

# *International Petroleum Limited*

(ABN 76 118 108 615)

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## *Annual Financial Report for the year ended 31 December 2015*

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***CORPORATE DIRECTORY***

***NON-EXECUTIVE CHAIRMAN***

Antony Sage

***NON-EXECUTIVE DIRECTORS***

Timothy Turner

Frank Timis

***COMPANY SECRETARY***

Jason Brewer

***PRINCIPAL & REGISTERED OFFICE***

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***STOCK EXCHANGE LISTING***

National Stock Exchange of Australia

***Code: IOP***

**DIRECTORS' REPORT**

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Your Directors present their report on International Petroleum Limited ("International Petroleum" or the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

**OFFICERS****Directors**

The names of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Mr Antony Sage  
Mr Timothy Turner  
Mr Frank Timis

**Company Secretary**

Mr Jason Brewer

**PRINCIPAL ACTIVITIES**

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

**REVIEW OF OPERATIONS****PROJECTS****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.

During the 2013, the Company conducted in house geological study of the blocks and worked on a new geological model, in communication with third parties. The new geological model was to be used for re-evaluation of resources and an update of the exploration program.

In 2014, the Company planned to carry out a further seismic study in order to assist with targeting the reservoir-quality sands and selecting the locations of future exploration wells. This did not eventuate due to a licence dispute arising, with details as follows.

On 4 August 2014, the Company received a notification from the Ministry of Energy of the Republic of Kazakhstan (formerly the Ministry of Oil and Gas) ("ME") that its rights to the Alakol licence had been withdrawn by ME unilaterally. The Company did not accept this as being justified and filed a lawsuit against ME demanding that the licence be reinstated back to the Company. A first instance court hearing was held on 16 January 2015 to address our claim for the licence to be reinstated and was decided in our favour. It was also recommended by the court of first instance that the licence expiry date be extended to account for lost time since the date the licence was withdrawn. ME appealed this decision, and won. Immediately following this appeal court decision, the Company submitted a cessation appeal against it on 28 April 2015 and an official ruling against this was issued on 10 June 2015. The Company had one year, till the 10 June 2016, to submit its appeal to the Supreme Court.

Due to new legislation, specifically the Civil Procedural Code of the Republic of Kazakhstan, which was to be applied retrospectively, the deadline to submit an appeal to the Supreme Court changed to 10 December 2015. During December 2015 the Company lodged its appeal and the Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation has subsequently been lodged through the General Prosecutors office in relation to this decision. A decision is still pending and is expected by the end of Quarter 1, 2017.

**DIRECTORS' REPORT**

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**Garatau and Tubatse Project**

During October 2009, the Company entered into a sale agreement (the “Sale Agreement”) with Nkwe Platinum Limited (ASX: NKP) (“Nkwe”) relating to the Company’s interest in a South African platinum project (“Tubatse Project”).

Hoepakrantz 291 KT, together with prospecting licenses Nooitverwacht 324 KT and Eerste Geluk 327 KT, were known as the Tubatse Project (a South African platinum project). Hoepakrantz 291 KT now forms part of the Garatau Project, with two other prospecting licences. The Company has no interest in the other two prospecting licences forming part of the Garatau Project. Due to the continued uncertainty surrounding ownership title, the Company assigns no value to its 10% interest in prospecting licences Nooitverwacht 324 KT and Eerste Geluk 327 KT.

Owing to the continued delays to the settlement of the dispute about the ownership of two of the three mineral farms that comprise the Tubatse Project and the negotiations with suitable joint venture partners, Nkwe had not been able to pay the A\$45 million consideration to the Company by the revised agreement date of 31 December 2012. Company has fully impaired the carrying value of Hoepakrantz 291 KT as at 30 June 2015.

On 22 January 2016, the Company commenced legal proceedings in the Supreme Court of Western Australia against NKWE Platinum Ltd (NKWE) claiming A\$45,000,000 in relation to the failure by NKWE to pay for the purchase of International Petroleum’s 10% interest in prospective platinum tenements known as Hoepakrantz 291 KT, Nooitverwacht 324 KT and Eerste Geluk 327 KT located in the Eastern Limb of the Bushveld Complex in the Republic of South Africa (Tubatse Project or IGC Project) in accordance with the Sale Agreement between International Petroleum and NKWE dated 4 October 2009 (Sale Agreement).

Despite International Petroleum’s several attempts to resolve this matter without formal legal proceedings and to the mutual satisfaction of both parties, NKWE has failed to honour its commitments to International Petroleum. Accordingly, International Petroleum was left with no choice but to commence legal proceedings against NKWE.

On 29 February 2016, the Company was served with a defence from NKWE together with a counter-claim in the sum of A\$10 million seeking restitution of funds previously paid by NKWE to International Petroleum under the Sale Agreement between International Petroleum and NKWE Platinum dated 4 October 2009.

During May 2016, all legal proceedings were settled with NKWE on the basis that each party agreed to its claim against the other being dismissed, with no orders as to costs. As part of the settlement agreement, an amount of A\$280,000 was paid by NKWE to the Company on 20 May 2016.

