

# FORM: Half yearly/preliminary final report

Name of issuer

INTERNATIONAL PETROLEUM LIMITED

ACN or ARBN	Half yearly (tick)	Preliminary final (tick)	Half year/financial year ended (‘Current period’)
119 108 615		x	Financial period ended 31 December 2010

International Petroleum Limited (“International Petroleum” or the “Company”) has changed its presentation currency from Australian Dollars (A\$) to United States Dollars (US\$). This preliminary final report is presented in US\$.

International Petroleum has changed its year-end to 31 December.

The results for the current period are for the 6 months ended 31 December 2010.

The results for the comparative period are for the 6 months ended 30 June 2010 and have been restated from A\$ to US\$.

## For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

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\$US'000				
Revenue (item 1.1)	up	27%	to	466
Loss for the period (item 1.5)	down	33%	to	(5,939)
Loss for the period attributable to security holders (item 1.9)	down	33%	to	(5,939)
Income Distributions		Current period	Previous corresponding period	
N/A		N/A	N/A	
Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
N/A				

## **Review of operations**

### ***Corporate***

During the current period, the Company 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.

The Board of Directors also resolved to change the Company's year-end to 31 December and to report its financial information in US\$.

In October 2010, the Company established a sale facility for unmarketable parcels of shares (being shares valued at less than \$500 as at the close of trade on 21 October 2010). As at 21 October 2010, the Company had 727 shareholders holding less than a marketable parcel of shares, totalling 512,753 shares. After following the prescribed notice periods and provision of notices to those relevant shareholders, the Company completed the sale process in January 2011 and 463,905 shares were sold on market on behalf of the shareholders of unmarketable parcels of shares.

On 1 December 2010, Ms Claire Tolcon was appointed as Company Secretary and in house legal counsel. Ms Tolcon has over 12 years experience in the legal profession, primarily in the areas of equity capital markets, mergers and acquisitions, corporate restructuring, corporate governance and mining and resources. She was a partner of a corporate law firm for a number of years before joining the Company. Ms Tolcon holds a Bachelor of Laws and Bachelor of Commerce (Accounting) degree and is a member of FINSIA.

Subsequent to 31 December 2010, Mr William McAvoek was appointed as an executive director and Chief Financial Officer of the Company. Mr McAvoek is a Chartered Certified Accountant and has worked as Group Financial Controller for exploration companies for over seven years. He spent over three years at Adastra Minerals Inc. (which had dual listings on the TSX and AIM stock exchanges) and following its takeover in 2006 by First Quantum Minerals Limited and four years at African Minerals Limited (AIM: AMI), the iron ore project development company that is developing the Tonkolili project in Sierra Leone, West Africa.

### ***Kazakhstan Project***

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

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

In July 2010, the Company commenced drilling its second well ("**Well A-2**"), within the Alakol Licence Area. Well A-2 is located to the south of the Alakol Lake in an area known as the Junggar Gate where wind speeds can reach velocities in excess of 20 metres per second from October to April. At the beginning of October 2010, wind speeds began to steadily increase and reached a point where operational activities became increasingly dangerous. The Company subsequently suspended the drilling of Well A-2, plugged it to enable the resumption of drilling once wind speeds subside, and relocated the drill rig to Well A-3.

Well A-3 is located 74 kilometres northeast of Well A-2, on a Paleozoic prospect in the eastern portion of the Alakol Licence Area near a number of artesian wells associated with hydrocarbon seeps or oil films proving generation of hydrocarbons within the basin. Seismic interpretation indicates the possible presence of reservoirs below a capping volcanic seal.

In January 2011, drilling commenced at Well A-3, which has a planned target depth of 2,600 metres. Upon completion of drilling at Well A-3, the rig will return to Well A-2 to complete drilling at that location, by which time the weather conditions at Well A-2 will have improved.

During the current period, the Company finalised the extension of the Kazakhstan Project contract. The twoyear extension (to 13 November 2012) was formalised by the Kazakhstan Ministry of Oil and Gas by signing Amendment Agreement No 5 to the contract.

The Company also completed the relinquishment of 25% of the Alakol Licence Area pursuant to the terms of the licence during the current period. The areas relinquished were considered non prospective and are outside the known limits of the Alakol hydrocarbon basin.

### ***Krasnoleninskiy Project***

In October 2010, the Company, through its wholly owned subsidiary, IPL Siberia Limited, acquired an indirect 75% equity interest in Souville Investments Limited (Cyprus) ("Souville") from Assuryan Assets Limited ("Assuryan Assets"). Souville is the 100% legal and beneficial holder of Irtysh-Neft, a Russian company having exploration rights to blocks, located in the Khanty-Mansiisk Region in Western Siberia (Krasnoleninskiy Blocks) – the largest oil-producing region of Russia. Assuryan Assets has retained a 25% interest in Souville and by extension, the Krasnoleninskiy Blocks.

