International Petroleum Limited

(ABN 76 118 108 615)

Half-year Financial Report for the Period Ended 30 June 2011

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CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN
Antony Sage

NON-EXECUTIVE DIRECTORS
Frank Timis
Mark Ashurst
Mark Gwynne
Tony Antoniou
Timothy Turner

EXECUTIVE DIRECTORS
Chris Hopkinson
William McAvock

COMPANY SECRETARY
Claire Tolcon

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STOCK EXCHANGE LISTING
National Stock Exchange of Australia
Code: IOP

Your Directors present their report on International Petroleum Limited ("International Petroleum" or the "Company") for the half-year ended 30 June 2011.

OFFICERS

Directors
The names of Directors in office during the half-year and up to the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr Antony Sage
Mr Chris Hopkinson (appointed 13 April 2011)
Mr Frank Timis
Mr Mark Ashurst
Mr Mark Gwynne
Mr Tony Antoniou (appointed 1 June 2011)
Mr Timothy Turner
Mr William McAvock (appointed 5 January 2011)

Company Secretary
Ms Claire Tolcon

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

CORPORATE

Director appointments

On 5 January 2011, Mr William McAvock was appointed Executive Director and Chief Financial Officer of the Company. Mr McAvock had been Group Financial Controller of natural resource exploration businesses for over seven years. He spent over three years at Adastra Minerals Inc. (which had dual listings on the TSX and AIM stock exchanges), which was taken over in 2006 by First Quantum Minerals Limited (TSX: FM and LSE: FQM), 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. William qualified as a Chartered Certified Accountant after graduating from London Guildhall University.

On 13 April 2011, Mr Chris Hopkinson was appointed Executive Director and Chief Executive Officer of the Company. Mr Hopkinson has 22 years' experience in the oil and gas industry. Mr Hopkinson joins International Petroleum from BG Group, where he was Senior Vice President of North Africa. Before that, Mr Hopkinson spent 8 years working in Russia as CEO of Imperial Energy Corporation plc and in senior management positions for TNK-BP, Yukos and Lukoil. Mr Hopkinson started his career with Shell working in various locations worldwide.

On 1 June 2011, Mr Tony Antoniou was appointed as an independent Non-executive Director of the Company. Mr Antoniou is a UK Chartered Accountant with over 30 years public accounting experience at PricewaterhouseCoopers ('PwC'), the last 15 years of which were spent as a partner of PwC Russia. He is also a non-executive director and audit committee member of Transcreditbank, one of the largest banks in Russia, and a consultant to PwC in Central and Eastern Europe.

Funding facility

On 13 May 2011, the Company secured a US$10 million standby facility ("Standby Facility") from a company related to four of the directors of International Petroleum to fund exploration expenditure and working capital. Subsequent to the half-year end, certain terms of the Standby Facility agreement have been amended such that the amount drawn down under the Standby Facility ("Facility Amount") will be repayable by the Company in full on the earlier of 1 June 2012, receipt by the Company of cash consideration from Nkwe Platinum Limited (ASX: NKP) ("Nkwe") under its agreement with Nkwe for the sale of the Company's interest in the Tubatse project (comprising a 10% interest in the 3 farms located in the eastern limb of South Africa's Bushveld Complex, namely Hoepakrantz, Nooitverwacht and Eerste Geluk (the "Tubatse Project")) and receipt of any other funding except for the funding that the Company plans to raise in September 2011.

Interest is payable on the Facility Amount at the cash rate plus 3% and the Standby Facility is secured by a fixed and floating charge over the Company. The Company is also obliged to pay a US$250,000 commitment fee for the provision of the Standby Facility.

PROJECTS

KrasnoleninskyProject

In April 2011, the Company commenced drilling of Well No. 1 and Well No. 2 at its Krasnoleninsky Project, which comprises a 75% equity interest in the exploration rights to four blocks covering a total area of 1,467 km² located in the Khanty-Mansiysk Autonomous Region in Western Siberia, the largest oil-producing region of Russia.

The 1,467 km² area comprising the Company's four licence blocks has been extensively surveyed by 2,446 line-kilometres of closely-spaced 2D seismic data, which identified more than thirty prospects, including five "superstructures". Within these superstructures, there are a number of potential reservoirs, ranging in age from Palaeozoic to Cretaceous, stacked upon each other, offering the potential of multiple producing zones in a single well.

Drilling at both Well No. 1 and Well No.2 reached the target depths of 2,850 metres and 2,930 metres respectively in May 2011, and oil was found during drilling of both wells. The results of the interpretation of electrical logging of Well No. 1 and Well No. 2 were obtained in June 2011, and the interpretation of the electrical logging indicated that the Bazhenov and Tyumen suites are oil-bearing. In addition, the interpretation of the Palaeozoic suite indicated that the fractured zones in both wells are potentially oil-bearing.

Subsequent to the half-year end, the Company discovered an oilfield at Well No. 2. Oil commerciality was established in the J4 formation at the interval between 2,740 metres and 2,745 metres of Well No. 2, from which an unstimulated daily inflow of 6 cubic meters of oil was received. Using the data from this test, the Company has estimated oil flow rates after hydraulic fracturing to be 202 barrels per day (low case), 419 barrels per day (base case), and 508 barrels per day (high case) from this interval only.

The Company also discovered an oilfield during testing of Well No. 1 subsequent to the half-year end. Oil commerciality was established in the J2-3 formation at the interval between 2,647 metres and 2,665.5 metres of Well No. 1, from which an unstimulated daily inflow of 5.5 cubic metres of oil was recorded.

