

NSX Announcement
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International Petroleum signs binding agreements for sale of Russian and Kazakhstan assets for US\$60 million

International Petroleum Limited (NSX: IOP) ("**International Petroleum**" or the "**Company**") has entered into two binding conditional terms sheets (individually "**Terms Sheet**" or together "**Terms Sheets**") with an unrelated company incorporated in Hong Kong ("**Buyer**") to sell its assets in Kazakhstan ("**Kazakhstan Assets**") and Russia ("**Russian Assets**") for US\$60 million.

Commenting on the reaching of agreement for the sale of its Kazakhstan and Russian assets, International Petroleum Chairman, Mr Tony Sage, said, "While these assets have only been marketed for a short period, we have received a binding agreement for a good sale price in difficult markets, which is an extremely pleasing result."

"With these assets now under a binding agreement, we are able to move the Company and its assets forward with significant financial clarity."

The sale of the Russian Assets is expected to complete in approximately one month and the sale of the Kazakhstan Assets is expected to complete in approximately six months (on receipt of Government Approval).

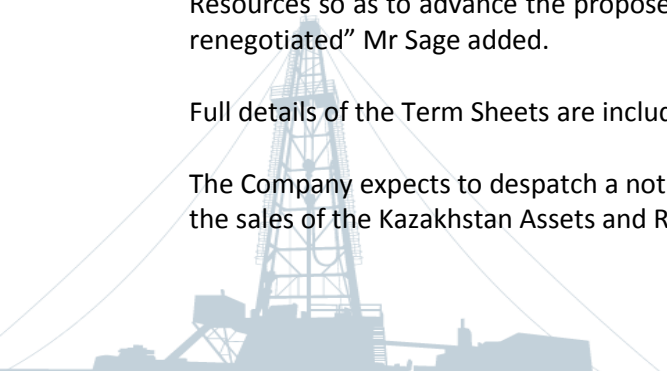
The Company will apply the funds received from the transactions towards payment of creditors and loans, general working capital and future exploration expenditure.

It will also look to advance its assets in Niger, along with entering into negotiations with Range Resources Limited (ASX: RRS, AIM: RRL) ("**Range Resources**") about a potential merger of the two companies on revised terms, given the Term Sheets for the sale of the Kazakhstan Assets and Russian Assets is now in place.

"With the binding agreements for the sale of our Kazakhstan and Russian assets now in place, the board will now look to rapidly advance our Niger acreage and proactively re-engage with the board of Range Resources so as to advance the proposed merger of the two companies in a timely fashion, on terms to be renegotiated" Mr Sage added.

Full details of the Term Sheets are included in the appendix of this announcement.

The Company expects to despatch a notice of general meeting to seek the approval of its shareholders for the sales of the Kazakhstan Assets and Russian Assets within the week.



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 largest oil-producing region of Russia (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 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 100% equity interest in two production licences for the Vostochno-Kamskoye oilfield and the Yanlotskoye oilfield, covering a total area of 161 km², and 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 **"Krasnoleninsky Project"**).
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 km² in eastern Kazakhstan (the **"Alakol Project"**), which borders the western boundary of the People's Republic of China.
7. a 100% interest in four production sharing contracts and four 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"**).

Key terms of the Terms Sheets

Kazakhstan Assets

- (a) Pursuant to the Terms Sheet between the Company and the Buyer, the Company will sell 100% of the issued shares in the Company's wholly-owned subsidiary company, Eastern Petroleum Corporation Limited ("**EPCL**"), which is the owner of 100% of the issued shares in North Caspian Petroleum Limited ("**NCPL**"), which is:
- (i) the holder of a 50% interest in the subsurface use contract, which confers rights to conduct exploration of hydrocarbon resources in the Alakol Basin in the Republic of Kazakhstan and was registered by Ministry of Oil and Gas (formerly Ministry of Energy and Mineral Resources) under registration number 1766 on 13 June 2005 ("**Subsurface Use Contract**"); and
 - (ii) the owner of 100% issued shares in a Republic of Kazakhstan entity, North Caspian Petroleum Company (NCPK) Limited Liability Partnership ("**NCPK**"), which acts as an operator for the holders of the Subsurface Use Contract in Kazakhstan.
- (b) The consideration for the acquisition is 10million US dollars.
- (c) The completion of the transaction is conditional on the following:
- (i) receipt of a letter from the Buyer to confirm satisfactory due diligence by the Buyer of the Kazakhstan Assets;
 - (ii) receipt of the approvals by shareholders and/or directors of both the Company and the Buyer; and
 - (iii) receipt of the approval from the Kazakhstan Ministry of Oil and Gas of the sale and purchase of the Kazakhstan Assets ("**Government Approval**").
- (d) The Buyer will deposit 10million US dollars into an escrow account with an international law firm in two stages; 1million US dollars within 3 days of the signing of the Terms Sheet and 9million US dollars within 3 days from issuance of the satisfactory due diligence report and receipt of the Government Approval.
- (e) Payments from the escrow account will be made to the Company in two instalments: 2million US dollars against presentation of the share transfer form, receipt of the satisfactory due diligence report and receipt of Government Approval and 8million US dollars against receipt of a letter from the Company certifying that all debts of EPCL, NCPL and NCPK have been fully and finally settled.