**Niger Project**

On 30 November 2012, four production sharing contracts (the “PSCs”) between the Republic of Niger and International Petroleum Limited, a wholly-owned subsidiary of the Company incorporated in the Cayman Islands (the “Contractor”), were signed. The PSC’s relate to four blocks known as Manga 1, Manga 2, Aborak and Ténéré Ouest (the “Blocks”). 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.

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.

On 13 February 2013, the Government of Niger issued Exclusive Research Authorizations (“EEA”) to the Contractor. Following the payment of signature bonuses and other mandatory payments in early 2013, the production sharing contracts came into force.

The EEA was 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.

In 2013, the Company gathered historic geological and geophysical (“G&G”) data on the blocks and conducted in house G&G studies of the area, including reinterpretation of existing G&G data. The Company undertook a reconnaissance survey of the area in June 2014.

**DIRECTORS' REPORT**

During June 2016, the Company relinquished the exploration permits due to the continuing threats to security along the Niger-Nigerian border and the Republic of Niger's declaration of a state of emergency in this region, including areas contained within the Company's exploration blocks, a force majeure has been in place since February 2015. This security risk, combined with the deterioration of the global oil market, means the Company cannot continue with planned exploration in Niger.

**NSX SUSPENSION**

At the Company's request the Company's shares have been suspended from trading on the NSX since 27 March 2013. The Company is currently working towards meeting its reporting obligations and will apply to the NSX and request that trading resume in due course. An announcement will be sent to shareholders once the trading suspension is lifted.

**FINANCIAL SUMMARY**

The Group incurred a loss after income tax of US\$6,361,211 (2014: profit of US\$3,806,739); of which a loss of US\$6,361,211 (2014: profit of US\$1,832,829) related to continuing operations and nil (2014: profit of US\$1,973,910) related to discontinued operations. The Group's result from continuing operations includes the following:

- Impairment losses on exploration and evaluation expenditure of US\$3,646,156 (2014: US\$3,483,119) reflecting the Group's ongoing evaluation of its exploration portfolio. The background for the impairment losses are detailed in Note 12 to the financial statements.
- Net foreign exchange gains of US\$387,029 (2014: net foreign exchange gains of US\$1,105,053) primarily related to the movements in cash balances denominated in a foreign currency.

The exploration activities in 2015 are set out in the Review of Operations - Projects above.

**CASH FLOWS, LIQUIDITY AND FUNDING**

Net cash flows used in operations during the year were US\$3,149,532 (2014: US\$4,355,095). There was a decrease of US\$4,288,818 in the cash balance from US\$5,688,513 at 31 December 2014 to US\$1,399,695 at 31 December 2015.

No funding was received by the Group during the year (2014: nil).

**CHANGES TO CONTRIBUTED EQUITY**

1,500,000 options were granted during the year (2014: 20,000,000); 2,000,000 options were forfeited (2014: 35,500,000) and 10,500,000 options expired during the year (2014: 200,000). As at 31 December 2015, there were 14,000,000 share options on issue (31 December 2014: 25,000,000 share options on issue).

**DIVIDENDS PAID OR RECOMMENDED**

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

The following significant events and transactions have taken place subsequent to 31 December 2015:

- On 22 January 2016, the Company commenced legal proceedings in the Supreme Court of Western Australia against NKWE Platinum Ltd (NKWE) claiming A\$45,000,000 in relation to the failure by NKWE to pay for the purchase of International Petroleum's 10% interest in prospective platinum tenements known as Hoepakrantz 291 KT, Nooitverwacht 324 KT and Eerste Geluk 327 KT located in the Eastern Limb of the Bushveld Complex in the Republic of South Africa (Tubatse Project or IGC Project) in accordance with the Sale Agreement between International Petroleum and NKWE dated 4 October 2009 (Sale Agreement).

Despite International Petroleum's several attempts to resolve this matter without formal legal proceedings and to the mutual satisfaction of both parties, NKWE has failed to honour its commitments to International Petroleum. Accordingly, International Petroleum was left with no choice but to commence legal proceedings against NKWE.

On 29 February 2016, the Company was served with a defence from NKWE together with a counter-claim in the sum of A\$10 million seeking restitution of funds previously paid by NKWE to International

**DIRECTORS' REPORT**

Petroleum under the Sale Agreement between International Petroleum and NKWE Platinum dated 4 October 2009.

During May 2016, all legal proceedings were settled with NKWE on the basis that each party agreed to its claim against the other being dismissed, with no orders as to costs. As part of the settlement agreement, an amount of A\$280,000 was paid by NKWE to the Company on 20 May 2016.