The Krasnoleninskiy Blocks cover a total area of 1,467 sq km. To date, 1,950km of 2D seismic has been completed. Ryder Scott Company–Canada, an independent oil and gas consultant, was engaged and estimated unrisks prospective recoverable resources of the Krasnoleninskiy Blocks at 169 (Low Estimate), 260 (Best Estimate) and 385 (High Estimate) million barrels.<sup>1</sup>

The consideration paid by the Company for the 75% interest in Souville was US\$5 million plus an obligation to fund the current work program which requires the drilling of two wells on the Krasnoleninskiy Blocks by 30 June 2012 and drilling two 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 two wells in 2011 and two additional wells in 2012. Funding for further exploration of the Krasnoleninskiy Blocks (following the drilling of the initial IPL Siberia funded four wells) will be financed by shareholders of Souville in the form of cash call loans in proportion to their shareholdings: 75% by IPL Siberia and 25% by Assuryan Assets.

A turn-key drilling contract with Pravdinskaya Expedition LLP has been signed for the drilling of one well on each of two of the four Krasnoleninskiy Blocks (Blocks 7 & 8). Preparation of winter access roads and well site construction commenced in January 2011.

### ***Result***

The Consolidated Entity incurred a loss after income tax of US\$5,938,746 for the 6 months ended 31 December 2010 (period ended 30 June 2010: loss of US\$8,869,365).

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<sup>1</sup> It should be noted that the resources prospects evaluated are all seismic features, which have not been penetrated by any wells. It should be clearly understood that the resources are undiscovered and the project is a medium-high risk exploration play. There is no certainty that any portion of the undiscovered resources will be discovered and that, if discovered, may not be economically viable or technically feasible to produce any of the resources.

## Consolidated statement of comprehensive income

The consolidated statement of comprehensive income for the previous corresponding period comprises the 6 months ended 30 June 2010 being the date of the Company's last audited accounts.

		Current period 6 months ended 31 December 2010 \$US'000	Previous corresponding period 6 months ended 30 June 2010 \$US'000
1.1	Revenues ( <i>item 7.1</i> )	466	366
1.2	Expenses, excluding finance costs ( <i>item 7.2</i> )	(6,281)	(9,235)
1.3	Finance costs	(124)	-
1.4	Share of net profits (losses) of associates and joint ventures ( <i>item 15.7</i> )	-	-
1.5	<b>Profit (loss) before income tax</b>	(5,939)	(8,869)
1.6	Income tax expense	-	-
1.7	Profit (loss) from continuing operations	(5,939)	(8,869)
1.8	Profit (loss) from discontinued operations ( <i>item 13.3</i> )	-	-
1.9	<b>Net loss for the period attributable to ordinary equity holders</b>	(5,939)	(8,869)
1.10	<b>Other comprehensive income and expenditure</b>		
1.11	Net fair value gains on available for sale investments	(436)	237
1.12	Foreign exchange gain / (loss) on translation of functional currency to presentation currency	3,413	(137)
1.16	Income tax on items of other comprehensive income and expenditure	131	(71)
1.134	Comprehensive expenditure for the period, net of tax	-	-
1.15	<b>Total comprehensive loss for the period attributable to ordinary equity holders</b>	<b>(2,831)</b>	<b>(8,840)</b>
1.16	Loss for the period is attributable to:		
1.17	Non-controlling interest	-	-
1.18	Owners of the parent	(5,939)	(8,869)
1.19	Total comprehensive loss for the period is attributable to:		
1.20	Non-controlling interest	-	-
1.21	Owners of the parent	(2,831)	(8,840)
1.22	Basic earnings per <i>security</i> ( <i>item 9.1</i> )	(0.63)	(1.42)
1.23	Diluted earnings per <i>security</i> ( <i>item 9.1</i> )	(0.63)	(1.42)
1.24	Distribution per <i>security</i> ( <i>item 9.1</i> )	-	-

## Comparison of half-year profits

Subsequent to lodging its preliminary final for the period ended 30 June 2010, the Company changed its year end to 31 December 2010.

The current period results are for the 6 months 1 July 2010 to 31 December 2010.

The previous corresponding period represents the amounts reported in the Company's last preliminary final and covered the period 1 January 2010 to 30 June 2010.

		\$US'000	\$US'000
2.1	Consolidated profit (loss) after tax attributable to security holders reported for the 1st half year ( <i>item 1.11</i> in the half yearly statement)	(8,869) <sup>1</sup>	2,631 <sup>3</sup>
2.2	Consolidated profit (loss) after tax attributable to security holders for the 2nd half year	(5,939) <sup>2</sup>	(8,869) <sup>4</sup>

## Notes

<sup>1</sup> The first half of the Company's financial year is the period 1 January 2010 to 30 June 2010 (which represents the result reported in the Company's last preliminary final).

<sup>2</sup> The second half of the Company's financial year is the period 1 July 2010 to 31 December 2010 (which represents the results for the current year).

<sup>3</sup> This is the results for the period 1 July 2009 to 31 December 2009 as represented by International Petroleum (then known as International Goldfields Limited (ASX: IGC) on 6 March 2010.

