-	-	-	1,500	100%	-	-
F Timis	-	-	-	-	-	-	-	-
M Ashurst (iv)	42,722	-	-	4,272	46,994	100%	-	-
Key management								
A Belogortseva	114,305	-	-	-	114,305	100%	-	-
V Beloussov(v)	249,681	-	-	-	249,681	100%	-	-
Total	**428,937**	**-**	**-**	**4,272**	**433,209**	**100%**	**-**	**-**

No share based payments have been awarded to the directors and key management personnel in the current period.

(i) An aggregate amount of $18,229 was paid, or due and payable to Okewood Pty Ltd, a company controlled by Mr Sage, for the provision of his director services to the Company for the period 16 June 2010 to 30 June 2010.

(ii) An aggregate amount of $2,500 was paid, or due and payable to CRMS, for the provision of Mr Turner's director services to the Company for the period 16 June 2010 to 30 June 2010.

(iii) An aggregate amount of $1,500 was paid, or was due and payable to Silverwest Pty Ltd, a company controlled by Mr Gwynne for the provision of his director services to the Company for the period 16 June 2010 to 30 June 2010.

(iv) An aggregate amount of $28,481 (£16,667) was paid, or was due and payable to MLR Advisory Ltd, a company controlled by Mr Ashurst for the provision of his director services to the Company. An aggregate of $14,241 (£8,333) was paid to Mr Ashurst directly as directors' fees.

(v) An aggregate of $249,681 (US$222,870) was paid to Hamunts Limited, a company associated with Dr Beloussov.

Details of remuneration of directors and key management personnel of the legal parent entity for the 12 months ended 30 June 2009

The remuneration of the directors and key management personnel of the legal parent entity (International Petroleum Limited) for the 12 months ended 30 June 2009 is as follows:

2009	Short Term Benefits			Share-based Payment	Post Employment Benefits			At Risk	
Name	Salary, Fees and Commissions	Non-cash Benefits	Cash Bonus	Options	Superannuation Contribution	Total	Fixed	Short term incentive	Long term incentive
	$	$	$	$	$	$	%	%	%
Directors									
Antony Sage [(i)]	437,500	-	-	-	-	437,500	100%	-	-
Timothy Turner [(ii)]	60,000	-	-	-	-	60,000	100%	-	-
Michael Povey [(iii)]	60,000	-	-	-	-	60,000	100%	-	-
Mark Gwynne [(iv)]	7,000	-	-	-	-	7,000	100%	-	-
Total	**564,500**	**-**	**-**	**-**	**-**	**564,500**	**100%**	**-**	**-**

(i) An aggregate amount of $437,500 (2008: $350,000) was paid, or due and payable to Okewood Pty Ltd, a company controlled by Mr Sage, for the provision of his director services to the Company.

(ii) An aggregate amount of $60,000 (2008: $48,000) was paid, or due and payable to CRMS, for the provision of Mr Turner's director services to the Company.

(iii) An aggregate amount of $60,000 (2008: $60,000) was paid, or was due and payable to Minman Pty Ltd, a company controlled by Mr Povey for the provision of director services to the Company.

(iv) An aggregate amount of $7,000 (2008: nil) was paid, or was due and payable to Mark Gwynne.

Details of remuneration of directors and key management personnel of the consolidated entity for the period 1 January 2009 to 31 December 2009

The table below sets out the remuneration of the directors of Eastern for the period 1 January 2009 to 31 December 2009 (the period covered in Eastern's last audited accounts).

No share based payments or cash bonuses were awarded to directors or key management personnel during the period.

2009	**Short Term Benefits**		**Post Employment Benefits**			**At Risk**	
Name	**Salary, Fees and Commissions**	**Non-cash Benefits**	**Pension Contribution**	**Total**	**Fixed**	**Short term incentive**	**Long term incentive**
	$	**$**	**$**	**$**	**%**	**%**	**%**
Directors							
F Timis	-	-	-	-	-	-	-
D Greer	12,546		-	12,546	100%	-	-
P Truscott	29,895		-	29,895	100%	-	-
M Ashurst	298,947	-	29,895	328,842	100%	-	-
Key management							
A Belogortseva	126,842	-	-	126,842	100%	-	-
V Beloussov(i)	904,395	-	-	904,395	100%	-	-
Total	**1,372,625**	**-**	**29,895**	**1,402,520**	**100%**	**-**	**-**

(i) An aggregate of $904,395 (US$705,880) was paid to Hamunts Limited, a company associated with Dr Beloussov.

Options Issued as Part of Remuneration for the period ended 30 June 2010

There were no options issued as part of remuneration for the period ended 30 June 2010 (30 June 2009: Nil).

Service Agreements

Mr Antony Sage – Non-Executive Chairman

Prior to the completion of the acquisition of Eastern Petroleum Corporation Limited on 15 June 2010, Mr Sage held the position of Executive Chairman of International Petroleum Limited. Mr Sage's role as Executive Chairman was governed by an Executive Chairman consultancy agreement between International Petroleum Limited, Okewood Pty Ltd and Mr Sage.

The agreement stipulates the following terms and conditions:

(a) Term: minimum of three (3) years commencing 1 July 2008;

(b) Rate: a consultancy fee of $437,500 per annum to be payable to Okewood Pty Ltd and reviewed bi-annually by the Board. In addition, Mr Sage is to be reimbursed for all reasonable expenses incurred in the performance of his duties;

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

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

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

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

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

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

Subsequent to 30 June 2010, the Company entered into a new agreement with Okewood Pty Ltd and Mr Sage to reflect Mr Sage's new role as Non-Executive Chairman. With effect from 1 September 2010, the consultancy fee payable by the Company to Okewood Pty Ltd is $120,000 per annum.

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 (3) years commencing 25 November 2008;

(b) Rate: a fee of $60,000 per annum is payable to CRMS and reviewed bi-annually by the Board. 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;

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

(iv) 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

(v) 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.

Subsequent to 30 June 2010, the Company amended its agreement with CRMS and Mr Turner. With effect from 1 September 2010, the consultancy fee payable by the Company to CRMS is $48,000 per annum.

Mr Mark Gwynne – Non-Executive Director

The Company has entered into a consultancy agreement with Silverwest Corporation Pty Ltd and Mr Mark Gwynne 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 (3) years commencing 24 April 2009;

(b) Rate: a consultancy fee of $36,000 per annum is payable to Silverwest Corporation Pty Ltd and reviewed bi-annually by the Board. In addition, Mr Gwynne 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) seriously neglectful of his duties under the Agreement;

(ii) absent in, or demonstrates gross incompetence with regard to, the performance of his duties under this Agreement;

(iii) conviction of any criminal offence which in the reasonable opinion of the Board brings the Consultant or the Company or any of its related bodies corporate into disrepute; and

(iv) Mr Gwynne being unable to perform services for 3 consecutive months or an aggregate of 3 months within any 12 month period.

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

Subsequent to 30 June 2010, the Company amended its agreement with Silverwest Corporation Pty Ltd and Mr Gwynne. With effect from 1 September 2010, the consultancy fee payable by the Company to Silverwest Corporation Pty Ltd is $48,000 per annum.

End of remuneration report

MEETINGS OF DIRECTORS

The number of Directors' meetings (including committees) held during the period and the number of meetings attended by each director is:

	Directors' Meetings	
Director	**Number Eligible to Attend**	**Meetings Attended**
Antony Sage	3	3
Mark Gwynne	3	3
Timothy Turner	3	3
Frank Timis	-	-
Mark Ashurst	-	-

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**
Chairman of the committee	Timothy Turner	Mark Ashurst	Timothy Turner
Member	Mark Gwynne	Mark Gwynne	Mark Gwynne
Member	Mark Ashurst	Timothy Turner	Mark Ashurst
Member	Tony Sage	Tony Sage	

These committees did not meet during the year.

INDEMNIFYING OFFICERS OR AUDITOR

In accordance with the Company's constitution, except as may be prohibited by the Corporations Act 2001, every 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 Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

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

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

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

OPTIONS

Unissued Shares under Option

There are currently 135,193,072 options on issue with an exercise price of $0.25 and an expiry date of 30 June 2012.

Shares issued on the exercise of options

During the period, no ordinary shares were issued on the exercise of options (2009: 34,200,165).

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

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

The Consolidated Entity was not a party to any such proceedings during the current period.

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 19.

NON AUDIT SERVICES

No non-audit services were provided by the Company's auditors, Ernst & Young.

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

Antony Sage
Director **Perth, 30 September 2010**

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

In accordance with NSX Listing Rules, this corporate governance statement summarises the corporate governance practices adopted by the Company.

The corporate governance practices detailed in the summary were adopted by the Company on 10 June 2010. 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. Directors of the Company are considered to be independent when they are a non-executive director who is not a member of management 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 F. Timis (Non-Executive Director) and Mr A.W.P. Sage (Chairman) are not considered independent.

Non-Executive Directors, Mr T. Turner, Mr. M Gwynne and Mr M. Ashurst were considered to have been independent throughout the year.

The Board believes that while the Chairman is not independent, the majority of the directors are independent and the current composition of the Board with its combined skills and capability, best serve the interests of the Company and its shareholders.

At the date of this report the Company did not have a Chief Executive Officer (CEO). Until such time as a suitable CEO is appointed Mr M. Gwynne is responsible for the role. The Board considers relevant industry experience and specific expertise important in providing strategic guidance and oversight of the Company, and it believes Mr M. Gwynne is the most appropriate person to fulfil the role.

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

A.W.P. Sage	4 years, 5 months	(Chairman)
M. Gwynne	1 years, 2 months	(Non - Executive Director)
F. Timis	Appointed 15 June 2010	(Non - Executive Director)
M. Ashurst	Appointed 15 June 2010	(Non - Executive Director)
T. Turner	4 years, 5 months	(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 Committee.

The total maximum remuneration of non-executive Directors is the subject of a Shareholder resolution at the Company's upcoming Annual General Meeting in accordance with the Company's Constitution, the Corporations Act and applicable Listing Rules. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-executive Director. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate amount of $200,000 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 have 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 of 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.

Internal Audit and Risk Committee

The Company has appointed an audit and risk committee. 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 Committee

The Board has established a Remuneration 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.

Nomination Committee

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

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 prince 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 relevant 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 are:
Mr M. Ashurst
Mr T. Turner
Mr M. Gwynne

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

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.

