

NSX Announcement  
27 October 2010

## Quarterly Reports

Please find attached the following reports relating to the quarter ended 30 September 2010:

- Quarterly Disclosure Declaration
- Quarterly Activities Report
- Quarterly Cash Flow

Yours faithfully  
International Petroleum Limited

Tim Turner  
**Company Secretary**



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27 October 2010

Mr Ian Craig  
Companies Manager  
National Stock Exchange of Australia Limited  
Level 3, 45 Exhibition Street  
MELBOURNE  
VIC 3000

Dear Sir

**QUARTERLY DISCLOSURE DECLARATION**

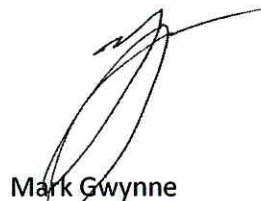
In accordance with the listing conditions imposed by the National Stock Exchange of Australia (**NSX**) on International Petroleum Limited (**Company**), on behalf of the Board of the Company we declare that the Board has reviewed the operations of the Company and, in the opinion of each member of the Board:

- (a) all matters that require disclosure have been disclosed by the Company in accordance with Listing Rules of the NSX; and
- (b) the market remains fully informed as to the prospects and activities of the Company.

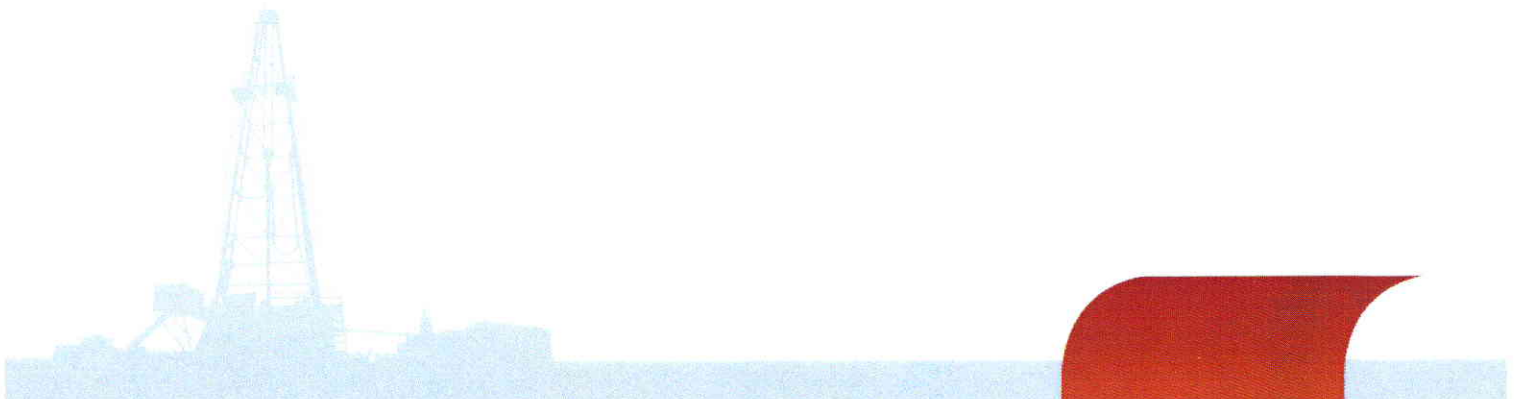
Yours sincerely



Tony Sage  
Non-Executive Chairman  
International Petroleum Limited



Mark Gwynne  
Director  
International Petroleum Limited



27 October 2010

## QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2010

### HIGHLIGHTS

- A\$25.7 million cash at bank at 30 September 2010.
- Commenced drilling second well (**Well A-2**) in the 32,865 km<sup>2</sup> Alakol licence area in eastern Kazakhstan.
- Preparing to drill third well (**Well A-3**) in Alakol licence area. Rig to move immediately from Well A-2 to Well A-3 location.
- New business development opportunities considered, with projects located in Kazakhstan and the Khanty-Mansyisk Autonomous Region in Russia reviewed.
- Subsequent to 30 September 2010, completion of acquisition of 75% equity interest in a Russian company, Irtysh-Neft.

### EXPLORATION

International Petroleum Limited (**International Petroleum** or the **Company**), through its 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% is owned by Remas Corporation LLP, a privately owned Kazakhstan company.