- Towards the end of 2014, a wrongful dismissal claim and other employment related claims were brought against the Company and two of its Directors by a former employee of the Company. A judgment has recently been handed down by the UK Employment Tribunal, provisionally awarding £1,767,203.16 including taxes to the former employee. No amounts have been paid in respect of this award by the Company. The Company and its Directors strongly dispute the claims and have lodged an appeal which is scheduled to be heard by the UK Employment Tribunal on 23 May 2017.
- During June 2016, the Company advised that the Manga-1, Manga-2, Ténéré Ouest and Aborak Oil exploration permits have been relinquished by the Company. Due to the continuing threats to security along the Niger-Nigerian border and the Republic of Niger's declaration of a state of emergency in this region, including areas contained within the Company's exploration blocks, a force majeure has been in place since February 2015. This security risk, combined with the deterioration of the global oil market, means the Company cannot continue with planned exploration in Niger.
- On 4 August 2014, the Company received a notification from the Ministry of Energy of the Republic of Kazakhstan (formerly the Ministry of Oil and Gas) ("ME") that its rights to the Alakol licence had been withdrawn by ME unilaterally. The Company did not accept this as being justified and filed a lawsuit against ME demanding that the licence be reinstated back to the Company. A first instance court hearing was held on 16 January 2015 to address our claim for the licence to be reinstated and was decided in our favour. It was also recommended by the court of first instance that the licence expiry date be extended to account for lost time since the date the licence was withdrawn. ME appealed this decision, and won. Immediately following this appeal court decision, the Company submitted a cessation appeal against it on 28 April 2015 and an official ruling against this was issued on 10 June 2015. The Company had one year, till the 10 June 2016, to submit its appeal to the Supreme Court.

Due to new legislation, specifically the Civil Procedural Code of the Republic of Kazakhstan, which was to be applied retrospectively, the deadline to submit an appeal to the Supreme Court changed to 10 December 2015. During December 2015 the Company lodged its appeal and the Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation has subsequently been lodged through the General Prosecutors office in relation to this decision. A decision is still pending and is expected by the end of Quarter 1, 2017.

- 10,000,000 unlisted options with an exercise price of A\$0.06 expired on 2 October 2016. A further 1,500,000 unlisted options with an exercise price of A\$0.25 were forfeited on 31 January 2016 upon resignation of a former employee.

No other event has arisen between 31 December 2015 and the date of this report that would be likely to materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

The Review of Operations, included in this Directors Report, outlines the significant changes in the state of affairs during the year.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Company will continue to meet its obligations with respect to its oil and gas projects.

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with the relevant environmental regulations when carrying out any exploration work. There have been no significant known breaches of the Company's exploration license conditions or any environmental regulations to which it is subject.

**DIRECTORS' REPORT****INFORMATION ON DIRECTORS**

<b>Antony Sage</b>	<i>Non-Executive Chairman</i>
Qualifications	B.Com, FCPA, CA, FTIA
Experience	<p>Mr Sage has in excess of 30 years' experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining and exploration companies for the last 18 years. Mr Sage has operated in Argentina, Brazil, Peru, Romania, Russia, Sierra Leone, Guinea, Cote d'Ivoire, Congo, South Africa, Indonesia, China and Australia.</p> <p>Mr Sage is currently Chairman of ASX-listed Australian companies, Cape Lambert Resources Ltd (which was AIM Company of the year in 2008), Cauldron Energy Ltd and Fe Ltd. Mr Sage is also the Non-Executive Chairman of Global Strategic Metals Limited, which delisted from the ASX on 15 August 2014.</p> <p>Further to Mr Sage's current directorships he was also director of NSX listed African Petroleum Corporation Limited (October 2007 to June 2013), ASX-listed International Goldfields Limited (February 2009 to May 2013), ASX-listed Caeneus Minerals Ltd (December 2010 to January 2016) and ASX-listed African Iron Limited (January 2011 to March 2012) and unlisted Kupang Resources Ltd (September 2010 to present).</p> <p>Mr Sage is also the sole owner of A League football club Perth Glory that plays in the National competition in Australia.</p>
Interest in Shares and Options	Mr Sage has an interest in 15,480,691 fully paid ordinary shares
<b>Timothy Turner</b>	<i>Non-Executive Director</i>
Qualifications	B.Bus, FCPA, CTA, Registered Company Auditor and SMSF Auditor.
Experience	<p>Mr Turner is senior partner with accounting firm, Hewitt Turner &amp; Gelevitis. Mr Turner specialises in domestic business structuring, corporate advisory and the issuing of audit opinions. Mr Turner also has in excess of 30 years' experience in new ventures and general business consultancy.</p> <p>Mr Turner is also a Non-Executive director of ASX-listed entities Cape Lambert Resources Limited and Legacy Iron Limited and OSLO listed African Petroleum Corporation Limited.</p>
Interest in Shares and Options	Mr Turner has an interest in 161,819 fully paid ordinary shares
<b>Frank Timis</b>	<i>Non-Executive Director</i>
Experience	<p>Mr Timis is a successful resource entrepreneur. He has interests in numerous resource companies listed in London, Australia and Toronto and in assets worldwide. Mr Timis has raised approximately US\$2 billion on the financial markets worldwide.</p> <p>Mr Timis was also director of NSX listed African Petroleum Corporation Limited (June 2010 to October 2013) and Executive Chairman of African Minerals Limited until early 2015.</p>
Interest in Shares and Options	Mr Timis, or entities he controls or is a beneficiary of, holds 565,665,277 fully paid ordinary shares

**DIRECTORS' REPORT****COMPANY SECRETARY**

Mr Jason Brewer was appointed as Company Secretary on 31 January 2014. Mr Brewer has over 18 years' international experience in the natural resources sector and in investment banking. He is a mining engineer with a Master's degree in mining engineering with honours from the Royal School of Mines, London. He has experience in a variety of commodities having worked in underground and opencast mining operations in the UK, Australia, Canada and South Africa. In addition he has worked for major global investment banks including Dresdner Kleinwort Benson, NM Rothschild & Sons (Australia) Limited and Investec Bank (Australia) Limited in London, Sydney and Perth; where he had particular responsibility for structuring and arranging corporate and project funding facilities for mining companies operating in Asia and Africa.