As a matter of course trading in securities of the Company is limited to the following trading windows, a four (4) week period from the:

- date of the Company's Annual General Meeting;
- release of the quarterly results announcement to the Exchange;
- release of the half yearly results announcement to the Exchange;
- release of the preliminary final results announcement to the Exchange; or
- release of a disclosure document offering securities in the Company.

Before commencing to trade, a Director, executive or other employee must notify the Chairman 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

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

In relation to our audit of the financial report of International Petroleum Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

C B Pavlovich
Partner
Perth
30 September 2010

CP:MB:IPL:011

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2010

		Consolidated Entity		Legal Parent	
		6 months ended 30 June 2010	12 months ended 31 December 2009	12 months ended 30 June 2010	12 months ended 30 June 2009
		$	$	$	$
Revenue	6	**411,230**	409,049	**211,292**	1,032,796
Depreciation expense	6	**(3,030)**	(55,917)	**(1,242)**	(633)
Directors' remuneration		**(64,951)**	(338,362)	**(533,500)**	(564,500)
Consulting expenses		**(628,472)**	(637,797)	**(1,315,683)**	(537,123)
Compliance and regulatory expenses		**(86,489)**	(117,290)	**(1,188,966)**	(115,620)
Administration expenses		**(395,794)**	(998,145)	**(542,941)**	(331,634)
Occupancy costs		**(429,506)**	(700,696)	**-**	-
Other – share based payment expense		**-**	-	**-**	(135,000)
Employee benefits		**(174,371)**	(438,583)	**-**	-
Foreign currency gains / (losses)		**(261,629)**	751,475	**331,074**	64,457
Impairment of financial assets		**-**	-	**(532,141)**	-
Impairment of goodwill	14	**(8,621,905)**	-	**-**	-
Loss from continuing operations before income tax		**(10,254,917)**	(2,126,266)	**(3,572,107)**	(587,257)
Income tax expense		**-**	-	**(1,650,000)**	-
Loss from continuing operations after income tax		**(10,254,917)**	(2,126,266)	**(5,222,107)**	(587,257)
Loss from discontinued operations		**-**	-	**-**	(683,681)
Loss for the period, attributable to the members		**(10,254,917)**	(2,126,266)	**(5,222,107)**	(1,270,938)
Other comprehensive income					
Fair value gains on available-for-sale financial assets		**285,620**	-	**1,328,240**	441,095
Foreign exchange loss on translation of foreign operations		**908,698**	(5,885,318)	**-**	-
Tax on items of other comprehensive income		**(85,686)**	-	**(530,801)**	-
Other comprehensive income / (loss) for the period, net of tax		**1,108,632**	-	**797,439**	441,095
Total comprehensive loss for the period		**(9,146,285)**	(8,011,584)	**(4,424,668)**	(829,843)
EPS from continuing operations					
Basic loss per share (cents)	22	**(1.65)**	(0.36)		
Diluted loss per share (cents)	22	**(1.65)**	(0.36)		
EPS from loss attributable to the members					
Basic loss per share (cents)	22	**(1.65)**	(0.36)		
Diluted loss per share (cents)	22	**(1.65)**	(0.36)		

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

		Consolidated Entity		Legal Parent	
	Note	**30 June 2010**	**31 December 2009**	**30 June 2010**	**30 June 2009**
		$	**$**	**$**	**$**
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	8	**34,953,433**	749,517	**30,818,139**	6,701,514
Trade and Other Receivables	9	**812,184**	582,080	**116,378**	150,512
Inventories	10	**3,567,374**	3,422,201	**-**	-
TOTAL CURRENT ASSETS		**39,332,991**	4,753,798	**30,934,517**	6,852,026
NON CURRENT ASSETS					
Restricted Cash		**135,135**	-	**-**	-
Trade and Other Receivables	9	**1,716,167**	1,514,597	**11,564,238**	-
Plant and Equipment	11	**29,924**	24,904	**-**	1,242
Financial assets available-for-sale	12	**2,414,935**	-	**2,414,935**	1,618,836
Other financial assets	26	**-**	-	**230,279,454**	-
Exploration and Evaluation Expenditure	13	**83,489,241**	42,063,023	**14,538,093**	24,532,307
TOTAL NON CURRENT ASSETS		**87,785,402**	43,602,524	**258,796,720**	26,152,385
TOTAL ASSETS		**127,118,393**	48,356,322	**289,731,236**	33,004,411
LIABILITIES					
CURRENT LIABILITIES					
Trade and Other Payables	15	**2,326,240**	27,515,914	**1,308,320**	789,690
Income tax payable	5	**1,650,000**	-	**1,650,000**	-
TOTAL CURRENT LIABILITIES		**3,976,240**	27,515,914	**2,958,320**	789,690
NON CURRENT LIABILITIES					
Deferred tax liability	5	**6,767,801**	-	**530,801**	-
Provisions	16	**257,670**	241,707	**-**	-
TOTAL NON CURRENT LIABILITIES		**7,025,471**	241,707	**530,801**	-
TOTAL LIABILITIES		**11,001,711**	27,757,621	**3,489,121**	789,690
NET ASSETS		**116,116,682**	20,598,701	**286,242,116**	32,214,721
EQUITY					
Issued Capital	17	**296,148,933**	191,484,467	**260,539,579**	29,577,362
Reserves	18	**(151,219,631)**	(152,328,263)	**32,720,449**	4,433,164
Accumulated losses	19	**(28,812,620)**	(18,557,503)	**(7,017,912)**	(1,795,805)
TOTAL EQUITY		**116,116,682**	20,598,701	**286,242,116**	32,314,721

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2010

Consolidated Entity	Notes	Ordinary Share Capital $	Accumulated Losses $	Revaluation Reserve $	Merger Reserve $	Foreign currency translation Reserve $	Total $
BALANCE AT 1 JANUARY 2010		**191,484,467**	**(18,557,503)**	**-**	**(146,442,945)**	**(5,885,318)**	**20,598,701**
Loss for the period attributable to members	**19**	**-**	**(10,254,917)**	**-**	**-**	**-**	**(10,254,917)**
Net fair value gains on available for sale investments (after tax)	**18**			**199,934**	**-**	**-**	**199,934**
Foreign currency exchange differences arising on translation from functional currency to presentation currency	**18**	**-**	**-**	**-**	**-**	**908,698**	**908,698**
Total comprehensive loss for the period		**-**	**(10,254,917)**	**199,934**	**-**	**908,698**	**(9,146,285)**
Transactions with owners in their capacity as owners:							
Cancellation of converting performance shares	**17**	**-**	**(200)**	**-**	**-**	**-**	**(200)**
Shares issued on conversion of convertible loan note	**17**	**22,944,464**	**-**	**-**	**-**	**-**	**22,944,464**
Fair value of shares transferred under reverse acquisition accounting	**17**	**81,720,002**	**-**	**-**	**-**	**-**	**81,720,002**
BALANCE AT 30 JUNE 2010		**296,148,933**	**(28,812,620)**	**199,934**	**(146,442,945)**	**(4,976,620)**	**116,116,682**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2009

Consolidated Entity	**Notes**	**Ordinary Share Capital $**	**Accumulated Losses $**	**Merger Reserve $**	**Foreign currency translation Reserve $**	**Total $**
BALANCE AT 1 JANUARY 2009		188,922,007	(16,431,237)	(146,442,945)	-	26,047,825
Loss for the period attributable to members	19	-	(2,126,266)	-	-	(2,126,266)
Foreign currency exchange differences arising on translation from functional currency to presentation currency	17	-	-	-	(5,885,318)	(5,885,318)
Total comprehensive loss for the period		-	(2,126,266)	-	(5,885,318)	(8,011,584)
Transactions with owners in their capacity as owners:						
Shares issued pursuant to capital raising	17	2,562,460	-	-	-	2,562,460
BALANCE AT 31 DECEMBER 2009		191,484,467	(18,557,503)	(146,442,945)	(5,885,318)	20,598,701

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2010

Legal Parent	Notes	Ordinary Share Capital $	Converting Performance Share Capital $	Accumulated Losses $	Option Reserve $	Revaluation Reserve $	Total $
BALANCE AT 1 JULY 2009		**29,576,962**	**400**	**(1,795,805)**	**3,992,069**	**441,095**	**32,214,721**
Net loss for the period attributable to members	**19**	**-**	**-**	**(5,222,107)**	**-**	**-**	**(5,222,107)**
Net fair value gains on available for sale investments (after tax)	**18**	**-**	**-**	**-**	**-**	**797,439**	**797,439**
Total comprehensive loss for the period		**-**	**-**	**(5,222,107)**	**-**	**1,238,534**	**(4,424,668)**
Transactions with owners in their capacity as owners:							
Shares issued on conversion of performance shares	**17**	**200**	**(200)**	**-**	**-**	**-**	**-**
Expired converting performance shares	**17**	**-**	**(200)**	**-**	**-**	**-**	**(200)**
Issue of shares pursuant to capital raising	**17**	**30,000,000**	**-**	**-**	**-**	**-**	**30,000,000**
Issue of consideration shares and options	**17,18**	**202,789,607**	**-**	**-**	**27,489,846**	**-**	**230,279,453**
Capital raising costs	**17**	**(1,827,190)**	**-**	**-**	**-**	**-**	**(1,827,190)**
BALANCE AT 30 JUNE 2010		**260,539,579**	**-**	**(7,017,912)**	**31,481,915**	**1,238,534**	**286,242,116**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2009

Legal Parent	**Notes**	**Ordinary Share Capital**	**Converting Performance Share Capital**	**Accumulated Losses**	**Share Based Payments Reserve**	**Option Reserve**	**Revaluation Reserve**	**Total**
		$	**$**	**$**	**$**	**$**	**$**	**$**
BALANCE AT 1 JULY 2008		22,852,800	600	(4,034,124)	7,048,138	452,988	-	26,320,402
Net loss for the period attributable to members	19	-	-	(1,270,938)	-	-	-	(1,270,938)
Net fair value gains on available for sale investments (after tax)	18	-	-	-	-	-	441,095	441,095
Total comprehensive loss for the period		-	-	(1,270,938)	-	-	441,095	(829,843)
Shares expired during the year		-	(200)	200	-	-	-	-
Options Expired during the year	18,19	-	-	3,509,057	(3,509,057)	-	-	-
Options Exercised during the year	18	6,705,025	-		(3,539,081)	3,539,081	-	6,705,025
Transaction costs		19,137	-	-	-	-	-	19,137
							-	
BALANCE AT 30 JUNE 2009		29,576,962	400	(1,795,805)	-	3,992,069	441,095	32,214,721

The accompanying notes form part of these financial statements.

STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED 30 JUNE 2010

	Note	Consolidated Entity		Legal Parent	
		6 months ended 30 June 2010 $	**12 months ended 31 December 2009 $**	**12 months ended 30 June 2010 $**	**12 months ended 30 June 2009 $**
Cash Flows from Operating Activities					
Payments to suppliers and employees		**(3,167,194)**	(4,424,405)	**(2,120,100)**	(1,509,845)
Interest received		**42,781**	19	**211,292**	93,390
Other income received		**368,449**	409,030	**-**	-
Net cash flows used in operating activities	**8**	**(2,755,964)**	(4,015,356)	**(1,908,808)**	(1,416,455)
Cash Flows From Investing Activities					
Payment for plant and equipment		**(6,832)**	(29,468)	**-**	-
Cash balances acquired on acquisition of controlled entities	**14**	**35,025,587**	-	**-**	-
Cash providing security for applications in Kazakhstan		**(135,135)**	-	**-**	-
Payment for exploration and evaluation activities		**(1,639,582)**	(13,538,757)	**(683,138)**	(52,871)
Proceeds from the sale of interest in prospects		**-**	-	**10,000,000**	15,000
Payments for investments		**-**	-	**-**	(640,344)
Proceeds from the release of security deposits		**-**	-	**100,000**	-
Funding provided to Eastern Petroleum Corporation Limited		**-**	-	**(11,564,238)**	-
Net cash from/(used in) investing activities		**33,244,038**	(13,568,225)	**(2,147,376)**	(678,215)
Cash Flows from Financing Activities					
Proceeds from borrowings		**3,712,676**	15,276,105	**-**	
Proceeds from issue of shares		**-**	2,562,460	**30,000,000**	6,667,526
Payment for share issue costs		**-**	-	**(1,827,191)**	(10,862)
Net cash from / (used in) financing activities		**3,712,676**	17,838,565	**28,172,809**	6,656,664
Net increase / (decrease) in Cash and Cash Equivalents		**34,200,750**	254,984	**24,116,625**	4,561,994
Cash and Cash Equivalents at the beginning of period		**749,517**	680,471	**6,701,514**	2,139,520
Foreign exchange difference		**3,166**	(185,938)	**-**	-
Cash and Cash Equivalents at end of period		**34,953,433**	749,517	**30,818,139**	6,701,514

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

The financial report of International Petroleum Limited for the period ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 30 September 2010.

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 OF ANNUAL REPORT

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

ASIC class order CO 10/654 has been adopted to allow the presentation of financial statements for both the Consolidated Entity and the Legal Parent.

The financial report is presented in Australian dollars.

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

On 15 June 2010, International Petroleum Limited (“International Petroleum” or the “Company”) completed the legal acquisition of Eastern Petroleum Corporation Limited (“Eastern”). Under the terms of AASB 3 “Business Combinations”, Eastern was deemed to be the accounting acquirer in the business combination. The transaction has therefore been accounted for as a reverse acquisition.

Accordingly, the consolidated financial statements have been prepared as a continuation of the business and operations of Eastern. Eastern, as the deemed acquirer, has accounted for the acquisition of International Petroleum from 15 June 2010. The comparative information for the Consolidated Entity presented in the financial statements is that of Eastern. Refer to Note 14 for further details of the business combination.

The financial year end of Eastern is 31 December. The last audited financial statements for Eastern are for the year ended 31 December 2009. The financial year end of International Petroleum is 30 June. The last audited financial statements for International Petroleum, as lodged with ASX are for the year ended 30 June 2009.

The financial statements for the Legal Parent, International Petroleum, for the current period are for the 12 months ended 30 June 2010.

The financial statements for the Consolidated Entity for the current period represent the accounting period from the last year end of Eastern, 31 December 2009, to 30 June 2010.

The implications of the application of AASB 3 on these financial statements are as follows:

Consolidated Statement of Comprehensive Income

- The 2010 Statement of Comprehensive Income for the Consolidated Entity comprises 6 months of Eastern from 1 January 2010 to 30 June 2010 and 15 days of International Petroleum from 15 June 2010 to 30 June 2010.
- The 2009 Statement of Comprehensive Income for the Consolidated Entity comprises 12 months of Eastern from 1 January 2009 to 31 December 2009.

Consolidated Statement of Financial Position

- The 2010 Consolidated Statement of Financial Position represents the consolidation of International Petroleum and Eastern as at 30 June 2010.
- The 2009 Statement of Financial Position for the Consolidated Entity represents that of Eastern as at 31 December 2009.

2. BASIS OF PREPARATION OF ANNUAL REPORT (CONTINUED)

Consolidated Statement of Changes in Equity

- The 2010 Consolidated Statement of Changes in Equity comprises:
  - The equity balance of Eastern at the beginning of the period, 1 January 2010,
  - The total comprehensive income and transactions with equity holders for the period to 30 June 2010, being 6 months of Eastern and 15 days of International Petroleum, .
  - The consolidated equity balance of Eastern and International Petroleum as at 30 June 2010.
- The 2009 Consolidated Statement of Changes in Equity comprises 12 months of Eastern from 1 January 2009 to 31 December 2009.

Consolidated Cashflow Statement

- The 2010 Consolidated Cash Flow Statement comprises:
  - The cash balance of Eastern at the beginning of the period, 1 January 2010,
  - The transactions for the period ended 30 June 2010, being 6 months of Eastern and 15 days of International Petroleum,
  - The consolidated cash balance of Eastern and International Petroleum as at 30 June 2010.
- The 2009 Consolidated Cash Flow Statement comprises 12 months of Eastern from 1 January 2009 to 31 December 2009.

Compliance with IFRS

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

The Legal Parent and the Consolidated Entity have applied the revised AASB 101 “Presentation of Financial Statements” which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Legal Parent and the Consolidated Entity had to change the presentation of their financial statements. Comparative information has been re-presented so that it is also conforms with the revised standard.

3. SUMMARY OF ACCOUNTING POLICIES

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

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial statements.

(a) Changes in accounting policy and other disclosures

New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The following standards and interpretations have been applied by the Consolidated Entity during the current year:

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Changes in accounting policy and other disclosures (continued)

Reference	Title	Application date of standard	Application date for the Consolidated Entity	Application date for the Legal Parent
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	1 January 2009	1 January 2010	1 July 2009
AASB 1039 (revised)	Concise Reporting	1 January 2009	1 January 2010	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	1 January 2009	1 January 2010	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	1 January 2009	1 January 2010	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	1 January 2009	1 January 2010	1 July 2009
AASB 3 (Revised)	Business Combinations	1 July 2009	1 January 2010	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	1 July 2009	1 January 2010	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	1 July 2009	1 January 2010	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2009	1 January 2010	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2009	1 January 2010	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	1 January 2010	1 July 2009
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	1 July 2009	1 January 2010	1 July 2009

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Changes in accounting policy and other disclosures (continued)

AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	1 January 2010	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	1 July 2009	1 January 2010	1 July 2009
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	1 July 2009	1 January 2010	1 July 2009

Accounting Standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Consolidated Entity for the reporting period ended 30 June 2010 are set out below. Unless disclosed otherwise, the application of these Standards and Interpretations, once effective, will not have any impact on the Consolidated Entity.

AASB 2009-5 [AASB 5, 8, 101, 107, 117, 118, 136 & 139] - Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (application date: reporting periods ending on/after 1 January 2010)

The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on the Consolidated Entity except for the following:

The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.

The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.

AASB 2009-8 [AASB 2] - Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions (application date: reporting periods ending on/after 1 January 2010)

This Standard makes amendments to Australian Accounting Standard AASB 2 *Share-based Payment* and supersedes Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Changes in accounting policy and other disclosures (continued)

Accounting Standards and interpretations issued but not yet effective (continued)

The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.

The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

AASB 2009-9 - Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards (application date: reporting periods ending on/after 1 January 2010)*

The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process.

AASB 2009-11 - [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] - Amendments to Australian Accounting Standards arising from AASB 9(application date: reporting periods ending on/after 1 January 2013)

The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:

- two categories for financial assets being amortised cost or fair value
- removal of the requirement to separate embedded derivatives in financial assets
- strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows
- an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition
- reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes
- changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income

AASB 2009-12 - [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] - Amendments to Australian Accounting Standards (application date: reporting periods ending on/after 1 January 2011)

This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.

The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself).

AASB 2009-13 - [AASB 1] - Amendments to Australian Accounting Standards arising from Interpretation 19 (application date: reporting periods ending on/after 1 January 2010)

This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Changes in accounting policy and other disclosures (continued)

Accounting Standards and interpretations issued but not yet effective (continued)

AASB 2010-01 – [AASB 1: First-time adoption of Australian Accounting Standards, AASB 7 Financial instruments: Disclosures] (application date: reporting periods ending on/after 30 June 2011)

These amendments principally give effect to extending the transition provisions of AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments to first-time adopters of Australian Accounting Standards.

AASB 2010-02 (application date: reporting periods ending on/after 30 June 2014)

This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.

AASB 2010-03 - [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] - Amendments to Australian Accounting Standards arising from the Annual Improvements Project (application date: reporting periods ending on/after 30 June 2011)

Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value.

Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.
Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.

Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.

AASB 2010-04 - [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13] - Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (application date: reporting periods ending on/after 31 December 2011)

Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.

Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions

Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(a) Changes in accounting policy and other disclosures (continued)

Accounting Standards and interpretations issued but not yet effective (continued)

AASB 1053 Application of Tiers of Accounting Standards (application date: reporting periods ending on/after 30 June 2014)

This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

(a) Tier 1: Australian Accounting Standards; and

(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

The following entities apply Tier 1 requirements in preparing general purpose financial statements:

(a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and

(b) the Australian Government and State, Territory and Local Governments.

The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:

(a) for-profit private sector entities that do not have public accountability;

(b) all not-for-profit private sector entities; and

(c) public sector entities other than the Australian Government and State, Territory and Local Governments.

AASB 9 Financial Instruments (application date: reporting periods ending on/after 1 January 2013)

This standard includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financials Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).

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

AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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 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 "other".