The Company will test other prospective intervals in both Well No. 1 and Well No. 2 and expects to complete the testing programme around the end of September 2011.

The Company plans to conduct a stimulation programme in these two wells in January 2012 and commence oil production thereafter, and intends to issue a reserve report for the Krasnoleninsky Project in accordance with the industry standard SPE-PRMS standards by the end of December 2011.

Kazakhstan Project

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

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

In January 2011, drilling to a target depth of 2,600 metres commenced at Well A-3 located 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 indicated the possible presence of reservoirs below a capping volcanic seal.

In March 2011, after drilling through more than 500 metres of massive Mesozoic-age quartzite and silicified sandstones, not seen in the previous Wells A-1 and A-2, before intersecting Paleozoic-age volcanic sediments, the decision was made to plug and abandon Well A-3. No shows of hydrocarbons were seen during drilling. Though planned for a total depth of 2,600 metres, the unexpected thick interval of metamorphic formations encountered provided clear evidence that the intense heat and pressure associated with mountain building during the Paleogene period in the eastern portion of the Alakol Basin destroyed any existence of reservoir rock properties in the full column of sediments from near surface and below in the A-3 well area. Owing to this event, reservoir quality formations below the Paleozoic volcanics are not anticipated.

In June 2011, the Company commenced drilling Well A-8, the fourth well to be drilled in the Alakol Licence Area. Seismic data indicated that potential Jurassic and Triassic reservoirs were present as stratigraphic traps on the flanks of Paleozoic-age volcanic intrusions or basement highs. In a report dated 6 June 2011 to evaluate the hydrocarbon resource potential ("Ryder Scott Report"), Ryder Scott estimated the unrisked prospective (undiscovered recoverable) resources at 935 (Low Estimate), 1,379 (Best Estimate) and 1,980 (High Estimate) mmboe[1]. Based on the undiscovered unrisked resource estimates from Ryder Scott, the directors believe that the Kazakhstan Project has the exploration potential of 1.4 billion barrels (Best Estimate).

Subsequent to the half year-end, a final depth of 2,019 metres was reached at Well A-8. Well logging data has been evaluated and drill stem testing of prospective intervals has been carried out.

Well A-8 was the first well to test the geological model that formed the basis of the Ryder Scott Report and, while it confirmed that reservoir-quality sands are present on the flanks of Paleozoic-age volcanic intrusions or basement highs, no hydrocarbons were found in this well. Consequently, the Company plugged and abandoned Well A-8.

RESULT

The Consolidated Entity incurred a loss after income tax of US$5,478,775 for the 6 months ended 30 June 2011 (30 June 2010: loss of US$8,869,365).

SUBSEQUENT EVENTS

The following significant events and transactions have taken place subsequent to 30 June 2011:

- An oilfield was discovered at Well No. 2 at the Company's Krasnoleninsky Project. Oil commerciality was established in the J4 formation at the interval between 2,740 metres and 2,745 metres of Well No. 2, from which an unstimulated daily inflow of 6 cubic meters of oil was recorded.

- An oilfield was discovered during testing of Well No.1 at the Company's Krasnoleninsky Project. Oil commerciality was established in the J2-3 formation at the interval between 2,647 metres and 2,665.5 metres of Well No. 1, from which an unstimulated daily inflow of 5.5 cubic metres of oil was recorded.

- A final depth of 2,019 metres was reached at Well A-8 at the Company's Kazakhstan Project. Subsequent to the performance of drill stem testing of prospective intervals and valuation of logging data, no hydrocarbons were found in Well A-8. Consequently, the Company has plugged and abandoned it.

- The Company entered into a Share Purchase Agreement ("Agreement") to acquire 100% of the shares in Vamaro Investments Limited ("Vamaro") with its current shareholder ("Seller"). Vamaro owns 100% of the shares in Yuzhno-Sardakovsoye LLC, which holds a licence for geological study of subsoil, prospecting and extraction of oil and gas within the territory of the Yuzhno-Sardakovsky block.

[1] It should be noted that the resources prospects evaluated are all seismic features, and Well A-8, which has just been drilled, is the first well to penetrate these features. 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.

Vamaro also owns 100% of the shares in Zapadno-Novomolodezhnoye LLC, which holds a licence for geological study of subsoil, prospecting and extraction of oil and gas within the territory of the Zapadno-Novomolodezhniy block. Consideration for the acquisition of Vamaro will comprise US$3 million in cash and the issue of 55 million International Petroleum shares. The Company will also assume certain liabilities of Vamaro, including US$1 million payable by 9 November 2011 and a further US$4 million payable by 27 December 2011. Completion of the acquisition of Vamaro is subject to satisfaction of a number of conditions precedent which include:

a) receipt of requisite approvals from the Russian Federal Anti-Monopoly Service and relevant governmental authorities to implement the transactions contemplated by the Agreement;
b) approval by the Company's shareholders to implement the transactions contemplated by the Agreement and, in particular, the issue of International Petroleum shares to the Seller;
c) completion of confirmatory due diligence satisfactory to the Company; and
d) receipt of all such other consents as are necessary to authorise the execution and performance of the Agreement and the transactions contemplated by it.