**REMUNERATION REPORT (audited)**

This report details the nature and amount of remuneration of key management personnel of the Company.

**Remuneration policy****Details of directors and other key management personnel***(i) Directors*

Antony Sage	Non-Executive Chairman
Timothy Turner	Non-Executive Director
Frank Timis	Non-Executive Director

*(ii) Other Key Management Personnel*

Jason Brewer	Company Secretary
Anya Belogortseva	Finance Director and Senior VP Kazakhstan & Niger

There are no other specified executives of the Group.

The Board's policy for determining the nature and amount of remuneration for Board members is as follows:

The remuneration policy, setting the terms and conditions for the directors, was approved by the Board as a whole. The Board has not established a separate Remuneration and Nomination Committee.

The Group is an exploration group, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. Remuneration may consist of a salary, bonuses, or any other element but must not be a commission on, or percentage of, operating revenue.

All remuneration paid to Non-Executive Directors is valued at the cost to the Company and expensed. All remuneration paid to Executive Directors is valued at cost to the Company. Options are valued using the Black-Scholes methodology.

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board as a whole determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of cash fees that can be paid to Non-Executive Directors is US\$327,938 (A\$450,000) or such other amount approved by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Company.

The Board exercises its discretion in determining remuneration linked to performance of executives. Given the early stage of the Group's key exploration projects, options awarded to executives of the Group contain vesting conditions which are related to the expansion of the Group's exploration asset portfolio and the discovery of hydrocarbons. At times, options are awarded with no performance conditions attached, instead vesting on certain service period milestones being reached, in order to retain talented executives. Discretionary bonuses are awarded, subject to the approval of the Remuneration Committee, based on assessment of performance and other discretionary factors.

The 2014 remuneration report received positive shareholder support at the 2015 Annual General Meeting with a vote of 99% in favour.

**DIRECTORS' REPORT****Company Performance and Shareholder Wealth and Directors' and Executives' Remuneration**

The Board continues to maintain promotional activity amongst analysts so as to increase investor awareness of the Company in line with a consistent and stable financial position and base value of assets. Below is a summary of the performance of the parent company, International Petroleum Limited, for the last 5 years:

	<b>2011 US\$</b>	<b>2012 US\$</b>	<b>2013 US\$</b>	<b>2014 US\$</b>	<b>2015 US\$</b>
Profit/(loss) for the period	(27,463,912)	(3,362,144)	(133,176,144)	3,806,739	(6,361,211)
Basic EPS (cents)	(2.79)	(0.31)	(11.27)	0.29	(0.38)
Share price at end of period (A\$)	A\$0.15	A\$0.065	A\$0.06	A\$0.06	A\$0.06

**Details of remuneration of directors and key management personnel of International Petroleum for the year ended 31 December 2015**

The table below sets out the remuneration of the directors and key management personnel of International Petroleum and its subsidiaries for the year ended 31 December 2015.

	Short term benefits			Post-employment benefits	Share-based payments <sup>1</sup>		Total	Performance related	Percentage of total remuneration that consists of options
	Salary and fees US\$	Other cash benefits US\$	Cash bonus US\$	Pension contribution US\$	Options US\$	Shares US\$		%	%
<b>Directors</b>									
A Sage <sup>(i)</sup>	75,120	-	-	-	-	-	75,120	-	-
T Turner <sup>(ii)</sup>	36,058	-	-	-	-	-	36,058	-	-
F Timis <sup>(iii)</sup>	(197,191)	-	-	-	-	-	(197,191)	-	-
	<b>(86,013)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(86,013)</b>	<b>-</b>	<b>-</b>
<b>Key management</b>									
A Belogortseva <sup>(iv)</sup>	347,978	-	320,373 <sup>2</sup>	33,529	284	-	702,164	0.04	-
J Brewer <sup>(v)</sup>	36,058	-	-	-	-	-	36,058	-	-
<b>Total</b>	<b>298,023</b>	<b>-</b>	<b>320,373</b>	<b>33,529</b>	<b>284</b>	<b>-</b>	<b>652,209</b>	<b>0.04</b>	<b>-</b>

<sup>1</sup> Share based payments represents the fair value of options and deferred performance shares recognised in the financial statements during 2015.

<sup>2</sup> A bonus of US\$320,373 (GBP225,000) has been accrued by the Company for 2015 for Ms Belogortseva in line with the terms of her employment agreement with the Company. No bonus has been paid to Ms Belogortseva during the current year.

**DIRECTORS' REPORT****Details of remuneration of directors and key management personnel of International Petroleum for the year ended 31 December 2014**

The table below sets out the remuneration of the directors and key management personnel of International Petroleum and its subsidiaries for the year ended 31 December 2014.