The Consolidated Entity has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting.* The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not impacted on the number of reportable segments presented. There has been no impact on the measurement of the Consolidated Entity's assets and liabilities. Comparatives for 2009 have been restated.

(c) Foreign currency translation

Functional and presentation currency
Both the functional and presentation currency of International Petroleum Limited is Australian dollars. The functional currency of Eastern Petroleum Corporation Limited is United States Dollars which has been translated to the presentation currency of Australian dollars.

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.

Translation of Group Companies' functional currency to presentation currency
The results Eastern Petroleum Corporation Limited and its subsidiaries are translated into Australian Dollars (presentation currency) as at the date of each transaction. Monetary assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

(d) Cash and cash equivalents

For cash flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with banks or financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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 Consolidated Entity will not be able to collect all amounts due to it according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the amount expected to be received. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within administration 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 administration expenses in the Statement of Comprehensive Income.

(f) Inventories

Inventories including raw materials, 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:

Raw materials – 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 Consolidated Entity from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials.
Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.
Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(g) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 "Financial Instruments: Recognitions and Measurement" are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

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.

Recognition and derecognition
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. 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 Consolidated Entity has transferred substantially all the risks and rewards of ownership.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(g) Investments and other financial assets

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. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. They are measured initially at fair value and subsequently at amortised cost.

Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the categories. They are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Impairment of financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the categories. They are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(h) Investment in Subsidiaries

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

(i) Exploration and evaluation expenditure

Exploration and evaluation expenditure is recorded at historical costs on an area of interest basis. Expenditure on acquisition of an area of interest is 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 over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the exploration permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

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

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.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(j) Property, plant and equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

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 Company 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 Directors to ensure it is not in excess of the recoverable amount from these assets.

Depreciation
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	33%

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

(k) Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the identifiable assets acquired and the liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets acquired, the difference in recognised in the Statement of Comprehensive Income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(l) 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 Consolidated Entity prior to the reporting date that are unpaid and arise when the Consolidated Entity 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.

(m) Provisions

Provisions are recognised when the Consolidated Entity 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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

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.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(m) Provisions (continued)

Costs of site restoration are provided over the life of the facility 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 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.

(n) Contributed equity

Contributed equity is recognised at the fair value of the consideration received by the Consolidated Entity, less any capital raising costs in relation to the issue.

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(o) Share-based payments

The fair value of shares issued and options granted are recognised as an expense or the fair value of the asset acquired 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.

(p) 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 Consolidated Entity 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 Consolidated Entity'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 Consolidated Entity 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.

Rental revenue

Rental revenue is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

Other revenues

Other revenues are recognised when the Consolidated Entity's right to receive the payment is established.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(q) Income tax

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

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

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

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

(r) Other taxes

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

- where the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT 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 GST/VAT 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.

(s) 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 ordinary shares, 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.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(t) Employee Benefits

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

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

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity 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.

(u) Business Combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred is 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 acquire and the equity issued by the acquirer, and the amount of any non controlling interest in the acquire. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share 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 remeasured 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 Consolidated Entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Consolidated Entity'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 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes:

- All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Consolidated Entity's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

- Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill or discount on acquisition.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(u) Business Combinations (continued)

- Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Under the previous policy, the non-controlling interest was recognised at its share of the acquiree's net identifiable assets.
- If the Consolidated Entity recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Consolidated Entity's net profit after tax.

The changes were implemented prospectively from 1 July 2009

(v) Interest in jointly controlled asset

The Group recognises its share of the asset, classified as exploration and evaluation expenditure. In addition the Group recognises its a share of liabilities, expenses and income from the use and output of the jointly controlled asset.

4. 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 Consolidated Entity.

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

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

Impairment

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

The Consolidated Entity 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 available-for-sale financial assets, 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 removed from equity and recognised in the Statement of Comprehensive Income.

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

Exploration and evaluation expenditure

North Caspian Petroleum Limited ("NCPL"), a wholly owned subsidiary of Eastern, operates and owns a 50% interest in subsoil use rights for the exploration of hydrocarbons in an early stage project in eastern and south eastern Kazakhstan ("Kazakhstan Project"). The remaining 50% interest is owned by Remas Corporation LLP ("Remas'), a privately owned Kazakhstan company.

NCPL and Remas are parties to a Joint Operating Agreement ("JOA") pursuant to which NCPL is designated as operator of the Kazakhstan Project and is responsible for all expenses relating to the minimum work programme.

Pursuant to the terms of the JOA, NCPL has agreed to solely fund the minimum expenditure on the exploration licence. On fulfilment of the minimum work programme, each of NCPL and Remas are required to fund their share of exploration and development costs in accordance with their respective participating interests.

Amounts incurred by NCPL on behalf of Remas are included in the capitalised exploration and evaluation costs presented on the statement of financial position for the Consolidated Entity.

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided certain conditions listed in Note 3(i) 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 related carrying amounts are disclosed in Note 13.

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

- the continuance of the Consolidated Entity'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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Business Combination

During the current period, International Petroleum completed the acquisition of 100% of the shares of Eastern. The acquisition is required to be accounted for as a reverse acquisition under AASB 3 "Business Combinations". Management have made a number of assumptions in determining the fair values of the assets acquired and the liabilities assumed pursuant to this business combination.

Under AASB 3, the consideration deemed to have been paid by Eastern is the fair value of the shares of International Petroleum which are deemed to have been transferred to Eastern, The fair value of the consideration transferred is based on the number of International petroleum shares on issue immediately prior to the business combination and the share price at which the Company's securities were trading. Given that the Company had not yet been admitted to quotation on the date the business combination was completed, a value of $0.30 per share was used as this was the value at which a capital raising had successfully been completed.

The fair value of the deemed consideration exceeded the fair value of International Petroleum's net assets acquired by Eastern. This excess consideration has not been recognised as goodwill, but instead has been recognised as "Impairment of Goodwill" in the statement of comprehensive income because the directors have determined that that there is no future benefit associated with it and consequently it does not qualify for recognition as an asset.

Income taxes

The Consolidated Entity 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 Consolidated Entity estimates its tax liabilities based on the Consolidated Entity's 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 Consolidated Entity has not recognised any deferred tax assets relating to carried forward tax losses or temporary differences as there is no certainty that sufficient future taxable incomes will be generated to utilise such losses and temporary differences.

5. INCOME TAX

	Consolidated Entity		Legal Parent	
	30 June 2010	**31 December 2009**	**30 June 2010**	**30 June 2009**
	$	**$**	**$**	**$**
(a) The components of income tax expense comprise.				
Current tax	**-**	-	**1,650,000**	-
Deferred tax	**-**	-	**-**	-
	-	-	**1,650,000**	-
(b) The prima facie tax on loss from continuing activities before income tax is reconciled to the income tax as follows:	**(10,254,917)**	(2,126,266)	**(3,572,107)**	(1,270,938)
Prima facie tax benefit/(loss) from ordinary activities before income tax at 30%	**3,076,475**	637,880	**1,071,632**	381,282
Add/(less)				
Tax effect of				
- Foreign exploration expenditure	**-**	-	**-**	(7,200)
- Entertainment	**-**	-	**(7,694)**	(2,625)
- Unrealised foreign exchange gains	**(78,489)**	225,442	**99,322**	-
- Expenditure incurred in relation to a business combination that is tax deductible in a foreign jurisdiction	**-**	-	**(312,899)**	-
- Other non deductible items	**-**	-	**(159,652)**	
- Non deductible Share based payments	**-**	-	**-**	(220,854)
- Deferred tax asset attributable to tax losses	**(2,997,987)**	(863,322)	**690,709**	(150,603)
	-		**-**	-
- Proceeds on sale of foreign asset assessable for tax in foreign jurisdiction	**-**	-	**(1,650,000)**	-
Income tax attributable to the Company	**-**	-	**(1,650,000)**	-
(c) The applicable weighted average effective tax rate is:	**N/A**	N/A	**N/A**	N/A
(d) The estimated rate of tax at which sale proceeds of a foreign asset will be taxed is:	**N/A**	N/A	**16.5%**	N/A

Recognised deferred tax liabilities

No deferred tax assets have been recognised. The deferred tax liability balance comprises temporary differences attributable to:

	Consolidated		Legal parent	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Available for sale financial assets	**(530,801)**	-	(530,801)	-
Capitalised exploration and evaluation expenditure	**(6,237,000)**	-	-	-
Deferred tax liability	**(6,767,801)**	-	**(530,801)**	-

5. INCOME TAX (CONTINUED)

Movement in temporary differences during the period

	Balance 1 January 2010 $	Recognised in Income $	Recognised in equity $	Recognised pursuant to a business combination $	Balance 30 June 2010 $
Consolidated					
Available for sale financial assets	-	-	(85,686)	(445,115)	**(530,801)**
Capitalised exploration and evaluation expenditure	-	-	-	(6,237,000)	**(6,237,000)**
Deferred tax liability	-	-	(85,686)	(6,682,115)	**(6,767,801)**

	Balance 1 July 2009 $	Recognised in Income $	Recognised in equity $	Recognised pursuant to a business combination $	Balance 30 June 2010 $
Legal Parent					
Available for sale financial assets	-	-	(530,801)	-	**(530,801)**
Capitalised exploration and evaluation expenditure	-	-	-	-	**-**
Deferred tax liability	-	-	(530,801)	-	**(530,801)**

6. PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE

	Consolidated Entity		Legal Parent	
	6 months ended 30 June 2010 $	12 months ended 31 December 2009 $	12 months ended 30 June 2010 $	12 months ended 30 June 2009 $
(a) Revenue				
Interest income	**42,781**	19	**211,292**	107,796
Rental income	**368,449**	397,769	**-**	-
Sundry income	**-**	11,261	**-**	-
Option fee	**-**	-	**-**	925,000
	411,230	409,049	**211,292**	1,032,796
(b) Expenses				
The following revenue and expense items are relevant in explaining the financial performance for the year:				
Impairment of capitalised exploration expenditure	**-**	-	**(29,655)**	-
Depreciation	**(3,030)**	(55,917)	**(1,242)**	(633)
Costs associated with the acquisition of Eastern Petroleum Corporation Limited	**-**	-	**1,719,885**	-
Costs relating to sale of Tubatse project	**-**	-	**107,448**	-