<sup>4</sup> The loss for the 2<sup>nd</sup> half comprises:

- the loss recorded by International Petroleum for the period 15 June 2010 (the date it was deemed to have been acquired by Eastern) to 30 June 2010; and
- the loss recorded by Eastern from 1 January 2010 (date since last audited financial statements) to 30 June 2010.

## Consolidated statement of financial position

The consolidated statement of financial position for the previous corresponding period is at 30 June 2010 being the date of the Company's last audited accounts.

		<b>Current period 31 December 2010 \$US'000</b>	<b>Previous corresponding period 30 June 2010 \$US'000</b>
	<b>Current assets</b>		
3.1	Cash and cash equivalents	12,822	29,943
3.2	Trade and other receivables	3,028	696
3.3	Inventories	3,018	3,056
3.4	Other current assets (provide details if material)	-	-
3.5	<b>Total current assets</b>	<b>18,868</b>	<b>33,695</b>
	<b>Non-current assets</b>		
3.6	Available for sale investments	1,928	2,069
3.7	Restricted cash	116	116
3.8	Trade and other receivables	2,311	1,469
3.9	Deferred tax assets	-	-
3.10	Exploration and evaluation expenditure capitalised	96,114	71,653
3.11	Development properties	-	-
3.12	Property, plant and equipment (net)	30	26
3.13	Investment properties	-	-
3.14	Goodwill	-	-
3.15	Other intangible assets	-	-
3.16	Other (provide details if material)	-	-
3.17	<b>Total non-current assets</b>	<b>100,499</b>	<b>75,333</b>
3.18	<b>Total assets</b>	<b>119,367</b>	<b>109,028</b>
	<b>Current liabilities</b>		
3.19	Trade and other payables	4,870	1,993
3.20	Short term borrowings	-	-
3.21	Current tax payable	1,624	1,413
3.22	Short term provisions	-	-

		Current period 31 December 2010 \$US'000	Previous corresponding period 30 June 2010 \$US'000
3.23	Current portion of long term borrowings	-	-
3.24	Other current liabilities (provide details if material)	-	-
3.25	Liabilities directly associated with non-current assets classified as held for sale	-	-
3.26	<b>Total current liabilities</b>	6,494	3,406
	<b>Non-current liabilities</b>		
3.27	Long-term borrowings	12,622	-
3.28	Deferred tax liabilities	5,763	5,819
3.29	Long term provisions	-	-
3.30	Provision for site rehabilitation	221	221
3.31	<b>Total non-current liabilities</b>	18,606	6,040
3.32	<b>Total liabilities</b>	25,100	9,446
3.33	<b>Net assets</b>	94,267	99,582
	<b>Equity</b>		
3.34	Share capital	223,082	222,988
3.35	Other reserves	(97,869)	(101,487)
3.36	Retained earnings	(27,858)	(21,919)
3.37	Non controlling interest	(3,088)	-
3.38	<b>Total equity</b>	94,267	99,582

# Consolidated statement of changes in equity

	Ordinary Shares	Share based payments reserve	Revaluation Reserve	Merger Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Non- controlling interest	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 July 2010	222,988	-	166	(101,516)	(137)	(21,919)	-	99,582
Net operating loss for the period	-	-	-	-	-	(5,939)	-	(5,939)
Other comprehensive income for the period: foreign currency exchange differences arising on consolidation of foreign operation	-	-	-	-	3,413	-	-	3,413
Net fair value gains on available for sale investments (after tax)	-	-	(305)	-	-	-	-	(305)
Share based payments	94	510	-	-	-	-	-	604
Non-controlling interest recognised during the period	-	-	-	-	-	-	(3,088)	(3,088)
<b>At 31 December 2010</b>	<b>223,082</b>	<b>510</b>	<b>(139)</b>	<b>(101,516)</b>	<b>3,276</b>	<b>(27,858)</b>	<b>(3,088)</b>	<b>94,267</b>

The acquisition of Eastern Petroleum Corporation Limited ("Eastern") by International Petroleum on 15 June 2010 is required to be treated as a reverse acquisition for accounting purposes. Consequently, the consolidated statement of changes in equity for the previous corresponding period (being 1 January 2010 to 1 July 2010) 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 1 January 2010 to 30 June 2010 for Eastern and 15 June 2010 to 30 June 2010 for International Petroleum,

The consolidated equity balance of Eastern and International Petroleum as at 30 June 2010.

	Ordinary Shares	Revaluation Reserve	Merger Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2010 <sup>1</sup>	132,963	-	(101,516)	-	(13,050)	18,397
Net operating loss for the period	-	-	-	-	(8,869)	(8,869)
Other comprehensive income for the period: foreign currency exchange differences arising on consolidation of foreign operation	-	-	-	(137)	-	(137)
Net fair value gains on available for sale investments (after tax)	-	166	-	-	-	166
Shares issued on conversion of convertible loan note	19,735	-	-	-	-	19,735
Cancellation of converting performance shares	-	-	-	-	-	-
Fair value of International shares transferred to Eastern under reverse acquisition accounting	70,290	-	-	-	-	70,290
Movement due to changes in foreign exchange rates	-	-	-	-	-	-
<b>At 30 June 2010</b>	<b>222,988</b>	<b>166</b>	<b>(101,516)</b>	<b>(137)</b>	<b>(21,919)</b>	<b>99,582</b>

<sup>1</sup> The opening balances are those of Eastern's last audited accounts for the year ended 31 December 2009.

