

NSX Announcement
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Operational and Financial Update

International Petroleum Limited (**NSX: IOP; OTCQX: ITPLY**) ("**International Petroleum**" or the "**Company**"), an oil and gas exploration company with assets in Russia and Kazakhstan, is pleased to update the market on recent activities.

CORPORATE

Acquisition of the Vamarov Project – Western Siberia, Russia

During August 2011, the Company entered into a Share Purchase Agreement ("**Vamaro Agreement**") to acquire 100% of the issued share capital of Vamaro Investments Limited (an entity incorporated in Cyprus) ("**Vamaro**") ("**Vamaro Acquisition**").

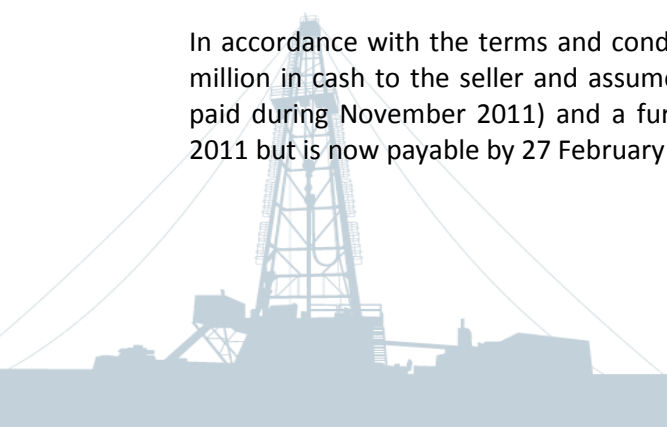
Vamaro is the holder of:

- (a) 100% of the issued share capital of Yuzhno-Sardakovskoye LLC (an entity incorporated in Russia), which holds a licence for geological study of subsoil, prospecting and extraction of oil and gas within the territory of the Yuzhno-Sardakovsky block in the Khanty-Mansiysk Autonomous Region in Western Siberia, Russia; and
- (b) 100% of the issued share capital of Zapadno-Novomolodezhnoye LLC (an entity incorporated in Russia), which holds a licence for geological study of subsoil, prospecting and extraction of oil and gas within the territory of the Zapadno-Novomolodezhniy block in the Khanty-Mansiysk Autonomous Region in Western Siberia, Russia,

(together, the "**Vamarov Project**").

On 9 November 2011, at the Company's General Meeting, shareholder approval was obtained for the allotment and issue of 55,000,000 Shares ("**Vamarov Consideration Shares**") in part consideration for the acquisition of Vamaro.

In accordance with the terms and conditions of the Vamaro Agreement, the Company will also pay US\$3 million in cash to the seller and assumed certain liabilities of Vamaro, including US\$1 million (which was paid during November 2011) and a further US\$4 million (which was originally payable by 27 December 2011 but is now payable by 27 February 2012) (together, the "**Vamarov Consideration Cash**").



Settlement of the Vamaro Acquisition will occur as soon as practicable following issue of the Vamarov Consideration Shares and the Vamarov Consideration Cash, but, with the permission of the seller, the Company has already become the operator of the Vamarov Project.

The Company has studied the data from the Vamarov Project, including an independent assessment of the original oil in place and the volume of remaining recoverable oil, and believes that the Vamarov Project may contain up to 55 mmboe of proved and probable (“**2P**”) reserves. This internal estimate is based on the original oil in place as estimated by the independent assessment, but uses different recovery factors, which the Company believes are appropriate for production using hydraulic fracturing techniques in the region.

13 wells have been drilled on the Zapadno-Novomolodezhniy block and the Company is currently evaluating wells to work over and bring into production during the first quarter of 2012, despite that the completion of the Vamaro Acquisition might not occur until the end of February 2012. A communication corridor passes through the northern part of the Zapadno-Novomolodezhniy block and includes pipelines and a hard-surface all-weather road, which can be used throughout the year, and a power transmission line.

8 wells have been drilled on the Yuzhno-Sardakovsky block and commencement of oil production in this block is expected to occur in the first quarter of 2012. The nearest oil pipelines are 16 km from the block and the nearest hard-surface road is 11 km from the block.