7. REMUNERATION OF AUDITORS

	Consolidated Entity		Legal Parent	
	6 months ended 30 June 2010	**12 months ended 31 December 2009**	**12 months ended 30 June 2010**	**12 months ended 30 June 2009**
	$	**$**	**$**	**$**
Paid or payable to Ernst & Young				
Audit or review of financial reports	**112,135**	-	**55,000**	-
Paid or payable to Bright Grahame Murray				
Audit or review of financial reports	**-**	117,290	**-**	**-**
Paid or payable to BDO Kendalls Audit & Assurance (WA) Pty Ltd				
Audit or review of financial reports	**-**	**-**	**9,163**	44,595

8. CASH AND CASH EQUIVALENTS

	Consolidated Entity		Legal Parent	
	30 June 2010	**31 December 2009**	**30 June 2010**	**30 June 2009**
	$	**$**	**$**	**$**
Cash at bank and on hand	**11,000,977**	749,517	**6,865,683**	5,785,007
Deposits at call	**23,952,456**	-	**23,952,456**	916,507
Cash and cash equivalents	**34,953,433**	749,517	**30,818,139**	6,701,514

8. CASH AND CASH EQUIVALENTS (CONTINUED)

(a) Reconciliation of Cash and Cash Equivalents

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

	Consolidated Entity		**Legal Parent**	
	30 June 2010	**31 December 2009**	**30 June 2010**	**30 June 2009**
	$	**$**	**$**	**$**
b) Reconciliation of Net Profit/(loss) to Net Cash Flows from Operating Activities				
Profit / (loss) from ordinary activities	**(10,254,917)**	(2,126,266)	**(5,222,107)**	(1,270,938)
Adjusted for non cash items:				
Depreciation	**3,030**	55,917	**1,242**	633
Impairment of goodwill	**8,621,905**	-	**-**	-
Profit on sale of right to ore body	**-**	-	**-**	(14,880)
Written off exploration expenditure	**-**	-	**29,655**	664,376
Impairment of available for sale financial assets	**-**	-	**532,141**	-
Expired performance shares	**(200)**	-	**(200)**	-
Other share-based payments expense	**-**	-	**-**	135,000
Shares received as income	**-**	-	**-**	(925,000)
Changes in net assets and liabilities, net of effects from acquisition of business combination:				
Increase/(decrease) in trade and other receivables	**(189,125)**	370,275	**(65,866)**	(4,538)
Increase / (decrease) in inventories	**447**	-	**-**	-
Increase / (decrease) in trade and other payables	**(937,104)**	(2,245,996)	**1,166,327**	(1,108)
Increase / (decrease) in income tax payable	**-**	-	**1,650,000**	-
Increase / (decrease) in provisions	**-**	(69,286)	**-**	-
Net cash used in operating activities	**(2,755,964)**	(4,015,356)	**(1,908,808)**	(1,416,455)

(c) Non-Cash Activities

International Petroleum Limited ("International Petroleum") completed the acquisition of 100% of Eastern Petroleum Corporation Limited ("Eastern") on 15 June 2010 ("Acquisition"). The consideration for the Acquisition was the issue of 675,965,358 International Petroleum ordinary shares and 135,193,072 unlisted International Petroleum options with an expiry date of 30 June 2012 and an exercise price of $0.25.

During the current period and prior to the Acquisition, a convertible loan note valued at approximately US$19.7 million (A$ 22.9 million) was converted into equity in Eastern. There was a nil cash impact on conversion.

9. TRADE AND OTHER RECEIVABLES

	Consolidated Entity		Legal Parent	
	30 June 2010	**31 December 2009**	**30 June 2010**	**30 June 2009**
Current	**$**	**$**	**$**	**$**
Trade receivables	**15,669**	48,600	**15,427**	-
GST / VAT recoverable and other debtors	**423,151**	451,510	**98,133**	50,512
Option fee receivable	**-**	-	**-**	100,000
Prepayments	**269,978**	-	**2,818**	**-**
Deposits paid	**18,884**	-	**-**	**-**
Loans to related entities	**84,502**	81,970	**-**	**-**
Trade and other receivables	**812,184**	582,080	**116,378**	150,512
Non current				
VAT recoverable	**1,716,167**	1,514,597	**-**	**-**
Loan to Eastern Petroleum Corporation Limited	**-**	-	**11,564,238**	**-**
Trade and other receivables	**1,716,167**	1,514,597	**11,564,238**	**-**

10. INVENTORIES

Raw materials at cost	**3,567,374**	3,422,201	-	-

11. PLANT AND EQUIPMENT

At cost	**72,720**	81,736	**1,242**	**1,934**
Accumulated depreciation	**(42,796)**	(56,832)	**(1,242)**	**(692)**
Total Plant and Equipment	**29,924**	24,904	**-**	**1,242**

11. PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliations

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the reporting periods are set out below.

	Consolidated Entity		**Legal Parent**	
	30 June 2010	**31 December 2009**	**30 June 2010**	**30 June 2009**
	$	**$**	**$**	**$**
Balance at beginning of period	**24,904**	62,144	1,242	1,875
Additions	**6,832**	29,468	-	-
Disposals	**-**	(111,467)		
Depreciation expense	**(3,030)**	(55,917)	(1,242)	(633)
Foreign currency exchange difference arising on translation from functional currency to presentation currency	**1,218**	100,676	-	-
Carrying amount at end of reporting period	**29,924**	24,904	-	1,242

12. FINANCIAL ASSETS

Available for sale investments				
Investments in listed securities				
At fair value	**2,414,935**	-	**2,414,935**	1,086,695
Investments in unlisted securities				
At cost	**-**	-	**-**	532,141
Total Available-for-sale investments	**2,414,935**	-	**2,414,935**	1,618,836

Available-for-sale financial assets comprise investments in the ordinary share capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

a) Listed shares
The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

b) Unlisted shares
Unlisted available-for-sale investments are valued at historical cost.

13. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated Entity		Legal Parent	
	30 June 2010	**31 December 2009**	**30 June 2010**	**30 June 2009**
	$	**$**	**$**	**$**
Costs carried forward in respect of areas of interest in:				
- Exploration and evaluation phases	**83,489,241**	42,063,023	**14,538,093**	24,532,307
Reconciliation				
Exploration and evaluation phases				
Opening balance	**42,063,023**	38,950,781	**24,532,307**	21,346,152
Proceeds on disposal of 5% of Tubatse Project	**-**	-	**(10,000,000)**	-
Exploration expenditure incurred	**1,639,582**	13,537,717	**35,441**	3,186,155
Exploration expenditure written off	**-**	-	**(29,655)**	-
Exploration expenditure acquired pursuant to a business combination	**37,927,738**	-	**-**	-
Foreign exchange differences arising on translating functional currency to presentation currency	**1,858,898**	(10,425,475)	**-**	-
Exploration and evaluation phases	**83,489,241**	42,063,023	**14,538,093**	24,532,307

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

- the continuance of the Consolidated Entity'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.

14. BUSINESS COMBINATION

On 15 June 2010, International Petroleum Limited completed the acquisition of Eastern Petroleum Corporation Limited ("Eastern"). The consideration for the Acquisition was the issue of 675,965,358 fully paid International Petroleum shares and 135,193,072 unlisted International Petroleum options with an expiry date of 30 June 2012 and an exercise price of $0.25. The shareholders of Eastern obtained an interest of approximately 71% in International petroleum. Consequently, under the terms of AASB 3 "Business Combinations", Eastern was deemed to be the accounting acquirer in the business combination resulting in the business combination being accounted for as a reverse acquisition.

Details of the fair value of assets and liabilities acquired and excess consideration are as follows:

Purchase consideration:	**$**
272,400,005 (being the number of shares of the legal parent, International Petroleum Limited, before the business combination) multiplied by $0.30 per share	81,720,002
Less: funding provided to Eastern to date of acquisition	(7,361,886)
Total purchase consideration	74,358,116
Fair value of net identifiable assets acquired (see below)	65,736,211
Goodwill	8,621,905

Goodwill has been written off in the statement of comprehensive income because the Directors have determined that there is no future benefit associated with it based on a valuation determined using a discounted cash flow model.

14. BUSINESS COMBINATION (CONTINUED)

Details of the provisional fair value of identifiable assets and liabilities of International Petroleum Limited as at the date of acquisition are:

	Book carrying value $	Fair value $
Assets		
Cash and cash equivalents	35,025,587	35,025,587
Trade and other receivables	144,215	144,215
Capitalised exploration costs	14,538,093	37,927,738
Financial assets	2,129,315	2,129,315
Liabilities		
Trade and other payables	1,158,529	1,158,529
Income tax liability	1,650,000	1,650,000
Deferred tax liability	445,115	6,682,115
Net assets	**48,583,566**	**65,736,211**
Direct costs incurred by International Petroleum that have been expensed in the Statement of Comprehensive Income relating to the acquisition	**1,719,885**	
Cash (outflow) / inflow on acquisition		
Net cash acquired	**35,025,587**	

The provisional nature of the fair values relate only to capitalised exploration and evaluation expenditure and the estimated deferred tax liability.

The receivables acquired are expected to be fully recovered within the next 12 months.

The consolidated statement of comprehensive income includes revenue and loss for the period ended 30 June 2010 of $42,781 and $182,524 respectively, as a result of the acquisition of International Petroleum Limited. Had the acquisition of International Petroleum Limited occurred at the beginning of the reporting period (1 January 2010), the consolidated statement of comprehensive income would have included revenue and loss of $174,451 and $2,198,752 respectively.

15. TRADE AND OTHER PAYABLES

	Consolidated Entity		Legal Parent	
	30 June 2010 $	31 December 2009 $	30 June 2010 $	30 June 2009 $
Trade payables	**936,596**	826,709	**211,014**	141,992
Other payables	**1,267,075**	1,123,824	**1,097,306**	-
Convertible loan notes (a)	**-**	22,097,028	**-**	-
Loans from related parties	**122,569**	3,097,353	**-**	
Genorah Cash Call balance due	**-**	-	**-**	647,698
Trade and other payables	**2,326,240**	27,515,914	**1,308,320**	789,690

15. TRADE AND OTHER PAYABLES (CONTINUED)

(a) The convertible loan notes were originally issued by Eastern Petroleum Corporation Limited in the financial year ended 31 December 2008. Interest on the convertible loan notes accrued daily at the rate of LIBOR plus 1%. On 10 August 2009, the convertible loan notes were terminated and the accumulated interest waived, The loan notes were replaced by a new series of non interest bearing loan notes.

