

NSX Announcement  
31 January 2013

## **Quarterly Reports**

Please find attached the following reports relating to the quarter ended 31 December 2012:

- Quarterly Activities Report; and
- Quarterly Cash Flow.

Yours faithfully  
International Petroleum Limited

Tony Sage  
**Non-Executive Chairman**

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## **QUARTERLY ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2012**

International Petroleum Limited (**NSX: IOP**) ("**International Petroleum**" or the "**Company**"), an oil and gas exploration and production company with assets in Russia and Kazakhstan, is pleased to present its quarterly activities report for the quarter ended 31 December 2012.

### **HIGHLIGHTS**

- US\$0.4 million cash at bank at 31 December 2012.
- Secured additional US\$2 million convertible loan facility.
- Signed four production sharing contracts in the Republic of Niger.
- Continued production and sales of oil from well number 52 at the Zapadno-Novomolodezhny field.
- Completed the drilling of well number 38 at its Yuzhno-Sardakovsky field.

### **CORPORATE**

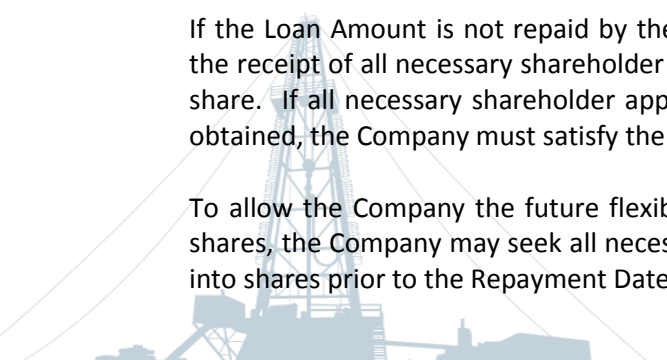
#### **Convertible loans**

During the quarter ended 31 December 2012, the Company secured an additional US\$2 million convertible loan facility ("**Loan Facility**") from Varesona Participation Corporation, an entity controlled by Frank Timis, who is a non-executive director and shareholder of the Company, to fund exploration expenditure and working capital. This Loan Facility is in addition to the two US\$2 million convertible loan facilities that the Company secured during the previous quarter.

Pursuant to the terms of the Loan Facility, the amount drawn down under the Loan Facility ("**Loan Amount**") attracts interest at the rate of 5% per annum and will be repayable by the Company 12 months from the date of the agreement (unless extended by the parties) ("**Repayment Date**").

If the Loan Amount is not repaid by the Repayment Date, the Loan Amount will be converted, subject to the receipt of all necessary shareholder approvals, into shares at a deemed issue price equal to A\$0.15 per share. If all necessary shareholder approvals for the conversion of the Loan Amount into shares are not obtained, the Company must satisfy the Loan Amount in cash and not shares.

To allow the Company the future flexibility to determine whether to satisfy the Loan Amount in cash or shares, the Company may seek all necessary shareholder approvals for the conversion of the Loan Amount into shares prior to the Repayment Date.



During the quarter ended 31 December 2012, the Loan Amount was fully drawn down.

### **Signing of four production sharing contracts between the Republic of Niger and International Petroleum**

During the quarter ended 31 December 2012, four production sharing contracts (the “PSCs”) between the Republic of Niger and International Petroleum Limited, which is incorporated in the Cayman Islands (the “Contractor”) and is a wholly-owned subsidiary of the Company, relating to four blocks known as Manga 1, Manga 2, Aborak and Ténéré Ouest (the “Blocks”) were signed.

The PSCs are expected to come into force during February 2013, when the Company pays the signature bonus to the Republic of Niger.

The Contractor will be the operator with a 100% ownership interest in the PSCs. The Exclusive Exploration Authority (“EEA”) is granted for an initial period of four years and can be renewed twice for a period of two years per renewal period, provided that the total duration of the validity of the EEA resulting from the aggregation of the initial period of four years and renewal periods does not exceed eight years. If a commercial deposit is established, an application is made for allocation of an Exclusive Development Authorisation (“EDA”) with an initial duration not exceeding 25 years and renewal for a maximum of ten years.

During the initial four year period of the EEA, the minimum work program is to conduct a gravity and magnetic survey, reprocess and reinterpret existing seismic lines, acquire and interpret new 2D seismic profiles and conduct exploration well drilling.