- The Company entered into a Memorandum of Understanding to acquire 75% of the shares in OOO VostokNefteGaz ("VNG Acquisition"), a company that owns an exploration licence in the Tomsk region of Western Siberia ("Tomsk Exploration Licence"). The consideration for the VNG Acquisition will comprise the issue of 6,666,667 International Petroleum shares and a commitment to fund all of the exploration work necessary to fulfil the minimum work programme as stipulated in the Tomsk Exploration Licence. The shares issued by International Petroleum will be subject to escrow until the earlier of:

  a) a commercial discovery having been made in the Tomsk Exploration Licence;
  b) OOO VostokNefteGaz having acquired an oil-producing asset in the Tomsk region of Russia; or
  c) a period of five years from the date of the VNG Acquisition.

  The VNG Acquisition is subject to, amongst other conditions, to the completion of due diligence to the satisfaction of the Company and the execution of legally binding documentation, and is expected to take place by the end of September 2011.

- The terms of an Asset Sale Agreement entered into with Nkwe Platinum Limited (ASX: NKP) ("Nkwe") were varied to reduce the consideration payable by Nkwe from US$53 million (A$50 million) to US$48million (AU$45 million), and to allow the consideration to be paid on a staged basis. In addition, the payment triggering conditions which required NKWE to make the payment within 30 days of the earlier of:
  a) the grant of mining rights in respect of the Tubatse Project; and
  b) 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

  have been removed.

- The terms of the Standby Facility Agreement entered into with an entity related to certain directors of the Company were varied. The agreement required that amounts drawn down under the Standby Facility ("Facility Amount") were repayable by the Company in full on the earlier of 17 November 2012, receipt by the Company of cash consideration from the Tubatse Project or receipt by the Company of other funds, and required that any funds received by the Company be applied first to reduce the Facility Amount. The agreement has been varied such that the Facility Amount will not be repayable until the earlier of 1 June 2012, receipt by the Company of the AU$45 million from the Tubatse Transaction, and receipt of any other funding except for the funding that the Company plans to raise in September 2011.

- On 8 September 2011, the Company announced that it plans to raise US$25 million by way of a placement to institutional investors. The placement is expected to be completed by 30 September 2011.

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 7.

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, 13 September 2011**

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

In relation to our review of the financial report of International Petroleum Limited for the half-year ended 30 June 2011, 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

Lewsen

D S Lewsen
Partner
Perth
13 September 2011

DL:MJ:InternationalPetroleum:005

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2011

	Note	Consolidated 30 June 2011 US$	30 June 2010 US$
Continuing Operations			
Revenue	3	**114,807**	366,068
Directors' remuneration		**(399,305)**	(57,878)
Employee benefits expense		**(606,677)**	(155,647)
Share based payments expense	3	**(1,370,904)**	-
Consulting expenses		**(1,163,309)**	(558,027)
Compliance and regulatory expenses		**(88,021)**	(75,517)
Occupancy costs		**(152,358)**	(383,384)
Travel costs		**(312,342)**	(197,652)
Other expenses		**(538,840)**	(154,662)
Foreign currency losses		**(136,469)**	(233,971)
Depreciation expense		**(2,756)**	(2,705)
Finance costs		**(520,987)**	-
Impairment of goodwill		**-**	(7,415,990)
Loss from continuing operations before income tax		**(5,177,161)**	(8,869,365)
Income tax expense		**(301,614)**	-
Loss for the period attributable to the members		**(5,478,775)**	(8,869,365)
Other comprehensive income			
Fair value (loss) / gains on available-for-sale financial assets		**(709,176)**	237,290
Foreign exchange gain on translation of foreign operations		**108,138**	-
Tax on items of other comprehensive income		**223,420**	(71,187)
Other comprehensive (loss) / income for the period, net of tax		**(377,618)**	166,103
Total comprehensive loss for the period		**(5,856,393)**	(8,703,262)
Loss for the period is attributable to:			
Non-controlling interest		**(53,887)**	-
Owners of the parent		**(5,424,888)**	(8,869,365)
		(5,478,775)	(8,869,365)
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		**(53,887)**	-
Owners of the parent		**(5,802,506)**	(8,703,262)
		(5,856,393)	(8,703,262)
EPS attributable to members			
Basic/diluted (loss) per share (cents)		**(0.57)**	(1.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Consolidated 30 June 2011 US$	31 December 2010 US$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	4	**6,747,175**	12,821,534
Trade and Other Receivables		**1,975,698**	442,841
Prepayments		**273,625**	2,584,968
Inventories		**2,008,028**	3,018,531
TOTAL CURRENT ASSETS		**11,004,526**	18,867,874
NON CURRENT ASSETS			
Restricted Cash		**165,802**	115,773
Trade and Other Receivables		**3,173,671**	2,311,437
Plant and Equipment		**32,518**	29,902
Financial Assets Available-for-Sale		**1,283,559**	1,928,112
Exploration and Evaluation	5	**118,631,744**	100,768,746
TOTAL NON CURRENT ASSETS		**123,287,294**	105,153,970
TOTAL ASSETS		**134,291,820**	124,021,844
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	6	**11,651,012**	4,895,362
Income tax payable		**1,966,366**	1,623,765
Interest-bearing loan	7	**7,638,511**	-
TOTAL CURRENT LIABILITIES		**21,255,889**	6,519,127
NON CURRENT LIABILITIES			
Interest-bearing loan		**12,854,452**	12,622,003
Deferred tax liability		**5,551,065**	5,763,045
Provisions		**218,986**	220,752
TOTAL NON CURRENT LIABILITIES		**18,624,503**	18,605,800
TOTAL LIABILITIES		**39,880,392**	25,124,927
NET ASSETS		**94,411,428**	98,896,917
EQUITY			
Issued Capital	8	**223,082,207**	223,082,207
Reserves	9	**(96,269,608)**	(97,262,894)
Accumulated losses		**(34,013,951)**	(28,589,063)
Non-controlling interest		**1,612,780**	1,666,667
TOTAL EQUITY		**94,411,428**	98,896,917