In October 2009, Eastern Petroleum Corporation Limited ("Eastern"), the shareholders or Eastern and International Petroleum Limited ("International Petroleum") entered into a share sale agreement ("Agreement") pursuant to which International Petroleum would acquire 100% of the shares of Eastern in exchange for the issue of 675,965,358 fully paid ordinary International Petroleum shares and 135,193,072 International Petroleum unlisted options ("Acquisition"). One of the conditions precedent in the Agreement was the conversion of the convertible loan notes into shares in Eastern prior to completion of the Acquisition.

The convertible loan notes were converted into ordinary shares in Eastern immediately prior to the Acquisition completing on 15 June 2010.

16. PROVISIONS

	Consolidated Entity		Legal Parent	
	30 June 2010	31 December 2009	30 June 2010	30 June 2009
	$	$	$	$
Provision for site restoration	**257,670**	241,707	-	**-**

17. ISSUED CAPITAL

Fully paid ordinary shares	**296,148,933**	191,484,467	**260,539,579**	29,576,962
Converting performance shares	**-**	-	**-**	400
	296,148,933	191,484,467	**260,539,579**	29,577,362

(a) Fully paid Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the Consolidated Entity 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.

International Petroleum Limited ("International Petroleum") completed the acquisition of 100% of Eastern Petroleum Corporation Limited ("Eastern") on 15 June 2010 ("Acquisition"). Under Australian Accounting Standards (AASB 3 "Business Combinations"), this Acquisition is required to be accounted for as a reverse acquisition. Although Eastern is treated as the parent entity for accounting purposes, the capital structure of the consolidated entity is that of the legal parent, International Petroleum.

The current period reflects the movements in International Petroleum's capital structure for the 12 month period 1 July 2009 to 30 June 2010.

The previous corresponding period reflects the movements in International Petroleum's capital structure for the 12 month period 1 July 2008 to 30 June 2009.

During the current period, International Petroleum applied for quotation on NSX. On 15 June 2010, the Company was admitted to NSX's Official List and on 23 June 2010, the Company was admitted to Official Quotation on NSX. The Company's securities had been suspended from trading on ASX since 24 November 2009. On 3 September 2010, the Company was de-listed from ASX.

17. ISSUED CAPITAL (CONTINUED)

	Legal Parent Ordinary fully paid shares	
	Number	**$**
At beginning of reporting period	152,400,005	29,576,962
Issue of shares pursuant to a capital raising	100,000,000	30,000,000
Capital raising costs	-	(1,827,190)
Conversion of converting performance shares	20,000,000	200
Issue of shares and options as purchase consideration under Share Sale Agreement	675,965,359	202,789,607
Shares on issue at 30 June 2010	948,365,364	260,539,579

Reconciliation to ordinary share capital represented by consolidated entity

AASB 3 "Business Combinations" requires the acquisition of Eastern by International Petroleum to be treated as a reverse acquisition. Consequently, the fair value of the issued share capital of the Consolidated Entity comprises:

	30 June 2010	31 December 2009
	$	**$**
Fair value of issued share capital at beginning of period	**191,484,467**	188,922,007
Shares issued on conversion of convertible loan note	**22,944,464**	-
Fair value of shares deemed to have been transferred by the legal parent (being 272,400,005 fully paid ordinary shares on issue prior to the business combination at a fair value of $0.30 per share)	**81,720,002**	-
Issue of shares pursuant to a capital raising		2,562,460
Fair value of issued share capital at end of period	**296,148,933**	191,484,467

(b) Converting Performance Shares

	Legal Parent Ordinary fully paid shares	
	Number	**$**
At beginning of reporting period	40,000	400
Conversion of converting performance shares on reaching of second milestone	(20,000)	(200)
Expiry of converting performance shares on not reaching third milestone	(20,000)	(200)
Shares on issue at 30 June 2010	-	-

The milestones to which the converting performance shares ("CPS") relate are as follows:

– Second milestone: 20,000 CPS convert into 20 million shares upon Genorah and the Company establishing a JORC compliant (or similar) resource of 45 million contained 3PGE + Au ounces on the Tubatse project by no later than 30 months from the commencement date of April 2007. The conditions were achieved in July 2009 and shares were issued in June 2010; and

– Third milestone: 20,000 CPS convert into 20 million shares upon Genorah and the Company establishing a JORC compliant (or similar) resource of 65 million contained 3PGE + Au ounces on the project by no later than 36 months from the commencement date of April 2007. Conditions were not achieved by April 2010 and the CPS have been cancelled as a consequence.

17. ISSUED CAPITAL (CONTINUED)

(c) Capital Risk Management

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

18. RESERVES

	Consolidated Entity		**Legal Parent**	
	30 June 2010	**31 December 2009**	**30 June 2010**	**30 June 2009**
	$	**$**	**$**	**$**
Share-based payment reserve				
At beginning of reporting period	-	-	-	7,048,138
Issue of consideration options	-	-	**27,489,846**	
Expired options	-	-	-	(3,509,057)
Options exercised	-	-	-	(3,539,081)
At reporting date	-	-	**27,489,846**	-
Revaluation reserve				
At beginning of reporting period	-	-	**441,095**	-
Revaluation during the year	**285,620**	-	**1,328,240**	441,095
Tax effect of revaluation	**(85,686)**	-	**(530,801)**	-
Reverse acquisition entry to eliminate pre acquisition revaluation	-	-	-	-
At reporting date	**199,934**	-	**1,238,534**	441,095
Option reserve				
At beginning of reporting period	-	-	**3,992,069**	452,988
Options exercised	-	-	-	3,539,081
At reporting date	-	-	**3,992,069**	3,992,069
Merger reserve				
At beginning of reporting period	**(146,442,945)**	(146,442,915)	-	-
At reporting date	**(146,442,945)**	(146,442,945)	-	-
Foreign currency translation reserve				
At beginning of reporting period	**(5,885,318)**	-	-	-
Movement due to fluctuation in foreign exchange rates during the year	**908,698**	(5,885,318)	-	-
At reporting date	**(4,976,620)**	(5,885,318)	-	-
Total reserves	**(151,219,631)**	(152,328,263)	**32,720,449**	4,433,164

18. RESERVES (CONTINUED)

Nature and purpose of reserves

Share-based payments reserve
The share based payment reserve is used to recognise the fair value of options issued but not exercised.

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

Redeemed option reserve
The redeemed option reserve is used to recognise the fair value of options exercised from the share based payment reserve.

Merger reserve
The merger reserve represents the difference between the nominal value of shares acquired by Eastern Petroleum Corporation Limited and those issued to acquire subsidiary undertakings. The merger reserve balance relates entirely to the acquisition of North Caspian Petroleum Limited by Eastern Petroleum Corporation Limited in 2007.

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

19. ACCUMULATED LOSSES

	Consolidated Entity		**Legal Parent**	
	30 June 2010	**31 December 2009**	**30 June 2010**	**30 June 2009**
	$	**$**	**$**	**$**
Accumulated losses at the beginning of the period	**(18,557,503)**	(16,431,237)	**(1,795,805)**	(4,034,124)
Expired options	**-**	-	**-**	3,509,057
Expired converting performance shares	**(200)**	-	**-**	200
Net profit/(loss) attributable to the members of the entity	**(10,254,917)**	(2,126,266)	**(5,222,107)**	(1,270,938)
Accumulated losses at the end of the period	**(28,812,620)**	(18,557,503)	**(7,017,912)**	(1,795,805)

20. SHARE BASED PAYMENTS

The following share-based payment arrangements were granted during the period:

Number	Grant Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $
135,193,072	15 June 2010	30 June 2012	0.25	0.20

The fair value of options granted during the year was $27,489,846 (2009: Nil). The options were issued to the shareholders of Eastern Petroleum as part of the purchase consideration for the acquisition of Eastern Petroleum. The options were issued for no consideration as part of the fee payable to the brokers. Holders of options do not have any voting or dividend rights in relation to the options.

The weighted average fair value of the options granted during the current period is $0.20 (2009: Nil). Options were priced using the Black-Scholes option pricing model. Expected volatility is based on the historical volatility. No allowance has been made for the effects of early exercise.

The following shows the model inputs for the options granted during the period and outstanding at balance date:

	Options Series
Inputs into the Model	**Expiring on 30 June 2012**
Grant date	15 June 2010
Grant date share price	$0.30
Exercise price	$0.25
Expected volatility	125%
Option life	2.04 years
Dividend yield	-
Risk-free interest rate	4.47%

The option expense recognised during the period was nil (2009: Nil). The value of options capitalised during the period was $27,489,846 (2009: Nil).

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

	2010		2009	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Balance at beginning of the period	**-**	**-**	67,800,165	0.1979
Granted during the period	**135,193,072**	**0.25**	-	-
Exercised during the period	**-**	**-**	(34,200,165)	0.1961
Forfeited during the period	**-**	**-**	-	-
Expired during the period	**-**	**-**	(33,600,000)	0.1999
Balance at end of the period	**135,193,072**	**0.25**	-	-
Exercisable at end of the period	**135,193,072**	**0.25**	-	-

Balance at end of the period
The share options outstanding at the end of the period had a weighted average exercise price of $0.25 and the weighted average remaining contractual life was 731 days.

21. FINANCIAL INSTRUMENTS

The Consolidated Entity's principal financial instruments comprise receivables, payables, available for sale investments and cash.

Risk exposure and responses

The Consolidated Entity manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Consolidated Entity's financial risk management policy. The objective of the policy is to support the delivery of the Consolidated Entity's financial targets while protesting future financial security.

The Consolidated Entity does not use any form of derivatives 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 Consolidated Entity 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 Consolidated Entity through regular reviews of the risks.

(a) Interest rate risk

The Consolidated Entity is exposed to interest rate risk (primarily on its cash and cash equivalents), 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 Consolidated Entity does not use derivatives to mitigate these exposures.

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

	Consolidated Entity		Legal Parent	
	30 June 2010	31 December 2009	30 June 2010	30 June 2009
	$	$	$	$
Financial assets				
Cash and cash equivalents	**34,953,433**	749,517	**30,818,139**	6,701,514

The Consolidated Entity does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at reporting date would not affect profit or loss.

An increase of 200 basis points in interest rates would have increased the Consolidated Entity's profit by A$71,782 (2009:$14,300). 200 basis points is management's assessment of the possible change in interest rates.