The initial 5 year contract which was scheduled to expire on 13 November 2010 has been extended by a further 2 years. The 2 year extension was approved by the Kazakhstan Ministry of Oil and Gas on 20 September 2010 and the relevant amendment agreement to the contract is currently being prepared.

During the quarter, the Company commenced drilling Well A-2 (target depth of 3,500 meters).

The Alakol licence area covers 32,865 km<sup>2</sup> in eastern Kazakhstan and borders the western boundary of the People's Republic of China (Refer Figure 1). The licence area is located approximately 140 kilometers west of the Junggar basin in China, which produces primarily from Upper Permian and Middle Triassic sandstones and conglomerates. Based on the adjacent Junggar Basin data, the Alakol Basin is prospective in the Paleogene, Mesozoic and Paleozoic formations in a variety of structural and stratigraphic play types.

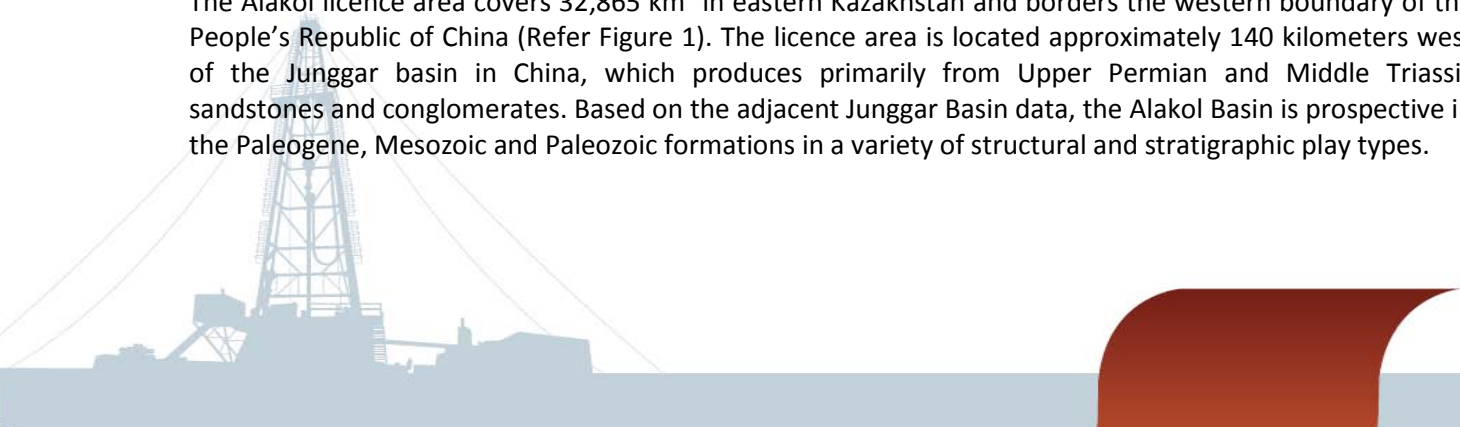




Figure 1: Location Map of Alakol Licence Area

NCPL acquired approximately 1,350 km of 2D seismic data in 2006-2007 and drilled its first exploration well in the Alakol licence area (Well A-1) to a depth of 2,487 meters. Due to the severe climatic weather conditions experienced subsequent to such drilling, it was decided to temporarily conserve the well. However, there were minor oil and gas shows in the Paleocene sandstone formations which are still subject to testing. Well A-2 is located 2.3 kilometers northwest of Well A-1, on the same seismic line as Well A-1, for a Paleozoic target that is interpreted to be outside the area of the volcanic dyke. Seismic interpretation indicates the possible presence of reservoirs below a capping volcanic seal.

The main target reservoirs in the Alakol basin are carbonates or sandstones of Paleozoic age occurring at depths ranging between 1,600 and 3,500 meters. A number of artesian wells within the bounds of the Alakol Contract area are associated with hydrocarbon seeps or oil films proving generation of hydrocarbons within the basin.

Following completion of Well A-2, the rig will be moved approximately 74 kilometers to drill Well A-3 located on a prospect in the north eastern portion of the licence area. The water supply well for Well A-3 drilling operations has been drilled and the Well A-3 drill site location and access roads are near completion.

The contract governing NCPL's interest in the Kazakhstan Project includes an obligation to relinquish 25% of the licence area back to the State by the end of 2010. The relinquishment report is currently being prepared for submission.