Acquisition of the Druzhny Project – Western Siberia, Russia

On 4 November 2011, the Company entered into a Share Purchase and Funding Agreement (“**Druzhny Agreement**”) to acquire 75% of the issued share capital of Charlize Investments Limited (an entity incorporated in Cyprus) (“**Charlize**”) (“**Charlize Acquisition**”).

Charlize owns 100% of the issued share capital of OOO VostokNefteGaz (an entity incorporated in Russia) (“**VNG**”). VNG owns an exploration licence in the Tomsk region of Western Siberia (the “**Tomsk Exploration Licence**” or the “**Druzhny Project**”).

In consideration for the Charlize Acquisition, the Company agreed to:

- (a) issue 6,666,667 Shares (“**Charlize Consideration Shares**”) to the seller of the interest in Charlize; and
- (b) fund all of the exploration work necessary to fulfil the minimum work programme as stipulated in the Tomsk Exploration Licence.

On 9 November 2011, at the Company’s General Meeting, shareholder approval was obtained for the allotment and issue of the Charlize Consideration Shares in part consideration for the Charlize Acquisition.

Completion of the Charlize Acquisition is expected to occur by the end of December 2011, following the issue of the Charlize Consideration Shares, but the Company has already become the operator of VNG and the Druzhny Project.

The minimum work programme as stipulated in the Tomsk Exploration Licence is as follows:

| Commitment | To be fulfilled by |
|---|---------------------------|
| Develop, negotiate and obtain the approval of the programme of exploration and appraisal work | October 2011 |

| | |
|--|--------------|
| Carry out at least 1,000 line km of 2D seismic survey | October 2012 |
| Carry out at least 2,000 line km of 2D seismic survey (including 1,000 line km to be done by October 2012) | October 2013 |
| Commence drilling of the first exploration well | October 2014 |
| Complete drilling of at least three exploration wells | October 2015 |
| Implement a full program of exploration and appraisal of hydrocarbon reserves in line with the programme of exploration and appraisal work | October 2015 |

If deposits are discovered, the Company intends to carry out an operational estimate of hydrocarbon reserves and file the estimate for Russian state expert evaluation not later than six months after the production well test date.

The Company plans to meet the requirements of the minimum work programme by carrying out at least 1,000 line km of 2D seismic survey during the winter of 2011/12.

The Charlize Consideration Shares will be subject to escrow until the earlier of:

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

Sale of interest in Tubatse Project to Nkwe Platinum Limited for A\$45 million

During August 2011, the terms of an Asset Sale Agreement entered into with Nkwe Platinum Limited (ASX: NKP) ("**Nkwe**") relating to the Company's interest in the Tubatse Project in South Africa were varied to reduce the consideration payable by Nkwe to the Company from AU\$50 million to AU\$45 million to be paid by 31 December 2011 and removing the trigger conditions that required Nkwe to make the payment.

On 11 November 2011, Nkwe's shares have been suspended from trading on the Australian Stock Exchange ("**ASX**"), at the request of Nkwe, pending the release of an announcement regarding the outcome of joint venture negotiations.

On 23 December 2011, Nkwe announced that it has been trying to settle a dispute about the ownership of certain mineral farms in South Africa and that there has been substantial agreement between the parties, but that certain technical difficulties have arisen, and that a concerted effort is being made to find resolution in the quickest possible time frame.

As of today, Nkwe's shares remain suspended on the ASX, pending an announcement of a binding outcome of this dispute.

Currently, the Company is in the process of renegotiating with Nkwe the terms of the Asset Sale Agreement in order to extend the latest date by which the AU\$45 million consideration is payable from 31 December 2011 to 30 June 2012.

Nkwe has indicated to the Company that, once it releases an announcement regarding a binding outcome of this dispute and its shares resume trading on ASX, it will be able to raise the funding it needs in order to pay the AU\$45 million cash consideration to the Company.

Standby loan facility

The Company has secured a standby facility ("**Standby Facility**") of up to US\$10 million to fund exploration expenditure and working capital. This is in addition to the US\$10 million standby facility that was secured in May 2011.

Placing

In September 2011, the Company announced it proposed to raise up to US\$25 million through a placement of shares to institutions and sophisticated investors.