## Consolidated statement of cash flows

The consolidated statement of cash flows for the previous corresponding period is presented in USD and 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.

		<b>Current period 6 months ended 31 December 2010 \$US'000</b>	<b>Previous corresponding period 6 months ended 30 June 2010 \$US'000</b>
	<b>Cash flows related to operating activities</b>		
5.1	Receipts from customers	-	-
5.2	Payments to suppliers and employees	(7,484)	(2,826)
5.3	Interest and other costs of finance paid	(2)	-
5.4	Income taxes paid	-	-
5.5	Other		
	Interest received	466	37
	Other income received	-	329
5.6	<b>Net cash used in operating activities</b>	(7,020)	(2,460)
	<b>Cash flows related to investing activities</b>		
5.7	Payments for purchases of property, plant and equipment	(4)	(6)
5.8	Proceeds from sale of property, plant and equipment	-	-
5.9	Payment for purchases of equity investments	-	-
5.10	Proceeds from sale of equity investments	122	-
5.11	Payments for exploration and evaluation activities	(8,431)	(1,464)
5.12	Cash backing security paid	-	(116)

		<b>Current period 6 months ended 31 December 2010 \$US'000</b>	<b>Previous corresponding period 6 months ended 30 June 2010 \$US'000</b>
5.13	Other: Cash balances acquired on acquisition of controlled entities	4	30,127
	Acquisition of subsidiary	(5,000)	-
	Repayment of loan from related party	(105)	-
5.14	<b>Net cash from / (used in) investing activities</b>	(13,414)	28,541
	<b>Cash flows related to financing activities</b>		
5.15	Proceeds from issues of securities net of capital raising costs (shares, options, etc.)	-	-
5.16	Proceeds from borrowings	-	3,314
5.17	Repayment of borrowings	-	-
5.18	Distributions paid	-	-
5.19	Other (provide details if material)	-	-
5.20	<b>Net cash from / (used in) financing activities</b>	-	3,314
	<b>Net increase (decrease) in cash and cash equivalents</b>	(20,434)	29,395
5.21	Cash at beginning of period (see <i>Reconciliations of cash</i> )	29,943	669
5.22	Exchange rate adjustments to item 5.21	3,313	(121)
5.23	<b>Cash at end of period</b> (see <i>Reconciliation of cash</i> )	12,822	29,943

## Reconciliation of cash provided by operating activities to profit or loss

		Current period 6 months ended 31 December 2010 \$US'000	Previous corresponding period 6 months ended 30 June 2010 \$US'000
6.1	<b>Loss</b> (item 1.9)	(5,939)	(8,869)
	Adjustments for:		
6.2	Depreciation	-	3
6.3	Excess consideration written off	-	7,416
6.4	Profit on sale of equity investments	(71)	-
6.5	Share based payments	603	-
6.6	Interest capitalised to loan account	122	-
6.7	Realised foreign exchange gain	219	-
6.8	(Increase)/decrease in trade & other receivables	(599)	(170)
6.9	Increase/(decrease) in trade & other payables	(1,393)	(840)
6.10	Increase/decrease in inventories	38	-
6.12	<b>Net cash from operating activities</b> (item 5.6)	(7,020)	(2,460)

## Notes to the financial statements

### Details of revenues and expenses

		Current period 6 months ended 31 December 2010 \$US'000	Previous corresponding period 6 months ended 30 June 2010 \$US'000
	<b>Revenue</b>		
	Rental income received	-	329
	Interest income	466	37
	Other income	-	-
7.1	<b>Total Revenue</b>	<b>466</b>	<b>366</b>
	<b>Expenses</b>		
	Employee benefits expense	(299)	(156)
	Consulting expenses	(4,054)	(558)
	Directors remuneration	(266)	(57)
	Compliance and regulatory expenses	(288)	(76)
	Occupancy expenses	(142)	(383)
	Administration expenses	(481)	(352)
	Depreciation	-	(3)
	Foreign exchange gains / (losses)	(219)	(234)
	Excess purchase consideration written off	-	(7,416)
	Profit on sale of assets	71	-
	Finance costs	(124)	-
	Share based payments	(603)	-
7.2	<b>Total Expenses</b>	<b>(6,405)</b>	<b>(9,235)</b>
	<b>Profit (loss) before tax</b>	<b>(5,939)</b>	<b>(8,869)</b>

Ratios		Current period 6 months ended 31 December 2010 \$US'000	Previous corresponding period 6 months ended 30 June 2010 \$US'000
8.1	<b>Profit before tax / revenue</b> Consolidated profit (loss) before tax ( <i>item 1.5</i> ) as a percentage of revenue ( <i>item 1.1</i> )	(1,274%)	(2,423%)
8.2	<b>Profit after tax / equity interests</b> Consolidated profit (loss) after tax attributable to security holders ( <i>item 1.9</i> ) as a percentage of equity (similarly attributable) at the end of the period ( <i>item 3.38</i> )	(6%)	(9%)

