

NSX Announcement  
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## **Production Sharing Contracts over four licence blocks in Niger have come into force**

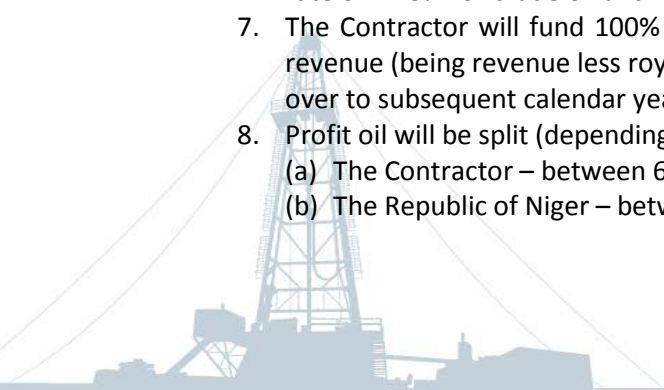
International Petroleum Limited (**NSX: IOP**) ("**International Petroleum**" or the "**Company**"), an oil and gas exploration company with assets in Russia and Kazakhstan, is pleased to announce that, following the fulfilment of certain conditions (the "**Conditions**"), four production sharing contracts (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**"), have come into force.

The Conditions that have been fulfilled for each of the four Blocks are:

- (a) assignment by the Republic of Niger to the Contractor of the Exclusive Exploration Authorisation (the "**EEA**");
- (b) publication in the official journal of the approval decree and of the assignment order; and
- (c) payment by the Contractor to the Republic of Niger of the signature bonus.

### **Key terms of the four PSCs**

1. The Contractor will be the operator with a 100% ownership interest in the PSCs throughout the life of the EEA.
2. The 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.
3. The Contractor agrees to carry out the minimum work programme for each PSC as outlined below.
4. If a commercial deposit is established, an application is made for allocation of an Exclusive Production Authorisation ("**EPA**") with an initial duration not exceeding 25 years and renewal for a maximum of ten years.
5. Under the EPA, the Republic of Niger will have right to acquire up to 20% of the EPA.
6. The Contractor shall pay to the Republic of Niger a royalty on net production of hydrocarbons at a rate of 12.5% for crude oil and 2.5% for natural gas.
7. The Contractor will fund 100% of the costs and can recover its costs up to a limit of 70% of net revenue (being revenue less royalty) per year and any excess costs not yet recovered will be carried over to subsequent calendar years until full recovery or expiration of the PSC.
8. Profit oil will be split (depending on the ratio of revenues to costs) as follows:
  - (a) The Contractor – between 60% and 50%
  - (b) The Republic of Niger – between 40% and 50%



9. The Contractor will pay an annual surface fee of 500 CFA (approximately 1 US dollar) per square kilometre for the initial period of four years of the EEA (i.e. a total of approximately US\$70,000 per year for the four PSCs).
10. The Contractor will not be subject to any direct income or corporate taxes, but will be subject to a capital gains tax of 25% on the gain on any assignment of interest in the EEA or EPA or on any disposal of assets.
11. Importation of products, equipment, materials, machinery and equipment used under the EEA are free of all duties and taxes at the time of importation.

### **Minimum Work Programme**

During the initial four year period of the EEA:

- (a) acquisition, processing and interpretation of 700 line km of new 2D seismic profiles; and
- (b) drilling one exploration well to a minimum depth of 2,500 metres.

During the first two year period of renewal of the EEA:

- (a) acquisition, processing and interpretation of 500 line km of new 2D seismic profiles;
- (b) drilling of two exploration wells to a minimum depth of 2,500 metres; and
- (c) in the case of a discovery, drilling one appraisal well.

During the second two year period of renewal of the EEA:

- (a) acquisition, processing and interpretation of 500 line km of new 2D seismic profiles;
- (b) drilling of two exploration wells to a minimum depth of 2,500 metres; and
- (c) in the case of a discovery, drilling one appraisal well.

### **Location and area of the Blocks**

The Blocks are located 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

### **Other oil operations in Niger and Chad**

The Blocks are located in the south east of Niger, 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 one of the Agadem upstream and downstream integrated project was completed by CNPC and became operational. It includes a one million tonnes per year oilfield, the one million tonnes per year Zinder Refinery 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. The 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 falls mainly into the Agadem Block, where CNPC has made a series of oil and gas discoveries.

In August 2012, United Hydrocarbon International Corp. ("UHIC"), a privately held oil and gas company announced the acquisition of a Production Sharing Contract (the "Contract") in the Republic of Chad. The

Contract includes 5.3 million acres across four blocks, including the Lake Chad block, which includes the southern tip of the Termit-Ténéré Rift Basin in Chad. Also in August 2012, UHIC completed a financing of C\$102,000,000 to complete the acquisition of the Contract and for working capital to plan and commence operations on the acquired blocks.

Commenting on the signing of the PSCs, Chris Hopkinson, International Petroleum CEO said, *"Recently, the Company has been focussed on exploration and production of oil from existing wells in Russia, but the acquisition of these four exploration Blocks in Niger represents the Company's first step in its strategy of diversifying into Africa, where it plans to use its extensive relationships to acquire more oil and gas exploration and/or production assets in the future. Since the Blocks in Niger are in the West African Rift Subsystem and are adjacent to blocks owned and operated by CNPC with numerous discovered oilfields with hundreds of millions of barrels of 2P reserves, a refinery and an export pipeline, I am particularly excited about them."*

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 100% equity interest in a licence over the the Yanchinsky block for geological study of subsoil and prospecting for oil and gas in the Khanty-Mansiysk Autonomous Region in Western Siberia (the **"Yanchinsky Project"**).

4. 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.
5. a 75% equity interest in an exploration licence in the Tomsk region of Western Siberia (the “**Tomsk Exploration Licence**” or the “**Druzhny Project**”).
6. 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.
7. a 100% equity interest in four production sharing contracts and exclusive exploration authorisations relating to four blocks in the Republic of Niger known as Manga 1, Manga 2, Aborak and Ténéré Ouest (the “**Niger Project**”).

Whilst the Company is focused on exploration at its existing projects in Russia, Kazakhstan and Niger, it continues to review other companies and areas, such as Russia and Africa, for opportunities to acquire additional exploration and/or production projects.