On 9 November 2011, at the Company's General Meeting, shareholder approval was obtained for the allotment and issue of up to 128,000,000 Shares in respect of this placement.

Owing to recent difficult market conditions, the placement is now planned to close in January 2012.

EXPLORATION

Krasnoleninsky Project – Western Siberia, Russia

The Company, through its wholly-owned subsidiary IPL Siberia Ltd, owns a 75% equity interest in Souville Investments Ltd ("**Souville**"). Souville is the 100% legal and beneficial holder of Irtysh-Neft, a Russian company having exploration rights to four blocks in Western Siberia ("**Krasnoleninsky Project**"). Assuryan Assets Ltd holds the remaining 25% interest in Souville and, by extension, the Krasnoleninsky Project. The four blocks comprising the Krasnoleninsky Project cover a total area of 1,467 km² and are located in the Khanty-Mansiysk 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 Paleozoic to Cretaceous, stacked upon each other, offering the potential of multiple producing zones in a single well. In a report to evaluate the hydrocarbon resource potential dated 12 May 2011, Ryder Scott Company-Canada, an independent oil and gas consultant ("**Ryder Scott**"), estimated the unrisks prospective (undiscovered recoverable) resources of the four blocks at 169 (Low Estimate), 260 (Best Estimate) and 385 (High Estimate) million barrels¹. Based on the undiscovered unrisks resource estimates and scoping type resource economic evaluation reports from Ryder Scott and the oil shows in Well No. 1 and Well No. 2, the Company believes that the Krasnoleninsky Project has significant exploration potential.

In May 2011, drilling at both Well No. 1 and Well No.2 reached the target depths of 2,850 metres and 2,930 metres respectively 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.

¹ It should be noted that the discoveries are unappraised and that these discoveries increase the confidence in the Ryder Scott-Canada resource estimates relating to the drilled prospects (which will be the subject of reserves report to be completed during the first quarter of 2012) and de-risks the undrilled prospects in the Krasnoleninsky Project.

During August 2011, 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.

Later in August 2011, the Company also discovered an oilfield during testing of Well No. 1. 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.

In September 2011, changes were made to the expiry dates and other terms of the four exploration licences, covering the four blocks. The expiry date of all four licences has been extended to 31 December 2015 and the following licence commitments have been added:

1. Licence over block 7: second exploration well to be completed by 31 July 2015 (i.e. in addition to Well No. 1 that has already been drilled);
2. Licence over block 8: second exploration well to be completed by 31 July 2015 (i.e. in addition to Well No. 2 that has already been drilled);
3. Licence over block 9: second dependent exploration well to be completed by 31 July 2015 (i.e. dependent on the successful outcome of the first exploration well); and
4. Licence over block 10: second dependent exploration well to be completed by 31 July 2015 (i.e. dependent on the successful outcome of the first exploration well).