The Blocks are located in the south east of Niger in the West African Rift Subsystem, which is a component of the Western Central African Rift System and include parts of the Termit and N’Dgel Edgi rift basins, which contain continental to marine Early Cretaceous to Recent clastic sediments.

The areas of the Blocks are as follows:

Manga 1:	12,900 sq km
Manga 2:	11,490 sq km
Aborak:	24,640 sq km
Ténéré Ouest:	21,920 sq km
Total:	70,950 sq km

The Blocks are adjacent to the blocks known as Agadem and Ténéré, which are owned and operated by China National Petroleum Corporation (“CNPC”). On 28 November 2011, phase 1 of CNPC’s Agadem upstream and downstream integrated project was completed and became operational. It includes a 1 million tonnes per year oilfield, the Zinder Refinery (with 1 million tonnes per year capacity) and a 462.5 km oil pipeline, which connects the oilfield to the Zinder Refinery. The Zinder Refinery produces petroleum, diesel, fuel oil, and LPG, which will be first supplied to the domestic market of Niger and then exported to surrounding countries. CNPC’s Ténéré block covers the northern portion of the Termit-Ténéré Rift Basin in eastern Niger. The Termit-Ténéré Rift Basin is one arm of a series of rift basins that extend across north-central Africa. Similar basins in Libya, Chad and Sudan are currently in oil production. The southern half of the Termit-Ténéré Rift is covered by the adjacent Agadem block, where CNPC has made a series of oil and gas discoveries.

## **EXPLORATION AND PRODUCTION**

### **Yuzhno-Sardakovsky and Zapadno-Novomolodezhny Projects (in Western Siberia, Russia)**

The Company is the 100% legal and beneficial owner of two licences for geological study of subsoil, prospecting and extraction of oil and gas in the Yuzhno-Sardakovsky field and in the Zapadno-

Novomolodezhny field in the Khanty-Mansiysk Autonomous Region in Western Siberia (respectively, the **“Yuzhno-Sardakovsky Project”** and the **“Zapadno-Novomolodezhny Project”**).

Prior to the acquisition of the Yuzhno-Sardakovsky Project and the Zapadno-Novomolodezhny Project by the Company, 14 exploration wells had been drilled in the Zapadno-Novomolodezhny field and eight exploration wells had been drilled in the Yuzhno-Sardakovsky field. A communication corridor passes through the northern part of the Zapadno-Novomolodezhny block and includes pipelines and a hard-surface all-weather road, which can be used throughout the year, and a power transmission line.

During the quarter ended 30 June 2012, the Company worked over some of the historical well stock and constructed a short pipeline on the Zapadno-Novomolodezhny block to tie some of these wells into the existing pipeline.

In the period from 27 August 2012 to 31 December 2012, the Company produced 25,000 barrels of oil from well number 52 at the Zapadno-Novomolodezhny field at an average flow rate of 197 barrels per day.

By 31 December 2012, the Company had sold 24,500 barrels of crude oil to local offtakers and had received payments for 99.6% of these sales and was using electric submersible pumps to test wells number 18 and 25 at the Zapadno-Novomolodezhny field, with a view to bringing them into production by 31 March 2013.

During the quarter ended 31 December 2012, the Company completed the drilling of well number 38 at its Yuzhno-Sardakovsky field to its final depth of approximately 3,500 metres. This well is an appraisal well that was drilled with the purposes of increasing proved reserves in known reservoirs, discovering new production reservoirs, obtaining new core data, clarifying well production potential and preparing for production drilling of the field. Testing of the well continues.

The commencement of oil production in the Yuzhno-Sardakovsky block is expected to occur by April 2013. The nearest oil pipelines are 16 km from the block and the nearest hard-surface road is 11 km from the block.

Yours faithfully

Tony Sage  
**Non-Executive Chairman**

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## About International Petroleum

International Petroleum is an oil and gas exploration and production company.