	Short term benefits			Post-employment benefits	Share-based payments <sup>1</sup>			Performance related	Percentage of total remuneration that consists of options
	Salary and fees US\$	Other cash benefits US\$	Cash bonus US\$	Pension contribution US\$	Options US\$	Shares US\$	Total US\$	%	%
<b>Directors</b>									
A Sage <sup>(i)</sup>	203,040	-	-	-	-	-	203,040	-	-
T Turner <sup>(ii)</sup>	43,315	-	-	-	-	-	43,315	-	-
F Timis <sup>(iii)</sup>	67,680	-	-	-	-	-	67,680	-	-
W McAvoek <sup>(vi)</sup>	137,856	4,168	-	13,563	260	-	155,847	-	-
C Hopkinson <sup>(vii)</sup>	70,526	1,329	-	6,957	(386,573)	(1,462,530)	(1,770,291)	-	-
	<b>522,417</b>	<b>5,497</b>	<b>-</b>	<b>20,520</b>	<b>(386,313)</b>	<b>(1,462,530)</b>	<b>(1,300,409)</b>	<b>-</b>	<b>-</b>
<b>Key management</b>									
A Belogortseva <sup>(iv)</sup>	351,767	43,393	174,771	17,614	-	-	587,545	30	-
A Osipov <sup>(viii)</sup>	399,051	36,712	-	-	(237,130)	495	199,128	-	-
J Brewer <sup>(v)</sup>	39,706	-	-	-	-	-	39,706	-	-
C Tolcon <sup>(ix)</sup>	9,800	-	-	-	-	-	9,800	-	-
<b>Total</b>	<b>1,322,741</b>	<b>85,602</b>	<b>174,771</b>	<b>38,134</b>	<b>(623,443)</b>	<b>(1,462,035)</b>	<b>(464,230)</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Share based payments represents the fair value of options and deferred performance shares recognised in the financial statements during 2014.

**DIRECTORS' REPORT**

- (i) An aggregate amount of US\$75,120 (A\$100,000) was paid, or was due and payable, to Okewood Pty Ltd, a company controlled by Mr Sage, for the provision of his services as a director of the Company for the current year (2014: US\$90,240). A further US\$112,800 (A\$125,000) was also paid to Okewood Pty Ltd for Mr Sage's consultancy services provided to the Group for the prior year.
- (ii) An aggregate amount of US\$36,058 (A\$48,000) was paid, or was due and payable, to CRMS, an entity controlled by Mr Turner, for the provision of his services as a director of the Company for the current year (2014: US\$43,315).
- (iii) An aggregate amount of US\$(197,191) (A\$262,500) was paid, or was due and payable, to Frank Timis for the provision of his services as a director of the Company for the current year and included a forgiveness of amounts due of US\$229,727 (A\$300,000) by Mr Timis. An amount of US\$67,680 was recognised in the prior year for Mr Timis's provision of services as a director of the Company.
- (iv) An aggregate amount of US\$347,978 (£227,676) was paid, or was due and payable, to Ms Belogortseva for the provision of her services as Finance Director, Senior VP Kazakhstan and Niger (2014: US\$351,767). Ms Belogortseva is guaranteed a bonus each year equivalent to her annual salary. US\$320,373 has been accrued in the current year in relation to her bonus for the current year.
- Ms Belogortseva holds 3,000,000 unlisted options in the Company. 1,500,000 options have an exercise price of A\$0.25 and an expiry date of 16 March 2016. These options were issued and vested during 2010. Ms Belogortseva was issued a further 1,500,000 options during the current year. These options have an exercise price of A\$0.06, an expiry date of 8 June 2017 and vest upon the sale of the Company's Nigerian exploration asset.
- (v) An aggregate amount of US\$36,058 (A\$48,000) was paid, or was due and payable, to J C Trust, an entity controlled by Mr Brewer for company secretary and legal counsel services provided in the current year (2014: US\$39,706).
- (vi) An aggregate amount of US\$137,856 (£90,256) was paid, or was due and payable, to William McAvock for the prior year.
- Mr McAvock held 3,000,000 unlisted options in the Company, of which 1,000,000 were forfeited and 2,000,000 were cancelled following his resignation on 12 June 2014.
- (vii) An aggregate amount of US\$70,526 (£49,583) was paid, or was due and payable, to Mr Hopkinson for the prior year.
- Mr Hopkinson held 15,000,000 unlisted options in the Company, of which 5,000,000 were forfeited and 10,000,000 were cancelled following his resignation on 26 February 2014.
- Mr Hopkinson was also granted 10,000,000 performance shares in 2011. The issue of the incentive shares is conditional upon the achievement of certain milestones, none of which had been reached by Mr Hopkinson's resignation date. As a result the performance shares have been forfeited.
- (viii) A total of US\$399,051 was paid, or was due and payable, for the year, in respect of Mr Osipov's services as Chief Executive Officer and VP Business Development for the prior year. In addition, the Group paid for living accommodation for Mr Osipov amounting to US\$34,958 during 2014. Mr Osipov's employment with the Company was terminated on 26 October 2014. At the time of termination Mr Osipov held a number of options in the Company. 11,500,000 unvested options were forfeited on termination date, and all vested options were required to be exercised in 90 days post termination, before being cancelled. No options were exercised by Mr Osipov by the required date and as a result 1,000,000 options were cancelled.
- Mr Osipov was awarded 10,000,000 performance shares on 9 June 2014. 5,000,000 performance shares will vest upon each of the following milestones being met, on the assumption that Mr Osipov remains employed by the Group:
- i. The company's average annual share price increasing by 25% or more by 31 December 2014.
  - ii. A change in the company's stock exchange listing, or a public offering or a private placement of 20% or more stock occurring.