The following sensitivity analysis is based in interest rate risk exposure in existence at the reporting date.

At balance date, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher / (lower)		Other comprehensive income higher / (lower)	
	2010	2009	2010	2009
	$	$	$	$
Consolidated Entity				
+ 2% (200 basis points)	**71,782**	14,300	**71,782**	14,300
- 2 % (200 basis points)	**(71,782)**	(14,300)	**(71,782)**	(14,300)
Legal Parent				
+ 2% (200 basis points)	**89,949**	88,410	**89,949**	88,410
- 2 % (200 basis points)	**(89,949)**	(88,410)	**(89,949)**	(88,410)

The movement in profit are due to higher / lower interest earned from variable rate cash balances.

21. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Foreign currency risk

The Consolidated Entity is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of the entities within the Consolidated Entity, which is primarily the United States Dollar (USD). The Company has not entered into any derivative financial instrument to hedge such transactions.

As a result of subsidiaries whose functional currency is United States dollars, the Company's statement of financial position can be affected significantly by movements in the US$/A$ exchange rates.

At balance date, the Group had the following exposure to US$ foreign currency that is not designated in cash flow hedges:

	Consolidated Entity		Legal Parent	
	30 June 2010	31 December 2009	30 June 2010	30 June 2009
	$	$	$	$
Financial assets				
Cash and cash equivalents	**4,135,294**	749,517	**-**	-
Trade and other receivables	**2,144,813**	2,096,677	**-**	-
Financial liabilities				
Trade and other payables	**1,017,920**	5,418,886	**-**	-
Convertible loan note	**-**	22,097,029	**-**	-
Net exposure	**5,262,187**	(24,669,721)	**-**	-

The following sensitivity is based on the foreign currency risk exposures in existence at reporting date:

At balance date, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher / (lower)		Other comprehensive income higher / (lower)	
	2010	2009	**2010**	2009
	$	$	**$**	$
Consolidated Entity				
AUD to US Dollar + 10%	**162,498**	212,627	**4,300,138**	2,059,870
AUD to US Dollar - 10%	**(162,498)**	(212,627)	**(4,300,138)**	(2,059,870)
Legal Parent				
AUD to US Dollar + 10%	**-**	-	**-**	-
AUD to US Dollar - 10%	**-**	-	**-**	-

(c) Commodity price risk

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

21. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Credit risk

Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity does not have any significant credit risk exposure to any single counter-party.

(i) Cash and cash equivalents

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

(ii) Trade and other receivables

Trade and other receivables as at the balance sheet date mainly comprise GST and short term loans to be refunded to the Company. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

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

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

(e) Liquidity risk management

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity'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 Consolidated Entity manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Consolidated Entity does not have any external borrowings.

The following are the contractual maturities of financial liabilities:

2010	**6 months or less A$**	**6 – 12 months A$**	**1 – 5 years A$**	**Greater than 5 years A$**	**Total A$**
Trade and other payables	2,326,240	-	-	-	2,326,240

(f) Fair value

The Consolidated Entity is exposed to equity security price risk. This arises from investments held by the Consolidated Entity and classified in the Statement of Financial Position as available-for-sale. The Consolidated Entity is not exposed to commodity price risk on its financial instruments.

The Consolidated Entity's listed equity investments are publicly listed on ASX.

21. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Fair value (continued)

The table below summarises the impact of increases/decreases of this index on the Consolidated Entity's post tax loss for the year and on equity. The analysis is based on the assumption that the equity index had increased/decreased by 10% with all other variables held constant and all the Consolidated Entity's equity instruments moved according to the historical correlation with the index. 10% is management's assessment of the possible change in price of equity instruments.

	Impact on post-tax loss $	**Impact on equity $**
Listed available-for-sale assets		
African Petroleum Corporation Limited	-	5,500
Nkwe Platinum Limited	-	228,000
Corvette Resources Limited	-	7,994

Equity would further increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

22. EARNINGS / (LOSS) PER SHARE (EPS)

	Consolidated Entity	
	6 months ended 30 June 2010 $	**12 months ended 31 December 2009 $**
(a) Basic earnings/(loss) per share		
Continuing operations	**(1.65)**	(0.36)
Discontinued operations	**-**	-
Overall operations	**(1.65)**	(0.36)
(b) Diluted earnings/(loss) per share		
Continuing operations	**(1.65)**	(0.36)
Discontinued operations	**-**	-
Overall operations	**(1.65)**	(0.36)
(c) Reconciliation of earnings/(loss) used in calculating earnings/(loss) per share		
Basic earnings/(loss) per share		
Loss from continuing operations attributable to the ordinary equity holders used in calculating basic earnings/(loss) per share	**(10,254,917)**	(2,126,266)
Profit/(loss) from discontinued operations	**-**	-
Profit/(loss) attributable to the ordinary equity holders used in calculating basic earnings/(loss) per share	**(10,254,917)**	(2,126,266)

22. EARNINGS / (LOSS) PER SHARE (EPS) (CONTINUED)

	Number of shares	
(d) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	**622,821,163**	587,156,481
(e) Weighted average number of ordinary shares outstanding during the period used in the calculation of dilutive earnings per share	**622,821,163**	587,156,481

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 they are dilutive. The options have not been included in the determination of basic earnings per share.

23. SEGMENT REPORTING

In accordance with AASB 8 "Operating Segments", 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.

The Consolidated Entity only has one operating segment being exploration for hydrocarbons. Although the Consolidated Entity retains a 10% interest in the South African Tubatse Project, it does not fund, operate or manage this project, and pursuant to the terms of an Asset Sale Agreement entered into with Nkwe Platinum Limited ("NKWE"), $50 million is due to be paid to the Consolidated Entity for the sale of the remaining 10% interest to NKWE within 30 days of the earlier of:

- the grant of mining rights in respect of the Tubatse Project; and
- XStrata South Africa exercising its option with NKWE such that XStrata South Africa will acquire a 50% interest in the land that is the subject of the Tubatse Project.

If the payment of $50 million is not made by NKWE when it falls due, NKWE will have no right to acquire the remaining 10% interest in the project.

	Exploration for Hydrocarbons		**Other**		**Total**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
External sales	**-**	-	**368,449**	397,769	**368,449**	397,769
Interest received and other income	**-**	-	**42,781**	11,280	**42,781**	11,280
Total segment revenue	**-**	-	**411,230**	409,049	**411,230**	409,049
Net segment operating loss after tax	**(2,044,242)**	(2,535,315)	**(8,210,675)**	409,049	**10,254,917**	2,126,266
Separately disclosable items within operating loss:						
Excess purchase consideration written off	**-**	-	**8,621,905**	-	**8,621,905**	-

23. SEGMENT REPORTING (CONTINUED)

	Exploration for Hydrocarbons		Other		Total	
	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$
Segment assets						
Available-for-sale investments	**-**	-	**2,414,935**	-	**2,414,935**	-
Capitalised expenditure	**45,561,503**	42,063,023	**37,927,738**	-	**83,489,241**	42,063,023
Other assets	**41,214,217**	6,293,299	**-**	-	**41,214,217**	6,293,299
Total assets	**86,775,720**	48,356,322	**40,342,673**	-	**127,118,393**	48,356,322
Segment liabilities	**2,583,910**	27,757,621	**8,417,801**	-	**11,001,711**	27,757,621
Cash flow information						
Net cash outflow from operating activities	**(2,755,964)**	(4,015,356)	**-**	-	**(2,755,964)**	(4,015,356)
Net cash outflow from investing activities	**33,244,038**	(13,568,225)	**-**	-	**33,244,038**	(13,568,225)
Net cash inflow from financing activities	**3,712,676**	17,838,565	**-**	-	**3,712,676**	17,838,565

Segment assets reconciliation to the statement of financial position

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

	Consolidated Entity	
	30 June 2010	31 December 2009
	$	$
Australia	**2,542,673**	-
Africa	**37,800,000**	-
Kazakhstan	**47,442,729**	43,602,524
	87,785,402	43,602,524

24. COMMITMENTS AND CONTINGENCIES

Remuneration commitments

	Consolidated Entity		Legal Parent	
	2010	2009	2010	2009
	$	$	$	$
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	**278,875**	-	**278,875**	533,500
Later than 1 year and not later than 5 years	**187,500**	-	**187,500**	588,500
Later than 5 years	**-**	-	**-**	-
	466,375	**-**	**466,375**	**1,122,000**

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

24. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Contingent Assets

On 4 October 2009, International Petroleum entered into an asset sale agreement with Nkwe Platinum Limited ("NKWE") to sell its 15% interest in the South African Tubatse Platinum Project for $60 million.

Under the asset sale agreement:

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

The amount owing of $50 million has not been recorded as a receivable by the Company because it is considered to be an option to acquire the 10% interest in the project.

Contingent Liabilities

Eastern Petroleum Corporation Limited's wholly owned subsidiary, North Caspian Petroleum Limited ("NCPL") operates and owns a 50% interest in subsoil use rights for the exploration of hydrocarbons in an early stage project in eastern and south eastern Kazakhstan ("Kazakhstan Project"). The remaining 50% interest is owned by Remas Corporation LLP ("Remas"), a privately owned Kazakhstan company.

Each of Remas and NCPL hold a 50% participating interest pursuant to a Contract for Exploration of Hydrocarbon Resources in the Alakol Block in East Kazakhstan and Almaty Oblasts of the Republic of Kazakhstan between the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan ("MEMR"), Remas and NCPL ("Contract").

The Contract requires the minimum expenditure on the exploration licence of US$35,284,000 (A$41,187,719 at the USD/AUD exchange rate on 30 June 2010) during the initial five year period expiring on 13 June 2010 ("Initial Period"). This Initial Period has since been extended to 13 November 2010.

Pursuant to the terms of a Joint Operating Agreement between Remas and NCPL, NCPL has agreed to solely fund the minimum expenditure on the exploration licence. As at 30 June 2010, NCPL had spent approximately US$32,604,060 (A$38,059,371 at the USD"AUD exchange rate on 30 June 2010) towards this minimum expenditure. Additional work to be completed under the Minimum Work Program includes the acquisition and processing of an additional 700kms of seismic data and the drilling of at least 3 further wells. On fulfilment of the Minimum Work Program, each of NCPL and Remas are required to fund their share of exploration and development costs in accordance with their respective participating interests.

25. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2010, the Board of Directors resolved to change the year-end of International Petroleum Limited to 31 December so that it is aligned with the year-end of Eastern Petroleum Corporation Limited.