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2011

	Consolidated							
	Ordinary Share Capital US$	**Accumulated Losses US$**	**Share-based payment reserve US$**	**Revaluation Reserve US$**	**Merger Reserve US$**	**Foreign currency translation Reserve US$**	**Non-controlling interest US$**	**Total US$**
AT 1 JANUARY 2011	**223,082,207**	**(28,589,063)**	**1,115,175**	**(138,774)**	**(101,516,017)**	**3,276,722**	**1,666,667**	**98,896,917**
Loss for the period	**-**	**(5,424,888)**	**-**	**-**	**-**	**-**	**(53,887)**	**(5,478,775)**
Other comprehensive income / (losses) for the period				**(485,756)**		**108,138**		**(377,618)**
Total comprehensive income / (loss) for the period	**-**	**(5,424,888)**	**-**	**(485,756)**	**-**	**108,138**	**(53,887)**	**(5,856,393)**
Transactions with owners in their capacity as owners								
Share based payments	**-**	**-**	**1,370,904**	**-**	**-**	**-**	**-**	**1,370,904**
BALANCE AT 30 JUNE 2011	**223,082,207**	**(34,013,951)**	**2,486,079**	**(624,530)**	**(101,516,017)**	**3,384,860**	**1,612,780**	**94,411,428**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2011

	Consolidated					
	Ordinary Share Capital US$	**Accumulated Losses US$**	**Revaluation Reserve US$**	**Merger Reserve US$**	**Foreign currency translation Reserve US$**	**Total US$**
AT 1 JANUARY 2010	132,963,015	(13,049,882)	-	(101,516,017)	-	18,397,116
Loss for the period	-	(8,869,365)	-	-	-	(8,869,365)
Other comprehensive income / (losses) for the period			166,103		(136,692)	29,411
Total comprehensive income / (loss) for the period	-	(8,869,365)	166,103	-	(136,692)	(8,839,954)
Transactions with owners in their capacity as owners						
Cancellation of converting performance shares	-	(172)	-	-	-	(172)
Shares issued on conversion of convertible loan note	19,735,306	-	-	-	-	19,735,306
Fair value of shares transferred under reverse acquisition accounting	70,290,124	-	-	-	-	70,290,124
BALANCE AT 30 JUNE 2010	222,988,445	(21,919,419)	166,103	(101,516,017)	(136,692)	99,582,420

CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED 30 JUNE 2011

	Note	Consolidated 30 June 2011 US$	30 June 2010 US$
Cash Flows from Operating Activities			
Payments to suppliers and employees		**(5,208,461)**	(2,825,970)
Interest received		**149,734**	37,184
Other income received		**-**	328,884
Net cash flows used in operating activities		**(5,058,727)**	(2,459,902)
Cash Flows From Investing Activities			
Payment for plant and equipment		**(5,371)**	(6,098)
Cash balances acquired on acquisition of controlled entities		**-**	30,126,687
Cash backing security for applications in Kazakhstan returned/(provided)		**107,470**	(115,765)
Cash backing security provided for banking facilities		**(158,425)**	-
Payment for exploration and evaluation activities		**(8,745,561)**	(1,463,520)
Proceeds from the repayment of loans from related party		**14,453**	-
Net cash (used in) / from investing activities		**(8,787,434)**	28,541,304
Cash Flows from Financing Activities			
Proceeds from borrowings		**7,600,000**	3,314,000
Net cash from / (used in) financing activities		**7,600,000**	3,314,000
Net (decrease) / increase in Cash and Cash Equivalents		**(6,246,161)**	29,395,402
Cash and Cash Equivalents at the beginning of period		**12,821,534**	669,409
Net foreign exchange differences		**171,802**	(121,494)
Cash and Cash Equivalents at end of period	**4**	**6,747,175**	29,943,317

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

1. CORPORATE INFORMATION

The financial report of International Petroleum Limited and its subsidiaries ('the Consolidated Entity') for the half-year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 13 September 2011.

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 HALF-YEAR REPORT

This general purpose condensed financial report for the half-year ended 30 June 2011 has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2010 and considered together with any public announcements made by International Petroleum Corporation Limited during the half-year ended 30 June 2011 in accordance with the continuous disclosure obligations of the NSX Listing Rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The financial report is presented in United States Dollars.

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. As at 30 June 2011, the Consolidated Entity had a net current deficiency of US$10,251,363 (31 December 2010: surplus of US$12,348,747.

The ability of the Consolidated Entity to continue its planned exploration and evaluation activities is dependent on the Consolidated Entity raising additional capital within the next 12 months. At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Consolidated Entity will be able to raise additional capital to enable it to meet its obligations as and when they fall due. In forming this view, the directors have considered the planned capital raising of US$25 million by way of a placement to institutional investors which is expected to be completed by 30 September 2011, and the Company's additional financing options available, including the proceeds receivable on the sale of its remaining 10% interest in the Tubatse project.

Should the Consolidated Entity not achieve the matters set out above, there is uncertainty whether it would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

Comparative financial information

The financial information in the half year financial report for the period ended 30 June 2010 which was previously presented in Australian dollars, has been presented in United States dollars following the change in presentation currency in the most recent annual financial report. On 15 June 2010, International Petroleum Limited ("International Petroleum" or the "Company") completed the legal acquisition of Eastern Petroleum Corporation Ltd ("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.

Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

3. REVENUE AND EXPENSES

Components of revenue and expenditure that require separate disclosure are as follows:

	Consolidated	
	30 June 2011	**30 June 2010**
	US$	**US$**
(a) Revenue		
Interest revenue	**114,807**	37,184
Rental revenue	**-**	328,884
	114,807	366,068
(b) Expenses		
Share based payments[1]	**(1,370,904)**	-

[1]Share based payments comprise the issue of unlisted options and performance shares. The options have been valued using the Black-Scholes option pricing model and an amount of US$1,312,915 has been recognised within the line item "Share based payments" in the Statement of Comprehensive Income. The performance shares awarded during the current period have been valued using the share price on grant date. The issue of the shares is subject to various service and performance conditions. None of the shares have been issued as at 30 June 2011. An amount of US$57,989 has been recognised within the line item "Share based payments" in the Statement of Comprehensive Income.

During the period the following options were granted:

No. of options	Grant Date	Exercise Price A$	Expiry Date	Fair Value at Grant Date A$	Fair Value at Grant Date US$
1,875,000[2]	1 February 2011	A$0.25	16 March 2016	A$0.21	US$0.21
200,000	31 May 2011	A$0.30	1 June 2014	A$0.19	US$0.20
18,000,000	27 May 2011	A$0.25	1 June 2016	A$0.19	US$0.20
1,500,000	20 May 2011	A$0.25	15 April 2016	A$0.17	US$0.18
1,500,000	24 May 2011	A$0.25	15 April 2016	A$0.19	US$0.20

[2] During the period, these options were forfeited following the termination of the employment of the option-holder.

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	30 June 2011	**31 December 2010**
	US$	**US$**
Cash at bank and on hand	**6,590,657**	5,528,600
Deposits at call	**156,518**	7,292,934
	6,747,175	12,821,534

5. EXPLORATION AND EVALUTAION

	Consolidated	
	30 June 2011	**31 December 2010**
	US$	**US$**
Costs carried forward in respect of areas of interest in:		
- Exploration and evaluation phases	**118,631,744**	100,768,746
Reconciliation		
Exploration and evaluation phases		
Opening balance	**100,768,746**	71,653,340
Exploration expenditure incurred	**18,080,394**	10,048,476
Exploration expenditure acquired pursuant to a business combination	**-**	19,065,237
Foreign exchange differences arising on translating functional currency to presentation currency	**(217,396)**	1,693
	118,631,744	100,768,746

Included in the above balance is US$32.5 million attributed to the Tubatse Project in Southern Africa. Pursuant to the terms of an Asset Sale Agreement (as varied) entered into with Nkwe Platinum Limited (ASX: NKP) ("Nkwe"), US$48 million (A$45 million) is due to be paid to the Consolidated Entity for the sale of the remaining 10% interest to Nkwe.

If Nkwe does not make the payment of US$48 million (A$45 million), Nkwe will have no right to acquire the remaining 10% interest in the project.

6. TRADE AND OTHER PAYABLES

		Consolidated	
	Note	**30 June 2011**	**31 December 2010**
		US$	**US$**
Trade payables		**9,872,708**	4,619,840
Other payables		**1,140,372**	275,522
Commitment fee on Funding Facility	**7**	**250,000**	-
VAT payable		**387,932**	-
		11,651,012	4,895,362

7. CURRENT INTEREST-BEARING LOAN

The Company has a US$10 million standby facility provided by a company which has four common directors with that of International Petroleum. As at 30 June 2011, US$7.6 million has been drawn down from the standby facility, leaving US$2.4m available to be drawn down.

The amount drawn down under the Standby Facility ("Facility Amount") will be repayable by the Company in full on the earlier of;

- 1 June 2012;
- receipt by the Company of cash consideration from Nkwe Platinum Limited (ASX: NKP) ("Nkwe") under its agreement with Nkwe for the sale of the Company's interest in the Tubatse project (comprising a 10% interest in the 3 farms located in the eastern limb of South Africa's Bushveld Complex, namely Hoepakrantz, Nooitverwacht and Eerste Geluk (the "Tubatse Project")); and
- receipt of any other funding except for the funding that the Company expects to raise in September 2011.

Interest is payable on the Facility Amount at the cash rate plus 3% and the Standby Facility is secured by a fixed and floating charge over the Company. Interest incurred on the Facility Amount for the half-year ended 30 June 2011 is US$38,511. The Company is also obliged to pay a US$250,000 commitment fee for the provision of the Standby Facility.

8. ISSUED CAPITAL

	Consolidated	
	30 June 2011	**31 December 2010**
	US$	**US$**
At beginning of reporting period	**223,082,207**	222,988,445
Share based payments[1]	**-**	93,762
At end of reporting period	**223,082,207**	223,082,207

[1]On 16 November 2010, 500,000 fully paid ordinary shares were issued to a consultant in recognition of services rendered. These shares have been valued using the closing share price on the date of issue, being US$0.19. An amount of US$93,762 was recognised within the line item "Share based payments" in the Statement of Comprehensive Income.