### Earnings per Security

9.1	Provide details of basic and fully diluted EPS in accordance with paragraph 70 and Aus 70.1 of AASB 133: Earnings per Share below:
	<p><b>Current Period</b></p> <p>Loss for the period: \$5,938,746</p> <p>Weighted average number of shares on issue: 948,490,363</p> <p><b>Previous corresponding period</b></p> <p>Loss for the period: \$8,869,365</p> <p>Weighted average number of shares on issue: 622,821,163</p> <p>The weighted average number of shares on issue was calculated by adding together the weighted average number of ordinary shares on issue by Eastern from 1 January 2010 to 15 June 2010 and the weighted average number of ordinary shares on issue by International Petroleum from 15 June 2010 to 30 June 2010.</p>

### Income distributions

10.1	Date the income distribution is payable	N/A
10.2	Record date to determine entitlements to the income distribution (i.e. on the basis of registrable transfers received up to 5.00 pm if paper based, or by 'End of Day' if a proper ASTC/CHESS transfer)	N/A

10.3 The *distribution plans* shown below are in operation.

N/A
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The last date(s) for receipt of election notices to the *distribution plans*

N/A

10.4 Any other disclosures in relation to *distributions*

N/A

**Distributions paid or provided for on all *securities***

		Current period - \$US'000	Previous corresponding period - \$US'000	Franking rate applicable
	<b>Distributions paid or provided for during the reporting period</b>			
10.5	Current year interim	N/A	N/A	N/A
10.6	Previous year final	N/A	N/A	N/A

**Distributions per *security***

		Current year	Previous year	Franking rate applicable
	<b>Distributions paid or provided for during the reporting period</b>			
10.7	Current year interim	N/A	N/A	N/A
10.8	Previous year final	N/A	N/A	N/A

### Exploration and evaluation expenditure capitalised

*To be completed only by issuers with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit*

		Current period 6 months ended 31 December 2010 \$US'000	Previous corresponding period 6 months ended 30 June 2010 \$US'000
11.1	Opening balance	71,653	37,567 <sup>1</sup>
11.2	Expenditure incurred during current period	10,194	1,463
11.3	Expenditure written off during current period	-	-
11.4	Acquisitions, disposals, revaluation increments, etc.	-	-
11.5	Acquisition as a result of a business combination	14,265	32,623
11.6	Movements in capitalised exploration and evaluation costs due to fluctuations in foreign exchange rates	2	-
11.7	Expenditure transferred to Development Properties	-	-
11.8	<b>Closing balance as shown in the consolidated balance sheet (item 3.10)</b>	96,114	71,653

<sup>1</sup> The opening balances are those of Eastern's last audited accounts for the year ended 31 December 2009 and have been translated at the GBP/USD spot rate on 31 December 2009.

### Development properties

*(To be completed only by issuers with mining interests if amounts are material)*

		Current period 6 months ended 31 December 2010 \$US'000	Previous corresponding period 6 months ended 30 June 2010 \$US'000
12.1	Opening balance	-	-
12.2	Expenditure incurred during current period	-	-
12.3	Expenditure transferred from exploration and evaluation	-	-
12.4	Expenditure written off during current period	-	-
12.5	Acquisitions, disposals, revaluation increments, etc.	-	-
12.6	Expenditure transferred to mine properties	-	-
12.7	<b>Closing balance as shown in the consolidated balance sheet (item 3.11)</b>	-	-

## Discontinued Operations

		Current period 6 months ended 31 December 2010 \$US'000	Previous corresponding period 6 months ended 30 June 2010 \$US'000
13.1	Revenue	-	-
13.2	Expense	-	-
13.3	<b>Profit (loss) from discontinued operations before income tax</b>	-	-
13.4	Income tax expense ( <i>as per para 81 (h) of AASB 112</i> )	-	-
13.5	<b>Gain (loss) on sale/disposal of discontinued operations</b>	-	-
13.6	<b>Income tax expense (as per paragraph 81(h) of AASB 112)</b>	-	-

## Movements in Equity

The current period reflects the movements in International Petroleum's capital structure for the 6 month period 1 July 2010 to 31 December 2010.

The previous corresponding period reflects the movements in International Petroleum's capital structure for the 6 month period 1 January 2010 to 30 June 2010. In the previous corresponding period, International Petroleum completed the acquisition of 100% of Eastern ("Acquisition"). Under Australian Accounting Standards (AASB 3 "Business Combinations"), this Acquisition was 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.