On 3 September 2010, International Petroleum Limited was de-listed from ASX at the request of the Company.

No other event has arisen between 30 June 2010 and the date of this report (13 September 2010) that would be likely to materially affect the operations of the Consolidated Entity or its state of affairs which have not otherwise been disclosed in this financial report.

26. 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 Australian parent entity and the ultimate parent of the Consolidated Entity from a legal perspective. For accounting purposes, Eastern Petroleum Corporation Limited is the deemed ultimate parent entity of the Consolidated Entity in line with the reverse acquisition accounting requirements set out in AASB 3 "Business Combinations".

(b) Corporate Structure

The legal corporate structure of the consolidated entity is set out below:

Name	Country of incorporation	% Equity interest	
		30 June 2010	30 June 2009
Parent entity: International Petroleum Limited	Australia		
Eastern Petroleum Corporation Limited	United Kingdom	100%	-
Almroth Holdings Limited	United Kingdom	100%	-
North Caspian Petroleum Limited	United Kingdom	100%	-
NCPK LLP	United Kingdom	100%	-

(c) Key management personnel

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

Compensation for key management personnel

	Consolidated Entity		Legal Parent	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Short-term employee benefits	**428,937**	1,372,625	**533,500**	564,500
Post-employment benefits	**4,272**	29,895	**-**	-
Total compensation	**433,209**	1,402,520	**533,500**	564,500

Shares held by key management personnel

	Balance 1 July 2009	Balance held on Appointment	Purchase of shares on market	Balance 30 June 2010
Directors				
A Sage	1,555,691	-	-	1,555,691
T Turner	161,819	-	-	161,819
M Gwynne	-	-	-	-
M Ashurst	-	-	-	-
F Timis	-	444,018,420	-	444,018,420
Key management personnel				
A Belortseva	-	-	-	-
V Beloussov	-	40,470,953	-	40,470,953
	1,717,510	484,489,373	-	486,206,883

26. RELATED PARTY INFORMATION (CONTINUED)

Options held by key management personnel

	Balance 1 July 2009	Balance held on Appointment	Purchase of shares on market	Balance 30 June 2010
Directors				
A Sage	-	-	-	-
T Turner	-	-	-	-
M Gwynne	-	-	-	-
M Ashurst	-	-	-	-
F Timis	-	88,803,684	-	88,803,684
Key management personnel				
A Belortseva	-	-	-	-
V Beloussov	-	8,094,191	-	8,094,191
	-	96,897,875	-	96,897,875

(d) Transactions with related parties:

(i) An aggregate amount of $32,559 (2009: $18,135) was paid or is payable accrued to Hewitt Turner and Gelevitis, an entity related to Mr Turner, a Director, for the provision of accounting services to the Legal Parent.

(ii) An aggregate amount of $166,984 (2009: $4,630) was paid or is payable to Cape Lambert Resources Limited, an entity of which Mr Sage and Mr Turner are Directors, for expenditure incurred by Cape Lambert Resources Limited on behalf of the Legal parent.

(iii) An aggregate amount of $80,228 (2009: nil) was paid or is payable to PG Partnerships Pty Ltd, an entity related to Mr Sage for the sponsorship of the Perth Glory.

(iv) Higgins Investment Limited (“Higgins”), a company controlled by Mr Beloussov, was a shareholder in Eastern Petroleum Corporation Limited (“Eastern’). Pursuant to the acquisition of Eastern by International Petroleum Limited (“International Petroleum”), Higgins received 40,470,953 fully paid ordinary International Petroleum shares and 8,094,191 unlisted International Petroleum options exercisable at $0.25 each on or before 30 June 2012. The shares and options are subject to a 12 month escrow restriction ending on 15 June 2011.

(v) Safeguard Management Limited (“Safeguard”), a company controlled by Mr Timis, was a shareholder in Eastern. Pursuant to the acquisition of Eastern by International Petroleum, Safeguard received 444,018,420 fully paid ordinary International Petroleum shares and 88,803,684 unlisted International Petroleum options exercisable at $0.25 each on or before 30 June 2012. The shares and options are subject to a 12 month escrow restriction ending on 15 June 2011.

(vi) Prior to the acquisition of Eastern by International Petroleum, Safeguard had provided funding to Eastern in the form of an unsecured, non interest bearing loan. At 30 June 2010, the balance of this loan amounted to US$105,000 (A$122,569).

26. RELATED PARTY INFORMATION (CONTINUED)

	Consolidated Entity		Legal parent	
	2010	2009	2010	2009
	$	$	$	$
Amounts payable at reporting date to related parties				
Hewitt Turner Gelevitis	**-**	-	**-**	8,302
Silverwest Pty Ltd which is a company controlled by Mark Gwynne	**3,000**	-	**3,000**	7,000
CRMS which is an entity controlled by Timothy Turner	**5,000**	-	**5,000**	5,000
Safeguard Management Limited which is a company controlled by Mr Timis	**122,569**	-	**-**	-
Amounts receivable at reporting date from related parties				
European Hydrocarbons Limited (a company of which Mr Sage is a director)	**84,502**	-	**-**	-

27. VARIANCES FROM THE PRELIMINARY FINAL REPORT

The financial information presented in the preliminary final report lodged with NSX on 13 September 2010 was in the process of being reviewed by management and audited by the Consolidated Entity's independent auditor. Adjustments have only been made to the current period information presented in the preliminary final report as set out below:

Consolidated Statement of Comprehensive income

	Current period $
Net loss	
Net loss for the period reported in the preliminary final report	**(9,211,921)**
Increase in impairment of goodwill on reassessment of fair value of net identifiable assets acquired under reverse acquisition business combination	**(1,042,996)**
Net loss for the period reported in the financial statements	**(10,254,917)**

Consolidated Statement of Financial position

Current liabilities	
Current liabilities reported in the preliminary final report	**2,933,244**
Adjustments on reassessment of current liabilities assumed under reverse acquisition business combination	**1,042,996**
Current liabilities reported in the financial statements	**3,796,240**
Equity	
Equity reported in the preliminary final report	**117,159,678**
Increase in impairment of goodwill on reassessment of fair value of net identifiable assets acquired under reverse acquisition business combination	**(1,042,996)**
Equity reported in the financial statements	**116,116,682**

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 set out on pages 20 to 66, and the Remuneration disclosures that are contained in pages 7 to 13 of the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and the Consolidated Entity as at 30 June 2010 and of their performance, for the period 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) there are reasonable grounds to believe that the Company and the Consolidated Entity will be able to pay their 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 period ended 30 June 2010.

Signed in accordance with a resolution of the Directors:

Antony Sage
Director

Perth, 30 September 2010

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

Report on the Financial Report

We have audited the accompanying financial report of International Petroleum Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial period.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion:

1. the financial report of International Petroleum Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of International Petroleum Limited and the consolidated entity at 30 June 2010 and of their performance for the period ended on that date; and

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

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 13 of the directors' report for the period ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of International Petroleum Limited for the period ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

C B Pavlovich
Partner
Perth
30 September 2010

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 18 Oxford Close Leederville, Western Australia 6007 Australia.

Shareholding

The distribution of members and their holdings of equity securities in the Company as at 17 September 2010 was as follows:

Category (size of holding)	Fully Paid Ordinary Shares
1- 1,000	494
1,001- 5,000	589
5,001- 10,000	233
10,001- 100,000	632
100,001 – over	182
Total	**2,130**

Equity Securities

There are 2,130 shareholders, holding 948,365,364 fully paid ordinary shares.

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

There are 675,965,359 restricted, quoted equity securities held by 16 shareholders with an escrow period of 12 months from date of issue.

The number of ordinary shareholdings held in less than marketable parcels is 729.

Options

The Company currently has 135,193,072 unlisted options exercisable at $0.25 expiring on 30 June 2012. These options are under escrow for a period of 12 months from date of issue.

Voting Rights

In accordance with the Company's constitution, on show of hands every member present in person or by proxy or attorney or duly authorised representative had 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 listed in the Company's register as at 17 September 2010 are as follows:

	Fully paid ordinary shareholders	Number	% of held Issued Capital
1	Safeguard Management Limited <Timis Fund A/C>	444,018,420	46.82

NSX ADDITIONAL INFORMATION

Twenty Largest Shareholders

The names of the twenty largest fully paid ordinary shareholders as at 17 September 2010 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	46.82
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	45,144,966	4.76
3.	HILLBURG INTERNATIONAL LIMITED	45,000,000	4.75
4.	KONTILLO RESOURCES LIMITED	45,000,000	4.75
5.	HIGGINS INVESTMENT LIMITED	40,470,953	4.27
6.	CALDWELL MANAGEMENT AG	28,575,000	3.01
7.	J P MORGAN NOMINEES AUSTRALIA LIMITED	27,540,369	2.90
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	25,099,933	2.65
9.	CAPE LAMBERT RESOURCES LIMITED	20,539,439	2.17
10.	CANACCORD NOMINEES LIMITED	18,000,000	1.90
11.	LYNCHWOOD NOMINEES LIMITED	17,569,800	1.85
12.	CITICORP NOMINEES PTY LIMITED	17,397,741	1.83
13.	MR CHRISTOPHER ERIC BARNES	13,925,000	1.47
14.	PERSHING KEEN NOMINEES LIMITED	11,007,900	1.16
15.	MR RUSSELL NEIL CREAGH	10,632,357	1.12
16.	PEMBURY NOMINEES PTY LTD	9,000,000	0.95
17.	EXCHANGE MINERALS LIMITED	8,998,286	0.95
18.	HKT AU PTY LTD <MORAMBA SERV SUPER PLAN A/C>	5,243,601	0.55
19.	CAPE LAMBERT RESOURCES LIMITED	3,823,100	0.40
20.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,823,100	0.40
		840,809,965	**88.66**

Schedule of Mineral Tenements Held at Balance Sheet Date

Tenement No.	**Prospect Area**	**Percentage**
E77/1037	Evanston	100%
E77/1158	Evanston	100%
E77/1167	Evanston	100%
E77/1766	Evanston	100%
M77/0394	Evanston	100%
M77/0576	Evanston	100%
M77/0824	Evanston	100%
G77/35	Evanston	100%
P77/3412	Evanston	100%
P77/3413	Evanston	100%
P77/3414	Evanston	100%
P77/3552	Evanston	100%