9. RESERVES

	Consolidated	
	30 June 2011	**31 December 2010**
	US$	**US$**
Share-based payments reserve		
At beginning of reporting period	**1,115,175**	-
Consideration options	**1,353,008**	1,115,175
Forfeiture of options	**(40,093)**	-
Performance shares	**57,989**	-
At reporting date	**2,486,079**	1,115,175
Revaluation reserve		
At beginning of reporting period	**(138,774)**	166,103
Revaluation during the reporting period	**(709,176)**	(435,538)
Tax effect of revaluation	**223,420**	130,661
At reporting date	**(624,530)**	(138,774)
Merger reserve		
At beginning of reporting period	**(101,516,017)**	(101,516,017)
At reporting date	**(101,516,017)**	(101,516,017)
Foreign currency translation reserve		
At beginning of reporting period	**3,276,722**	(136,692)
Movement due to translation of functional currency to presentation currency	**108,138**	3,413,414
At reporting date	**3,384,860**	3,276,722
Total reserves	**(96,269,608)**	(97,262,894)

10. SEGMENT REPORTING

The operating segments are identified by management based on the 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.

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

	Consolidated	
	30 June 2011	**31 December 2010**
	US$	**US$**
Australia	**1,283,559**	1,928,112
Africa	**32,513,053**	32,513,053
Kazakhstan	**61,824,531**	51,531,453
Russia	**27,666,151**	19,181,352
	123,287,294	105,153,970

11. COMMITMENTS AND CONTINGENCIES

There are no changes to the commitments and contingencies disclosed in the most recent annual financial report.

12. EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events and transactions have taken place subsequent to 30 June 2011:

- An oilfield was discovered at Well No. 2 at the Company's Krasnoleninsky Project. Oil commerciality was established in the J4 formation at the interval between 2,740 metres and 2,745 metres of Well No. 2, from which an unstimulated daily inflow of 6 cubic meters of oil was recorded.

- An oilfield was discovered during testing of Well No.1 at the Company's Krasnoleninsky Project. Oil commerciality was established in the J2-3 formation at the interval between 2,647 metres and 2,665.5 metres of Well No. 1, from which an unstimulated daily inflow of 5.5 cubic metres of oil was recorded.

- A final depth of 2,019 metres was reached at Well A-8 at the Company's Kazakhstan Project. Subsequent to the performance of drill stem testing of prospective intervals and valuation of logging data, no hydrocarbons were found in Well A-8. Consequently, the Company has plugged and abandoned it.

- The Company entered into a Share Purchase Agreement ("Agreement") to acquire 100% of the shares in Vamaro Investments Limited ("Vamaro") with its current shareholder ("Seller"). Vamaro owns 100% of the shares in Yuzhno-Sardakovsoye LLC, which holds a licence for geological study of subsoil, prospecting and extraction of oil and gas within the territory of the Yuzhno-Sardakovsky block. Vamaro also owns 100% of the shares in Zapadno-Novomolodezhnoye LLC, which holds a licence for geological study of subsoil, prospecting and extraction of oil and gas within the territory of the Zapadno-Novomolodezhniy block. Consideration for the acquisition of Vamaro will comprise US$3 million in cash and the issue of 55 million International Petroleum shares. The Company will also assume certain liabilities of Vamaro, including US$1 million payable by 9 November 2011 and a further US$4 million payable by 27 December 2011. Completion of the acquisition of Vamaro is subject to satisfaction of a number of conditions precedent which include:

  e) receipt of requisite approvals from the Russian Federal Anti-Monopoly Service and relevant governmental authorities to implement the transactions contemplated by the Agreement;
  f) approval by the Company's shareholders to implement the transactions contemplated by the Agreement and, in particular, the issue of International Petroleum shares to the Seller;
  g) completion of confirmatory due diligence satisfactory to the Company; and
  h) receipt of all such other consents as are necessary to authorise the execution and performance of the Agreement and the transactions contemplated by it.

- The Company entered into a Memorandum of Understanding to acquire 75% of the shares in OOO VostokNefteGaz ("VNG Acquisition"), a company that owns an exploration licence in the Tomsk region of Western Siberia ("Tomsk Exploration Licence"). The consideration for the VNG Acquisition will comprise the issue of 6,666,667 International Petroleum shares and a commitment to fund all of the exploration work necessary to fulfil the minimum work programme as stipulated in the Tomsk Exploration Licence. The shares issued by International Petroleum will be subject to escrow until the earlier of:

  d) a commercial discovery having been made in the Tomsk Exploration Licence;
  e) OOO VostokNefteGaz having acquired an oil-producing asset in the Tomsk region of Russia; or
  f) a period of five years from the date of the VNG Acquisition.

  The VNG Acquisition is subject to, amongst other conditions, to the completion of due diligence to the satisfaction of the Company and the execution of legally binding documentation, and is expected to take place by the end of September 2011.

- The terms of an Asset Sale Agreement entered into with Nkwe Platinum Limited (ASX: NKP) ("Nkwe") were varied to reduce the consideration payable by Nkwe from US$53 million (A$50 million) to US$48 million (AU$45 million), and to allow the consideration to be paid on a staged basis. In addition, the payment triggering conditions which required NKWE to make the payment within 30 days of the earlier of:
  c) the grant of mining rights in respect of the Tubatse Project; and
  d) 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

  have been removed.

- The terms of the Standby Facility Agreement entered into with an entity related to certain directors of the Company were varied. The agreement required that amounts drawn down under the Standby Facility ("Facility Amount") were repayable by the Company in full on the earlier of 17 November 2012, receipt by the Company of cash consideration from the Tubatse Project or receipt by the Company of other funds, and required that any funds received by the Company be applied first to reduce the Facility Amount. The agreement has been varied such that the Facility Amount will not be repayable until the earlier of 1 June 2012, receipt by the Company of the AU$45 million from the Tubatse Transaction, and receipt of any other funding except for the funding that the Company plans to raise in September 2011.