Russian Assets

- (a) Pursuant to the Terms Sheet between the Company's wholly-owned subsidiary, International Petroleum Limited (a company incorporated in the Cayman Islands) ("**Seller**") and the Buyer, the Seller will sell to the Buyer 100% of the issued shares in the Seller's wholly-owned subsidiary company, IPL Siberia Limited ("**IPL Siberia**"), which is the owner of 100% of the issued shares in Vamaro Investments Limited (a company incorporated in Cyprus) ("**Vamaro**"), which owns:
- (i) 100% of the issued shares in Yuzhno-Sardakovskoye LLC (a company incorporated in Russia), which is the holder of:
 - the licence with number KhMN 14621 NE for geological study of subsoil, prospecting and extraction of oil and gas within Yuzhno-Sardakovskoye field; and
 - the licence with number KhMN 02777 NP for geological study of subsoil and prospecting of oil and gas within Yanchinsky block;
 - (ii) 100% of the issued shares in Zapadno-Novomolodezhnoye LLC (a company incorporated in Russia), which is the holder of the licence with number KhMN 14622 NE for geological study of subsoil, prospecting and extraction of oil and gas within Zapadno-Novomolodezhnoye and Novomolodezhnoye fields;
 - (iii) 100% of the issued shares in Souville Investments Limited (a company incorporated in Cyprus), which owns 100% of the issued shares in Irtysh-Neft LLC (a company incorporated in Russia), which is the holder of:

- the licence with number KhMN 01996 NP for geological study and prospecting within Krasnoleninsky Block-7;
 - the licence with number KhMN 01997 NP for geological study and prospecting within Krasnoleninsky Block-8;
 - the licence with number KhMN 01998 NP for geological study and prospecting within Krasnoleninsky Block-9;
 - the licence with number KhMN 01999 NP for geological study and prospecting within Krasnoleninsky Block-10;
 - the licence with number KhMN 15581 NE for exploration and extraction within Vostochno-Kamskoye field;
 - the licence with number KhMN 15580 NE for exploration and extraction within Yanlotskoye field;
- (iv) 75% of the issued shares in Charlize Investments Limited (a company incorporated in Cyprus), which owns 100% of the issued shares in Vostokneftegaz LLC (a company incorporated in Russia), which is the holder of the licence with number TOM 01561NP for geological study and prospecting within Druzhny Block; and
- (v) 100% of the issued shares in International Petroleum Services Limited ("**MNSK**"), acting as an operator for the holders of the licences in Russia.
- (b) The consideration for the acquisition is 50million US dollars.
- (c) The completion of the transaction is conditional on the following:
- (i) receipt of a letter from the Buyer to confirm satisfactory due diligence by the Buyer of the Russian Assets; and
 - (ii) receipt of the approvals by shareholders and directors of the Seller and the Buyer.
- (d) The Buyer will deposit 5million US dollars into an escrow account with an international law firm in two stages; 5million US dollars within 3 days of the signing of the Terms Sheet and 45million US dollars within 10 days from issuance of the satisfactory due diligence report.
- (e) Payments from the escrow account will be made to the Company in two instalments; 30million US dollars against presentation of the share transfer form and receipt of the satisfactory due diligence letter and 20million US dollars against receipt of a letter from the Seller certifying that all debts of IPL Siberia and its subsidiaries have been fully and finally settled.