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

The Company owns:

1. a 100% equity interest in a licence over the Zapadno-Novomolodezhny field for geological study of subsoil, prospecting and extraction of oil and gas in the Khanty-Mansiysk Autonomous Region in Western Siberia (the **“Zapadno-Novomolodezhny Project”**).
2. a 100% equity interest in a licence over the Yuzhno-Sardakovsky field for geological study of subsoil, prospecting and extraction of oil and gas in the Khanty-Mansiysk Autonomous Region in Western Siberia (the **“Yuzhno-Sardakovsky Project”**).
3. a 75% equity interest in the exploration rights to four blocks, covering a total area of 1,467 km<sup>2</sup>, 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 and registered these two oil fields as the Vostochno-Kamskoye field and the Yanlotskoye field.
4. a 75% equity interest in an exploration licence in the Tomsk region of Western Siberia (the **“Tomsk Exploration Licence”** or the **“Druzhny Project”**).
5. a 50% interest in an early stage project covering 24,649 km<sup>2</sup> in eastern and south eastern Kazakhstan (the **“Alakol 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 existing projects in Russia and Kazakhstan, it continues to review other companies and areas, such as Russia and Africa, for opportunities to acquire additional exploration and/or production projects.

# Quarterly Report

Name of entity

INTERNATIONAL PETROLEUM LIMITED

ABN

76 118 108 615

Quarter ended ("current quarter")

31 December 2012

## Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$US'000	Year to date (12 months) \$US'000
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) staff costs	(270)	(1,197)
	(b) advertising and marketing	(16)	(107)
	(c) research and development	-	-
	(d) leased assets	-	-
	(e) other working capital	(142)	(768)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	8	41
1.5	Income taxes paid	(8)	(9)
1.6	Other (provide details if material)		
	(a) business development	(145)	(1,181)
<b>Net operating cash flows</b>		<b>(573)</b>	<b>(3,221)</b>

	Current quarter \$US'000	Year to date (12 months) \$US'000
1.7 Net operating cash flows (carried forward)	<b>(573)</b>	<b>(3,221)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for acquisition of:		
(a) payment of cash consideration for controlled entity acquired in prior year	-	(3,000)
(b) payment of liabilities assumed (controlled entity acquired in prior year)	-	(4,000)
(c) purchase of equity investments	-	-
(d) intellectual property	-	-
(e) physical non-current assets	(193)	(1,520)
(f) other non-current assets	-	-
(g) exploration & evaluation expenditure	(2,992)	(24,030)
1.9 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)		
(a) performance bonds put in place	-	-
(b) performance bonds relinquished	-	-
(c) security for facilities put in place	-	-
(d) security for facilities relinquished	132	152
<b>Net investing cash flows</b>	<b>(3,053)</b>	<b>(32,398)</b>
<b>1.13 Total operating and investing cash flows</b>	<b>(3,626)</b>	<b>(35,619)</b>
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc (net of costs)	-	34,046
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	2,200	8,400
1.17 Repayment of borrowings	-	(7,110)
1.18 Dividends paid	-	-
1.19 Interest and other costs of finance paid	-	(233)
1.20 Other (provide details if material)	-	-
<b>Net financing cash flows</b>	<b>2,200</b>	<b>35,103</b>
<b>Net increase (decrease) in cash held</b>	<b>(1,426)</b>	<b>(516)</b>
1.21 Cash at beginning of quarter/year to date	1,853	918
1.22 Exchange rate adjustments	(52)	(27)
<b>1.23 Cash at end of quarter</b>	<b>375</b>	<b>375</b>

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

	Current quarter \$US'000
1.24 Aggregate amount of payments to the parties included in item 1.2	151
1.25 Aggregate amount of loans to the parties included in item 1.11	-

## 1.26 Explanation necessary for an understanding of the transactions

US\$316,185 of has been paid to directors during the quarter for the provision of their services as directors, of which US\$164,763 is included in item 1.8 (g) within investing cash flows and \$151,422 is included in item 1.2 (a) within operating cash flows.

**Non-cash financing and investing activities**

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

N/A

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

N/A

**Financing facilities available**

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

	Amount available \$US'000	Amount used \$US'000
3.1 Loan facilities	Nil <sup>1</sup>	16,200
3.2 Credit standby arrangements	-	-

<sup>1</sup> Loan facilities including convertible loans have been drawn down in full.



## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$US'000	Previous quarter \$US'000
4.1	Cash on hand and at bank	375	1,853
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>375</b>	<b>1,853</b>

## Acquisitions and disposals of business entities

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

## Compliance statement

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

Print name: Claire Tolcon

Date: 31 January 2013

## Notes

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