		Current period			Previous corresponding period*
		Number	Paid-up value (cents)	Carrying value US\$'000	Number
14.1	<b>Preference securities</b>				
14.2	Balance at start of period	N/A	N/A	N/A	N/A
14.3	a) Increases through issues	N/A	N/A	N/A	N/A
14.4	a) Decreases through returns of capital, buybacks etc.	N/A	N/A	N/A	N/A
14.5	Balance at end of period	N/A	N/A	N/A	N/A
14.6	<b>Ordinary securities</b> <i>(fully paid ordinary shares)</i>				
14.7	Balance at start of period	948,365,364		222,988	152,400,005
14.8	a) Increases through issues				
	Issue of shares to acquire Eastern				675,965,359 <sup>1</sup>
	Issue of shares pursuant to a capital raising				100,000,000
	Conversion of converting performance shares				20,000,000
	Share based payment	500,000		94	-
14.9	b) Decreases through returns of capital, buybacks etc.	-	-	-	-
14.10	Balance at end of period	948,865,364		223,082	948,365,364

\*Refer to 14.37 below for reconciliation of carrying value of share capital for the previous corresponding period.

<sup>1</sup> These shares are escrowed for a period of 12 months from 15 June 2010 and are quoted on NSX but are unable to trade until 15 June 2011.

		Current period				Previous corresponding period
		Number issued	Number listed	Paid-up value (cents)	US\$'000	Number issued
14.11	<b>Convertible Debt Securities</b>  <i>(description &amp; conversion factor)</i>					
14.12	Balance at start of period	N/A	N/A	N/A	N/A	N/A
14.13	a) Increases through issues	N/A	N/A	N/A	N/A	N/A
14.14	b) Decreases through maturity, converted.	N/A	N/A	N/A	N/A	N/A
14.15	Balance at end of period	N/A	N/A	N/A	N/A	N/A
14.16	<b>Options</b>					
14.17	Balance at start of period	<b>135,193,072</b>	-	-	-	-
14.18	Issued during period	<b>9,500,000<sup>5</sup></b>	-	-	<b>510<sup>5</sup></b>	<b>135,193,072<sup>6</sup></b>
14.19	Exercised during period	-	-	-	-	-
14.20	Expired during period	-	-	-	-	-
14.21	Balance at end of period	<b>144,693,072</b>	-	-	<b>510</b>	<b>135,193,072</b>

<sup>5</sup> 9,500,000 options were issued with an exercise price of A\$0.30 and an expiry date of 16 November 2015. 3,000,000 of these options vested on issue and have been valued at US\$462,169. The options that are expected to vest and which had not vested at 31 December 2010 will be recognised over a two year period. An amount of US\$47,483 has been recognised in the current period for these options.

<sup>6</sup> These options have an exercise price of A\$0.25 and an expiry date of 30 June 2012. The options were valued on grant date at US\$23,644,942.

		Number issued	Number listed	Paid-up value (cents)	Current period US\$'000
14.22	<b>Debentures</b> <i>(description)</i>				
14.23	Balance at start of period	N/A	N/A	N/A	N/A
14.24	a) Increases through issues	N/A	N/A	N/A	N/A
14.25	b) Decreases through maturity, converted	N/A	N/A	N/A	N/A
14.26	Balance at end of period	N/A	N/A	N/A	N/A
14.27	<b>Unsecured Notes</b> <i>(description)</i>				
14.28	Balance at start of period	N/A	N/A	N/A	N/A
14.29	a) Increases through issues	N/A	N/A	N/A	N/A
14.30	b) Decreases through maturity, converted	N/A	N/A	N/A	N/A
14.31	Balance at end of period	N/A	N/A	N/A	N/A
14.32	<b>Converting Performance Shares</b>				
14.33	Balance at start of period	-	-	-	-
14.34	a) Decrease through conversion to ordinary securities	-	-	-	-
14.35	b) Decrease through expiry	-	-	-	-
14.36	<b>Total Securities</b>	<b>1,093,558,436</b>	<b>948,865,364</b>		<b>223,592</b>

#### 14.37 Reconciliation of carrying value of share capital for prior period

	US\$'000
Carrying value of issued share capital at 1 January 2010	132,963
Shares issued on conversion of convertible loan note	19,735
Carrying value of shares deemed to have been transferred by International Petroleum to Eastern	70,290
Carrying value of issued share capital at 30 June 2010	<b>222,988</b>

		Current period 6 months ended 31 December 2010 \$US'000	Previous corresponding period 6 months ended 30 June 2010 \$US'000
	<b>Reserves</b>		
14.38	Balance at start of period	(101,487)	(101,516)
14.39	Net gain/loss on available for sale financial assets	(305)	166
14.40	Issue of consideration options	510	-
14.41	Translation from functional currency to presentation currency	3,413	(137)
14.42	Balance at end of period	(97,869)	(101,487)
14.43	<b>Total reserves</b>	<b>(97,869)</b>	<b>(101,487)</b>
	<b>Accumulated losses</b>		
14.44	<b>Balance at start of period</b>	(21,919)	(13,050)
14.45	Changes in accounting policy	-	-
14.46	Restated balance	-	-
14.47	Loss for the period	(5,939)	(8,869)
14.48	Dividends	-	
14.49	<b>Balance at end of period</b>	<b>(27,858)</b>	<b>(21,919)</b>