- On 8 September 2011, the Company announced that it plans to raise US$25 million by way of a placement to institutional investors. The placement is expected to be completed by 30 September 2011.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

(a) the financial statements and notes of International Petroleum Limited for the period ended 30 June 2011 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of its financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

(b) as set out in note 2 in the financial statements, there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Antony Sage
Director

Perth, 13 September 2011

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Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of International Petroleum Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of International Petroleum Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of International Petroleum Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As a result of the matter described in note 2 to the financial report, there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
13 September 2011

FORM: Half yearly report

Name of *issuer*

INTERNATIONAL PETROLEUM LIMITED

ACN or ARBN	Half yearly	Preliminary final	Half-year ended ('Current period')
119 108 615	X		30 June 2011

For announcement to the market

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

				$US'000
Revenue	down	69%	to	115
Profit (loss) for the period	down	38%	to	(5,479)
Profit (loss) for the period attributable to security holders	down	39%	to	(5,425)

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

Reconciliation of cash provided by operating activities to profit or loss

	Current period US$'000	Previous corresponding period US$'000
Loss	**(5,479)**	**(8,869)**
Adjustments for:		
Depreciation	3	3
Sharebased payments expense	1,371	-
Accrued interest capitalised	271	-
Excess of consideration written off	-	7,416
Increase/decrease in trade and other receivables	(1,414)	(170)
Increase/decrease in income tax	218	
Increase/decrease in trade and other payables	(29)	(840)
Net cash from operating activities	**(5,059)**	**(2,460)**

	Current period	**Previous corresponding period**
Profit before tax / revenue Consolidated profit (loss) before tax as a percentage of revenue	(4,772)%	(2,423)%
Profit after tax / equity interests Consolidated profit (loss) after tax attributable to security holders as a percentage of equity (similarly attributable) at the end of the period	(6)%	(9)%

Earnings per *Security*

Provide details of basic and fully diluted EPS in accordance with paragraph 70 and Aus 70.1 of AASB 133: Earnings per Share below:

Current period

Loss for the period attributable to members: $5,424,888

Weighted average number of shares on issue: 948,865,363

Previous corresponding period

Loss for the period: $8,869,365

Weighted average number of shares on issue: 622,821,163
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.

Income distributions

Date the income distribution is payable	N/A
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

The distribution plans shown below are in operation.

N/A

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

Any other disclosures in relation to distributions

N/A .

Distributions paid or provided for on all *securities*

(as per paragraph Aus126.4 AASB 101: Presentation of Financial Statements)

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

Distributions per *security*
(as per paragraph Aus126.4 of AASB 101: Presentation of Financial Statements)

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

Movements in Equity

(as per paragraph 97 of AASB 101: Financial Statement Presentation)

	Number	Paid-up value US$	Current period – US$'000	Previous corresponding period – Number
Preference securities				
(description)				
Balance at start of period	N/A	N/A	N/A	N/A
a) Increases through issues	N/A	N/A	N/A	N/A
a) Decreases through returns of capital, buybacks etc.	N/A	N/A	N/A	N/A
Balance at end of period	N/A	N/A	N/A	N/A
Ordinary securities				
(fully paid ordinary shares)				
Balance at start of period	**948,865,364**		**223,082**	**948,365,364**
a) Increases through issues pursuant to capital raising	-	-	-	-
b) Increases through issues - other	-	-	-	-
c) Share based payment	-	-	-	**500,000**
Balance at end of period	**948,865,364**		**223,082**	**948,865,364**
Convertible Debt Securities				
(description & conversion factor)				
Balance at start of period	N/A	N/A	N/A	N/A
a) Increases through issues	N/A	N/A	N/A	N/A
b) Decreases through maturity, converted.	N/A	N/A	N/A	N/A
Balance at end of period	N/A	N/A	N/A	N/A

	Number issued	Number listed	Paid-up value (cents)	Current period – US$'000	Previous corresponding period – Number
Options					
Balance at start of period	**150,693,072**	**-**			**135,193,072**
Issued during period	**23,075,000**	**-**	**-**	**1,353**	**15,500,000**
Exercised during period	**-**	**-**	**-**	**-**	**-**
Expired/cancelled during period	**(1,875,000)**	**-**	**-**	**(40)**	
Balance at end of period	**171,893,072**			**1,313**	**150,693,072**
Debentures *(description)*					
Balance at start of period	N/A	N/A	N/A	N/A	N/A
a) Increases through issues	N/A	N/A	N/A	N/A	N/A
b) Decreases through maturity, converted	N/A	N/A	N/A	N/A	N/A
Balance at end of period	N/A	N/A	N/A	N/A	N/A
Unsecured Notes *(description)*					
Balance at start of period	N/A	N/A	N/A	N/A	N/A
a) Increases through issues	N/A	N/A	N/A	N/A	N/A
b) Decreases through maturity, converted	N/A	N/A	N/A	N/A	N/A
Balance at end of period	N/A	N/A	N/A	N/A	N/A
Total Securities	**1,120,758,436**	**948,865,364**			**1,093,558,436**

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
Reporting entities percentage holding	N/A

		Current period - US$'000	Previous corresponding period - US$'000
15.1	Profit (loss) before income tax	-	-
15.2	Income tax	-	-
15.3	**Profit (loss) after tax**	-	-
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	**Share of net profit (loss) of associates and joint venture entities**	-	-

Control gained over entities having material effect
(*See note 8*)