***DIRECTORS' REPORT***

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These performance shares were forfeited on Mr Osipov's termination date.

- (ix) An aggregate amount of US\$9,800 (A\$10,860) was paid, or was due and payable, to Bedaam Pty Ltd, an entity controlled by Ms Tolcon for company secretary and legal counsel services provided in the prior year.

**DIRECTORS' REPORT**

There were 1,500,000 options awarded to key management personnel during the current year, none of which have vested as at 31 December 2015. 10,000,000 options were awarded in the prior year, of which 333,333 options vested during the current year (2014: 333,333 options). The value of options that are expected to vest and which had not vested at 31 December 2015 will be recognised over the appropriate vesting periods.

**Options recognised as part of key management remuneration for the year ended 31 December 2015**

The options that are reflected in the key management remuneration for the current year, and those of which vested during the current year, are as follows:

	Number of options awarded	Award date	Fair value per option at award date A\$ <sup>1</sup>	Exercise price A\$ <sup>2</sup>	Expiry date	First exercise date	Last exercise date	Options vested during the current year	
								Number	%
<b>Other key management</b>									
Ms A Belogortseva	1,500,000	8 June 2015	- <sup>3</sup>	0.06	8 June 2017	31 Dec 2015	8 June 2017	-	-
<b>Total</b>	<b>1,500,000</b>							-	-

<sup>1</sup> Given that the options are for ordinary shares in an Australian listed entity, the fair value of the options have been determined in Australian dollars ("A\$") and have been translated into United States dollars ("US\$") at the prevailing exchange rate on the dates the options were awarded.

<sup>2</sup> The option exercise prices are denominated in A\$, equivalent to US\$0.044 at the prevailing exchange rate on 31 December 2015.

<sup>3</sup> The US\$ equivalent fair value of the 1,500,000 options on date of award is US\$297.

**DIRECTORS' REPORT****Options awarded, exercised, cancelled or forfeited during the year ended 31 December 2015**

There were 1,500,000 options granted to one key management personnel during the current year.

	Number of options granted during the current year Number	Value of options granted during the current year US\$	Number of options forfeited or cancelled during the current year Number	Value of options forfeited or cancelled during the current year US\$
<b>Key management personnel</b>				
A Belogortseva	1,500,000	284	-	-

For details on the valuation of the options, including models and assumptions used, refer to Note 18.

There were no alterations to the terms and conditions of options awarded as remuneration since their award date.

**Number of shares held by directors and other key management personnel**

	As at 1 January 2015	Balance held upon appointment	Awarded as remuneration	Acquired on exercise of options	Other net changes	As at 31 December 2015
<b>Directors</b>						
A Sage	15,480,691	-	-	-	-	15,480,691
T Turner	161,819	-	-	-	-	161,819
F Timis	565,665,277 <sup>1</sup>	-	-	-	-	565,665,277 <sup>1</sup>
<b>Key management personnel</b>						
J Brewer	-	-	-	-	-	-
A Belogortseva	-	-	-	-	-	-
	<b>581,307,787</b>	-	-	-	-	<b>581,307,787</b>

<sup>1</sup> The Timis Trust, of which Mr Timis is a beneficiary, is the ultimate holder of 565,665,277 fully paid ordinary shares.

**Number of options held by directors and other key management personnel**

	As at 1 January 2015	Balance held upon appointment	Options awarded as remuneration	Options forfeited/ cancelled	Other net changes	As at 31 December 2015	
						Held	Vested
<b>Directors</b>							
A Sage	-	-	-	-	-	-	-
T Turner	-	-	-	-	-	-	-
F Timis	-	-	-	-	-	-	-
<b>Key management personnel</b>							
Jason Brewer	-	-	-	-	-	-	-
A Belogortseva	1,500,000	-	1,500,000	-	-	3,000,000	1,500,000
	<b>1,500,000</b>	-	<b>1,500,000</b>	-	-	<b>3,000,000</b>	<b>1,500,000</b>

No performance shares were held by directors and other key management personnel during the current and prior years.

**Service Agreements****Mr Antony Sage – Non-Executive Chairman**

Mr Sage's role as Non-Executive Chairman is governed by a service agreement between International Petroleum Limited, Okewood Pty Ltd and Mr Sage.