## Details of aggregate share of profits (losses) of associates and joint venture entities

(equity method)

(under AASB 128: Investments in Associates paragraph Aus 37.1 and AASB 131: Interests in Joint Ventures paragraph Aus 57.3)

Name of associate or joint venture entity	N/A
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Reporting entities percentage holding	N/A
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		Current period - \$US'000	Previous corresponding period - \$US'000
15.1	Profit (loss) before income tax	-	-
15.2	Income tax	-	-
15.3	<b>Profit (loss) after tax</b>	-	-
15.4	Impairment losses	-	-
15.5	Reversals of impairment losses	-	-
15.6	Share of non-capital expenditure contracted for (excluding the supply of inventories)	-	-
15.7	<b>Share of net profit (loss) of associates and joint venture entities</b>	-	-

## Control gained over entities having material effect

On the 20 October 2010, International Petroleum Limited completed the acquisition of a 75% interest in Souville Investments Limited. The consideration for the acquisition was US\$5,000,000.

16.1	Name of entity acquired	Souville Investments Limited
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			\$US'000
16.2	Consolidated profit (loss) after tax of Souville since the date in the current period on which control was acquired		(280)
16.3	Date from which profit (loss) in <i>item 16.2</i> has been calculated	20 October 2010	
16.4	Profit (loss) after tax of Souville for the whole of the previous corresponding period	1 January 2010 to 30 June 2010	NIL

## Loss of control of entities having material effect

17.1	Name of <i>issuer</i> (or <i>group</i> )	N/A
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		<b>\$US'000</b>
17.2	Consolidated profit (loss) after tax of the entity (or <i>group</i> ) for the current period to the date of loss of control	N/A
17.3	Date from which the profit (loss) in <i>item 17.2</i> has been calculated	N/A
17.4	Consolidated profit (loss) after tax of the entity (or <i>group</i> ) while controlled during the whole of the previous corresponding period	N/A
17.5	Contribution to consolidated profit (loss) from sale of interest leading to loss of control	N/A

## Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities.

		Percentage of ownership interest (ordinary securities, units etc) held at end of period or date of disposal		Contribution to profit (loss) ( <i>item 1.9</i> )	
18.1	Equity accounted associated entities	Current period	Previous corresponding period	Current period \$US'000	Previous corresponding period \$US'000
	N/A	N/A	N/A	<b>Equity accounted</b>	
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
18.2	<b>Total</b>	N/A	N/A	N/A	N/A
18.3	<b>Other material interests</b>			<b>Non equity accounted (i.e. part of <i>item 1.9</i>)</b>	
	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A
18.4	<b>Total</b>	N/A	N/A	N/A	N/A

## Reports for industry and geographical segments

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.

		Current period - \$US'000			Previous corresponding period - \$US'000		
	<b>Segments</b>	<b>Exploration for Hydrocarbons</b>	<b>Unallocated items</b>	<b>Total</b>	<b>Exploration for Hydrocarbons</b>	<b>Unallocated items</b>	<b>Total</b>
	Revenue:						
19.1	External sales	-	-	-	-	329	329
19.2	Interest received and other income	-	466	466	-	37	37
19.3	<b>Total segment revenue</b>	-	<b>466</b>	<b>466</b>	-	<b>366</b>	<b>366</b>
19.4	<b>Segment net operating loss after tax</b>	<b>(6,281)</b>	<b>342</b>	<b>(5,939)</b>	<b>(1,819)</b>	<b>(7,050)</b>	<b>(8,869)</b>
19.5	Separately disclosable items within operating loss:						
	Excess purchase consideration written off	-	-	-	-	(7,416)	(7,416)
19.6	<b>Segment assets</b>	<b>84,796</b>	<b>34,571</b>	<b>119,367</b>	<b>74,338</b>	<b>34,690</b>	<b>109,028</b>
19.7	Investments in associates	-	-	-	-	-	-
19.8	Capitalised expenditure	63,471	32,643	96,114	39,031	32,622	71,653
	Other assets	21,325	1,928	23,253	35,307	2,068	37,375
19.9	<b>Total assets</b>	<b>84,796</b>	<b>34,571</b>	<b>119,367</b>	<b>74,338</b>	<b>34,690</b>	<b>109,028</b>
19.10	<b>Segment liabilities</b>	<b>(17,713)</b>	<b>(7,387)</b>	<b>(25,100)</b>	<b>(2,214)</b>	<b>(7,232)</b>	<b>(9,446)</b>

		Current period - \$US'000			Previous corresponding period - \$US'000		
19.11	<b>Cash flow information</b>						
19.12	Net cash outflow from operating activities	(7,020)	-	(7,020)	(2,460)	-	(2,460)
19.13	Net cash outflow from investing activities	(13,414)	-	(13,414)	28,541	-	28,541
19.4	Net cash inflow from financing activities	-	-	-	3,314	-	3,314

## NTA Backing

20.1		Current period	Previous corresponding period
	Net tangible asset backing per ordinary security	(0.19 cents)	2.94 cents