Name of *issuer* (or *group*)	N/A

	US$'000
Consolidated profit (loss) after tax of the *issuer* (or *group*) since the date in the current period on which control was acquired	N/A
Date from which profit (loss) in *item 16.2* has been calculated	N/A
Profit (loss) after tax of the *issuer* (or *group*) for the whole of the previous corresponding period	N/A

Loss of control of entities having material effect
(See note 8)

17.1	Name of *issuer* (or *group*)	N/A

		US$'000
17.2	Consolidated profit (loss) after tax of the entity (or *group*) for the current period to the date of loss of control	N/A
17.3	Date from which the profit (loss) in *item 17.2* has been calculated	N/A
17.4	Consolidated profit (loss) after tax of the entity (or *group*) 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)	
Equity accounted associated entities	Current period	Previous corresponding period	Current period - US$'000	Previous corresponding period - US$'000
			Equity accounted	
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A
Other material interests			Non equity accounted	
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A

NTA Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary *security*	1.65 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.

N/A

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.

N/A

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.

N/A

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)*

N/A

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)*

N/A

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)*

N/A

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)*

N/A

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

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.

3. This statement does/does not* *(delete one)* 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:

The financial statements have been audited.	√	The financial statements have been subject to review by a registered auditor (or overseas equivalent).
The financial statements are in the process of being audited or subject to review.		The financial statements have *not* yet been audited or reviewed.

5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)

6. The *issuer* ~~has/does~~ not have* (*delete one*) a formally constituted audit committee.

Sign here: .... Date: 13 September 2011

(*Director*/Company secretary)

Print name: ANTONY SAGE

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show the amount of the change up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. *Issuers* are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.

2. **True and fair view** If this statement does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the *issuer* must attach a note providing additional information and explanations to give a true and fair view.

3. **Consolidated statement of financial performance**

   Item 1.1 The definition of "revenue" is set out in *AASB 118: Revenue*

   Item 1.6 This item refers to the total tax attributable to the amount shown in *item 1.5.* Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg. fringe benefits tax).

4. **Income tax** If the amount provided for income tax in this statement differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the issuer must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franking rate applicable" for items in *section 9.*

5. **Consolidated statement of financial position**

   Format The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 134: Interim Financial Reporting, and AASB 101: Presentation of Financial Statements.* Banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

   Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last annual report, the *issuer* must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 116: Property, Plant and Equipment.* If the *issuer* has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.

6. **Consolidated statement of cash flows** For definitions of "cash" and other terms used in this statement see *AASB 107: Cash Flow Statements. Issuers* should follow the form as closely as possible, but variations are permitted if the *directors* (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 107.*

7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary *securities* (i.e. all liabilities, preference shares, outside equity interests, etc). Mining *issuers* are *not* required to state a net tangible asset backing per ordinary *security.*

8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the consolidated financial statements. Details must include the contribution for each gain or loss that increased or decreased the *issuer*'s consolidated operating profit

(loss) after tax by more than 5% compared to the previous corresponding period.

9. **Equity accounting** If an *issuer* adopts equity accounting, no comparative equity accounting figures are required in the first period following its adoption.

10. **Rounding of figures** This statement anticipates that the information required is given to the nearest $1,000. However, an *issuer* may report exact figures, if the $A'000 headings are amended. If an *issuer* qualifies under *ASIC* Class Order 98/0100 dated 15 July 2004, it may report to the nearest million dollars, or to the nearest $100,000, if the $A'000 headings are amended.

11. **Comparative figures** Comparative figures are to be presented in accordance with *AASB 101: Presentation of Financial Statements* or *AASB 134: Interim Financial Reporting* as appropriate and are the unadjusted figures from the last annual or half year report as appropriate. However, if the previously reported figures are adjusted to achieve greater comparability, in accordance with an accounting standard or other reason, a note explaining the adjustment must be included with this statement. If no adjustment is made despite a lack of comparability, a note explaining the position should be attached.

12. **Additional information** An *issuer* may disclose additional information about any matter, and must do so if the information is material to an understanding of the financial statements. The information may be an expansion of the material contained in this statement, or contained in a note attached to the statement. The requirement under the listing rules for an *issuer* to complete this statement does not prevent the *issuer* issuing statements more frequently. Additional material lodged with the *ASIC* under the *Corporations Act* must also be given to the *Exchange*. For example, a *directors*' report and declaration, if lodged with the *ASIC*, must be given to the *Exchange*.

13. **Accounting Standards** the *Exchange* will accept, for example, the use of International Accounting Standards for *foreign issuers*. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.

14. **Borrowing corporations** This statement may be able to be used by an *issuer* required to comply with the *Corporations Act* as part of its half yearly financial statements if prepared in accordance with Australian Accounting Standards.

15. **Details of expenses** *AASB 101: Presentation of Financial Statements* requires disclosure of expenses according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by the *Exchange*. *Issuers* must disclose details of expenses using the layout (by nature or function) employed in their accounts.

    The information in *items 7.1 - 7.2* may be provided in an attachment to Appendix 3

    Relevant items *AASB 101: Presentation of Financial Statements* requires the separate disclosure of specific revenues and expenses which are of a size, nature or incidence that disclosure is *relevant,* as defined in *AASB 101,* in explaining the financial performance of the *issuer*. There is an equivalent requirement in *AASB 134: Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by the *Exchange*.

16. **Dollars** If reporting is not in A$, all references to $A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.

17. **Discontinuing operations**

    Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by *paragraph 7.5 (g) of AASB 134: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their accounts in accordance with *AASB 5: Non-current Assets for Sale and Discontinued*

Operations

In any case, the information may be provided as an attachment to this Appendix 3