**DIRECTORS' REPORT**

The agreement stipulates the following terms and conditions:

- (a) Term: minimum of three years commencing 1 July 2008 and extended on an annual basis;
- (b) Rate: a consultancy fee of A\$100,000 per annum to be payable to Okewood Pty Ltd. Mr Sage's fee is settled in Australian dollars, with the USD equivalent equal to US\$75,120 for 2015. In addition, Mr Sage is to be reimbursed for all reasonable expenses incurred in the performance of his duties;
- (c) this agreement may be terminated by the Company in a number of circumstances including:
  - i. failure to comply with lawful directions given by the Company through the Board;
  - ii. failure to produce the services to a satisfactory standard which continues unremedied for ten business days after written notice of failure has been given;
  - iii. a serious or consistent breach of any of the provisions of the Executive Chairman consultancy agreement which is either not capable to being remedied or is capable of being remedied and is not remedied within 14 day; and
  - iv. Mr Sage being unable to perform services for 40 consecutive business days or an aggregate of 60 business days in any 12 months.
- (d) Upon termination without meeting the circumstances outlined in (c) above the Company must pay the fee for the remaining term of the agreement.
- (e) 12 months' notice required by the Company or the Executive without cause.

**Mr Timothy Turner – Non-Executive Director**

The Company has entered into a consultancy agreement with Corporate Resource and Mining Services ("CRMS") and Mr Timothy Turner to provide the services of a Non-Executive Director to the Company.

The agreement stipulates the following terms and conditions:

- (a) Term: minimum of three years commencing 25 November 2008, and extended on an annual basis;
- (b) Rate: a fee of A\$48,000 per annum is payable to CRMS. Mr Turner's fee is settled in Australian dollars, with the USD equivalent equal to US\$36,058 for 2015. In addition, Mr Turner is to be reimbursed for all reasonable expenses incurred in the performance of his duties;
- (c) this agreement may be terminated by the Company in a number of circumstances including:
  - i. failure to comply with lawful directions given by the Company through the Board;
  - ii. failure to produce the services to a satisfactory standard which continues unremedied for ten business days after written notice of failure has been given;
  - iii. a serious or persistent breach of any of the provisions of the Non-Executive Director consultancy agreement which is either not capable to being remedied or is capable of being remedied and is not remedied within 14 day; and
  - iv. Mr Turner being unable to perform services for 40 consecutive business days or an aggregate of 60 business days in any 12 months.
- (d) Upon termination without meeting the circumstances outlined in (c) above the Company must pay the fee for the remaining term of the agreement.

**Frank Timis - Non-Executive Director**

No remuneration is paid to Frank Timis for the current year. An aggregate amount of US\$(197,191) (A\$262,500) was paid, or was due and payable, to Frank Timis for the provision of his services as a director of the Company for the current year and included a forgiveness of amounts due of US\$229,727 (A\$300,000) by Mr Timis.

**Anya Belogortseva - Finance Director & Senior VP Kazakhstan and Niger**

The engagement conditions of Anya Belogortseva were approved by the Board on commencement of her employment. The terms of the engagement are as follows:

- (a) Rate: UK annual salary of £100,000 per year was increased to £225,000 effective 1 April 2015, then reduced to £157,500 effective 1 December 2015 and settled in pounds sterling, equivalent to US\$347,978 in the current year; a further 10% of UK salary was paid directly to nominated pension fund; an allowance of £100 per day spent in Kazakhstan paid net, after settlement of payroll taxes; and an accommodation allowance of up to £5,000 per month. No amount was paid to for Ms Belogortseva's accommodation in the current year.
- (b) No local fees were paid for services as a director of North Caspian Petroleum Limited branch in Kazakhstan (2014: US\$38,815).

**DIRECTORS' REPORT**

- (c) Award of 1,500,000 options with an exercise price of A\$0.25 and expiry date of 16 March 2016. The options were awarded on 1 July 2010 and vested on issue. The options have expired unexercised.
- (d) Award of 1,500,000 options with an exercise price of A\$0.06 and expiry date of 8 June 2017. The options were awarded on 9 June 2015 and vest on the sale of the Niger Asset.
- (e) A guaranteed annual bonus will be awarded to Ms Belogortseva. No bonus was paid to Ms Belogortseva during the current or prior year, however US\$320,373 was accrued in the current year for her 2015 bonus (2014: US\$174,771 accrued in the prior year for her 2014 bonus).
- (f) 6 months termination notice applies.

**Jason Brewer - Company Secretary**

The engagement conditions of Jason Brewer were approved by the Board on commencement of his employment with a fee of US\$2,915 (A\$4,000) per month for company secretarial services.

**Related party transactions with key management personnel in 2015:**

- (i) As at 31 December 2015, the following amounts were payable to directors of the Company or their nominees:

	2015 US\$
CRMS, an entity controlled by Mr Turner	2,919

**End of remuneration report****MEETINGS OF DIRECTORS**

The number of directors' meetings (including meetings of committees of directors) held during the year and the numbers of meetings attended by each director were as follows:

	Meetings of committees				
	Directors' meetings	Audit and Risk	Remuneration and Nomination	Continuous Disclosure <sup>1</sup>	Health, Safety, Social and Environmental
<b>Number of meetings held:</b>	1	1	-	-	-
<b>Number of meetings attended:</b>					
Antony Sage	1	-	-	-	-
Timothy Turner	1	1	-	-	-
Frank Timis	-	-	-	-	-

The directors were eligible to attend all directors' meetings.