## Non-cash financing and investing activities

*Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.*

21.1	On 16 November 2010, 500,000 fully paid ordinary shares and 9,500,000 unlisted options with an exercise price of A\$0.30 and an expiry date of 16 November 2015 were issued to Hamunts Limited, a company associated with Dr Belousov (Managing Director of Eastern), The shares have been valued using the share price on the date of issue which amounts to US\$93,762. Of the 9,500,000 unlisted options, 3,000,000 vested on issue. These options have been valued at \$462,169. The options that are expected to vest and which had not vested at 31 December 2010 will be recognised over a two year period. An amount of US\$47,483 has been recognised in the current period for these options.
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## International Financial Reporting Standards

*Under paragraph 39 of AASB 1: First –time Adoption of Australian Equivalents to International Financial Reporting Standards, an entity's first Australian-equivalents-to-IFRS's financial report shall include reconciliations of its equity and profit or loss under previous GAAP to its equity and profit or loss under Australian equivalents to IFRS's. See IG63 in the appendix to AASB 1 for guidance.*

22.1	N/A
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*Under paragraph 4.2 of AASB 1047: Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, an entity must disclose any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to IFRSs or if the aforementioned impacts are not known or reliably estimable, a statement to that effect.*

22.2	N/A
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**Comments by directors**

*Comments on the following matters are required by the Exchange or, in relation to the half yearly statement, by AASB 134: Interim Financial Reporting. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) but may be incorporated into the directors' report and statement. For both half yearly and preliminary final statements, if there are no comments in a section, state NIL. If there is insufficient space in comment, attach notes to this statement.*

**Basis of accounts preparation**

This financial report 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.

The financial report is presented in United States Dollars.

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

**Comparative financial information**

The financial information presented in the Company's financial statements for the period ended 30 June 2010 has been restated from Australian Dollars to United States Dollars. 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. Consequently, the transaction was accounted for as a reverse acquisition.

Accordingly, the consolidated financial statements for the period ended 30 June 2010 were prepared as a continuation of the business and operations of Eastern. Eastern, as the deemed acquirer, accounted for the acquisition of International Petroleum from 15 June 2010.

The implications of the application of AASB 3 on the consolidated financial statements for the period ended 30 June 2010 was as follows:

*Consolidated Statement of Comprehensive Income*

The 30 June 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.

*Consolidated Statement of Financial Position*

The 30 June 2010 Consolidated Statement of Financial Position represents the consolidation of International Petroleum and Eastern as at 30 June 2010.

*Consolidated Statement of Changes in Equity*

The 30 June 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.

*Consolidated Cash flow Statement*

The 30 June 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.

## 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).

## Subsequent Events

On 5 January 2011, Mr William McAvock was appointed as an executive director and Chief Financial Officer of the Company.

No event has arisen between 31 December 2010 and the date of this report (16 March 2011) that would be likely to materially affect the operations of the Company or its state of affairs which have not otherwise been disclosed in this financial report.

Any other factors which have affected the results in the period, or which are likely to affect results in the future, including those where the effect could not be quantified.

Nil

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

N/A – no prospect for paying fully or partly franked dividends for at least the next year.

Changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows.

Nil

An *issuer* shall explain how the transition from previous GAAP to Australian equivalents to IFRS' affected its reported financial position, financial performance and cash flows. *(as per paragraph 38 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards)*

NIL

Revisions in estimates of amounts reported in previous periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year *(as per paragraph 16(d) of AASB 134: Interim Financial Reporting)*

NIL

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assts since the last annual report *(as per paragraph 16(j) of AASB 134: Interim Financial Reporting)*

### **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 ("Tubatse 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 entitled 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**

No contingent liabilities

The nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence *(as per paragraph 16(c) of AASB 134: Interim Financial Reporting)*

NIL

Effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations (as per paragraph 16(i) of AASB 134: *Interim Financial Reporting*)

International Petroleum completed the acquisition of 75% of Souville Investments on 20 October 2010 ("Acquisition").
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### Annual General Meeting

The Annual General Meeting will be held as follows:

Place	To be advised
Date	To be advised
Time	To be advised
Approximate date the annual report will be available	Statutory financial statements to be lodged on NSX Platform on or around 31 March 2011.  Annual Report to be despatched to shareholders on or around 28 April 2011.

### Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used	N/A
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2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does give a true and fair view of the matters disclosed (see note 2).
4. This statement is based on financial statements to which one of the following applies:
 

<input type="checkbox"/> The financial statements have been audited.	<input type="checkbox"/> The financial statements have been subject to review by a registered auditor (or overseas equivalent).
<input checked="" type="checkbox"/> The financial statements are in the process of being audited or subject to review.	<input type="checkbox"/> The financial statements have <i>not</i> yet been audited or reviewed.
5. The accounts are in the process of being audited. Consequently, the audit report is not attached. Details of any audit report qualifications will be published as soon as they are available.
6. As at 31 December 2010 International Petroleum Limited had a formally constituted audit committee comprising 2 non executive directors.

Sign here: Claire Tolcon  
(Company secretary)

Date: 16 March 2011