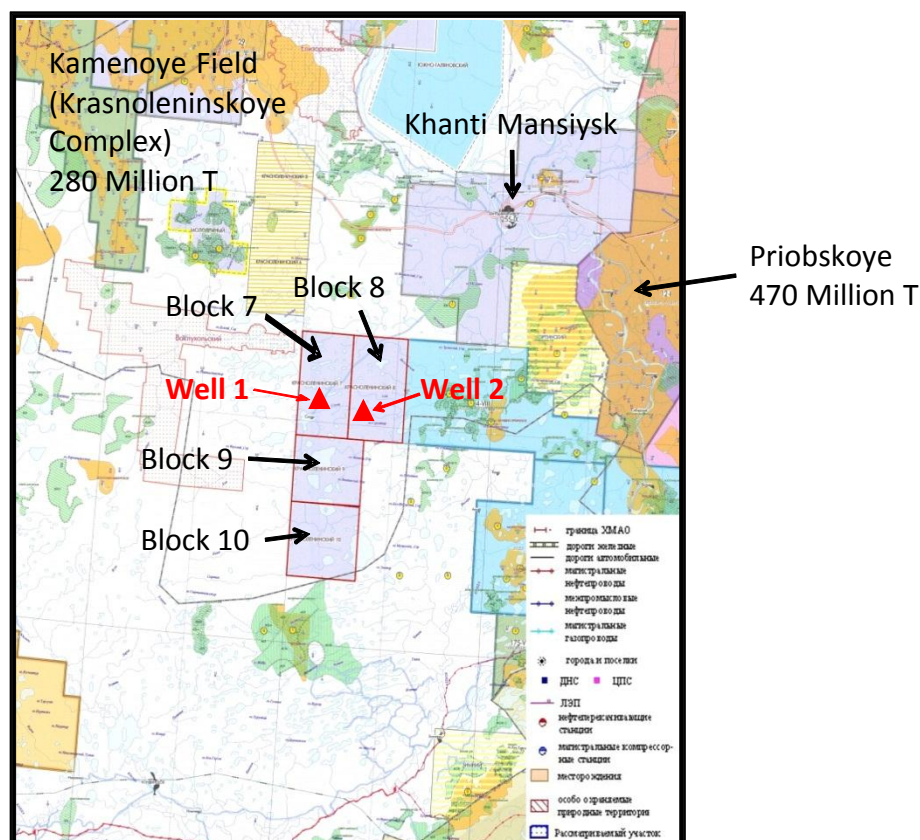


Figure 1: Location Map of Krasnoleninsky Project and Wells No. 1 and No. 2

The Company has completed the testing programme at Well No. 1 and Well No. 2.

During the first quarter of 2012, the Company currently plans to conduct a stimulation programme in these two wells and commence oil production, and intends to issue a reserve report for the Krasnoleninsky Project in accordance with the industry standard SPE-PRMS standards.

The current approved work program requires the drilling of two wells on the Krasnoleninsky blocks by 30 June 2012 and the drilling of two additional wells by 30 December 2012 ("**Current Work Program**"). The Company satisfied the first part of this requirement by drilling Wells No. 1 and No. 2 during 2011 and plans to satisfy the second part of the Current Work Program by drilling Wells No. 3 and No. 4 in licence blocks 9 and 10 respectively during 2012.

Commenting on the recent activities of the Company, Chris Hopkinson, International Petroleum CEO said, *"Despite the difficult conditions in the capital markets over recent months, the Company has continued with its plans and has acquired two exciting projects in Russia, including one that we believe contains up to 55 mmboe of 2P reserves and is looking forward to raising cash in the placing in January and producing oil from two of its projects in Russia early next year"*.

Yours faithfully

Tony Sage

Non-Executive Chairman

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About International Petroleum

International Petroleum is an oil and gas exploration company.

The Company is listed on the National Stock Exchange of Australia (**NSX: IOP**).

The Company owns 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 in Western Siberia (the "**Krasnoleninsky Project**"). During 2011, the Company drilled two exploration wells in the Krasnoleninsky Project and discovered commercial quantities of oil in both wells.

In August 2011, the Company signed a Share Purchase Agreement to acquire 100% of the shares of Vamaro Investments Limited ("**Vamaro**") with its current shareholder. Vamaro owns two licences for geological

study of subsoil, prospecting and extraction of oil and gas in the Khanty-Mansiysk Autonomous Region in Western Siberia (the “**Vamarov Project**”). Completion of the acquisition of Vamaro is expected to occur by the end of February 2012.

In November 2011, the Company signed a Share Purchase and Funding Agreement to acquire 75% of the shares of Charlize Investments Limited (“**Charlize**”). Charlize owns 100% of the issued share capital of OOO VostokNefteGaz (an entity incorporated in Russia), which owns an exploration licence in the Tomsk region of Western Siberia (the “**Tomsk Exploration Licence**” or the “**Druzhny Project**”). Completion of the acquisition of Charlize is expected to occur by the end of December 2011.

The Company also owns a 50% interest in an early stage project covering 24,649 km² in eastern and south eastern Kazakhstan (“**Kazakhstan Project**”), which borders the western boundary of the People’s Republic of China. International Petroleum’s subsidiary company, North Caspian Petroleum Limited, has exclusive exploration rights to the Kazakhstan Project until November 2012.

Whilst the Company is focused on exploration at its projects in Russia and Kazakhstan, it continues to evaluate other projects for potential acquisition.