## **BUSINESS DEVELOPMENT OPPORTUNITIES**

Whilst the Company is focused on exploration at its Kazakhstan Project, it intends to review nearby or similar provinces for potential opportunities. During the quarter, the Company reviewed a number of projects located within Kazakhstan and the Khanty-Mansiysk Autonomous Region in Russia.

Subsequent to the quarter end, the Company, through its wholly owned subsidiary, IPL Siberia Limited, has acquired an indirect 75% equity interest in a Russian company, Irtysh-Neft which holds license rights to explore four blocks, located in the Khanty-Mansiysk Region in Western Siberia (**Krasnoleninskiy Blocks**) – the largest oil producing region of Russia.

The Krasnoleninskiy Blocks cover a total area of 1,467 sq km. To date, 1,950km of 2D seismic has been completed. Independent oil and gas consultant Ryder Scott estimates unrisks prospective recoverable resources of the 4 blocks at approximately 260 mln bbls (Best Estimate) and estimated potential cash flow from unrisks prospective resources at US\$1.24 billion.

Consideration paid by the Company for the 75% interest in Irtysh-Neft was US\$5 million plus an obligation to fund the current work program. The US\$5 million payment will be reflected in the Company's cash flow statement for the December 2010 quarter.

The current work program requires the drilling of 2 wells on the Krasnoleninskiy Blocks by 30 June 2012 and drilling 2 additional wells by 30 December 2012 (**Current Work Program**).

International Petroleum (through IPL Siberia Limited) will be the operator of the project and plans to satisfy the Current Work Program by drilling 2 wells in 2010/2011 and 2 additional wells in 2011/2012.

# Quarterly Report

Name of entity

INTERNATIONAL PETROLEUM LIMITED

ABN

76 118 108 615

Quarter ended ("current quarter")

30 September 2010

## Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 months) \$A'000
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) staff costs	(337)	(337)
	(b) advertising and marketing	(4)	(4)
	(c) research and development	-	-
	(d) leased assets	-	-
	(e) other working capital	(1,604)	(1,604)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	248	248
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)		
	(a) Payments for exploration	(3,533)	(3,533)
	(b) Payments for business development	(2,465)	(2,465)
<b>Net operating cash flows</b>		<b>(7,695)</b>	<b>(7,695)</b>

		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
1.8	Net operating cash flows (carried forward)	<b>(7,695)</b>	<b>(7,695)</b>
1.9	<b>Cash flows related to investing activities</b>		
	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)		
	(a) Stamp duty paid	(1,043)	(1,043)
	<b>Net investing cash flows</b>	<b>(1,043)</b>	<b>(1,043)</b>
1.14	<b>Total operating and investing cash flows</b>	<b>(8,738)</b>	<b>(8,738)</b>
	<b>Cash flows related to financing activities</b>		
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>
	<b>Net increase (decrease) in cash held</b>	<b>(8,738)</b>	<b>(8,738)</b>
1.21	Cash at beginning of quarter/year to date <sup>1</sup>	34,953	34,953
1.22	Exchange rate adjustments to item 1.20	(483)	(483)
1.23	<b>Cash at end of quarter</b>	<b>25,732</b>	<b>25,732</b>

<sup>1</sup> Cash balance as at 30 June 2010 as per the Company's audited financial statements.

**Payments to directors of the entity and associates of the directors****Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	176
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions \$100,422 (net of GST) has been paid to directors during the quarter for the provision of their services as directors.  \$75,353 (net of GST) has been paid to entities associated with the directors for the provision or consultancy services.	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

**Financing facilities available**

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-



## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
4.1 Cash on hand and at bank <sup>1</sup>	9,771	11,001
4.2 Deposits at call <sup>1</sup>	15,961	23,952
4.3 Bank overdraft		
4.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>25,732</b>	<b>34,953</b>

<sup>1</sup> Cash on hand and deposits at call for the previous quarter are the balances as at 30 June 2010 as per the Company's audited financial statements.

## Acquisitions and disposals of business entities

		<b>Acquisitions (Item 1.9(a))</b>	<b>Disposals (Item 1.10(a))</b>
5.1	Name of entity	N/A	N/A
5.2	Place of incorporation or registration	N/A	N/A
5.3	Consideration for acquisition or disposal	N/A	N/A
5.4	Total net assets	N/A	N/A
5.5	Nature of business	N/A	N/A

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to NSX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Timothy Turner  
(Company secretary)

Date: 27 October 2010

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** NSX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.