<sup>1</sup> In accordance with the continuous disclosure charter adopted by the Company, throughout the financial year the continuous disclosure committee considered price-sensitive announcements prior to their release to the market, without the need for meetings to be held.

In addition to meetings of directors held during the year, owing to the number and diversified location of the directors, a number of matters are authorised by the board of directors via circulating resolutions. During the current year, three circulating resolutions were authorised by the board of directors.

**DIRECTORS' REPORT****COMMITTEE MEMBERSHIP**

As at the date of this report, the following committees were in place:

	<b>Audit and Risk Committee</b>	<b>Remuneration and Nomination Committee</b>	<b>Continuous Disclosure Committee</b>	<b>Health, Safety, Social and Environmental Committee</b>
Chairman of the committee	Mr T. Turner	Mr A. Sage	Mr A. Sage	Mr A. Sage
Member	Mr A. Sage	Mr T. Turner	Mr T. Turner	-

**PROCEEDINGS ON BEHALF OF THE GROUP**

Towards the end of 2014, a wrongful dismissal claim and other employment related claims were brought against the Company and two of its Directors by a former employee of the Company. A judgment has recently been handed down by the UK Employment Tribunal, provisionally awarding £1,767,203.16 including taxes to the former employee. No amounts have been paid in respect of this award by the Company. The Company and its Directors strongly dispute the claims and have lodged an appeal which is scheduled to be heard by the UK Employment Tribunal on 23 May 2017.

No other person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any other such proceedings during the current year.

**INDEMNIFYING DIRECTORS AND OFFICERS**

In accordance with the Company's constitution, except as may be prohibited by the Corporations Act 2001, every director, officer or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as director, officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the financial year, the Company has paid insurance premiums in respect of directors' and officers' liability. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending legal proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving wilful breach of duty or improper use of information to gain a personal advantage.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to insurers has not been disclosed. This is permitted under s.300(9) of the Corporations Act 2001.

**INDEMNIFICATION OF AUDITORS**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Stantons International, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Stantons International during or since the financial year.

**OPTIONS****Unissued shares under option**

At the date of this report, unissued ordinary shares of the Company under option are:

<b>Expiry date</b>	<b>Exercise price A\$</b>	<b>Number under option</b>
18 July 2017	0.25	500,000
15 April 2018	0.10	500,000
8 June 2017	0.06	1,500,000

## **DIRECTORS' REPORT**

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### **Shares issued on the exercise of options**

During the year, no ordinary shares were issued upon the exercise of options (2014: nil).

### **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 19.

### **NON AUDIT SERVICES**

No non-audit services were provided by related practices of the Company's auditors, Stantons International during the current year (2014: Ernst & Young: nil). The directors are satisfied that the provision of non-audit services in the prior year are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

**This report is made in accordance with a resolution of the Board of Directors.**



**Antony Sage**  
**Director**

**Perth, 14 February 2017**

14 February 2017

Board of Directors  
International Petroleum Limited  
32 Harrogate Street  
West Leederville, WA 6007

Dear Sirs

**RE: INTERNATIONAL PETROLEUM LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of International Petroleum Limited.

As Audit Director for the audit of the financial statements of International Petroleum Limited for the year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



**Martin Michalik**  
Director

## **CORPORATE GOVERNANCE STATEMENT**

The Board of Directors of International Petroleum Limited (the “Company”) is responsible for establishing the corporate governance framework of the Company having regard to the Corporations Act 2001 (Cth) and applicable Listing Rules.

This corporate governance statement summarises the corporate governance practices adopted by the Company.

The current corporate governance plan is posted in a dedicated corporate governance information section of the Company’s website at [www.internationalpetroleum.com.au](http://www.internationalpetroleum.com.au)

### **Summary of corporate governance practices**

The Company’s main corporate governance policies and practices are outlined below.

#### **The Board of Directors**

The Company’s Board of Directors is responsible for overseeing the activities of the Company. The Board’s primary responsibility is to oversee the Company’s business activities and management for the benefit of the Company’s shareholders.

The Board is responsible for the strategic direction, policies, practices, establishing goals for management and the operation of the Company.

The Board assumes the following responsibilities:

- (a) appointment of the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
- (b) driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management’s performance;
- (c) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (d) approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- (e) approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- (f) approving the annual, half yearly and quarterly accounts;
- (g) approving significant changes to the organisational structure;
- (h) approving the issue of any shares, options, equity instruments or other securities in the Company;
- (i) ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- (j) recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- (k) meeting with the external auditor, at their request, without management being present.

#### **Composition of the Board**

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction; and
- (b) the principal criterion for the appointment of new directors is their ability to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors’ Report. The majority of the Board should be comprised of non-executive directors and where practicable, at least 50% of the Board should be independent. Directors of the Company are considered to be independent when they are a non-executive director (ie not a member of management) (and has been for the preceding three years), hold less than 5% of the voting shares of the Company and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. In accordance with this definition, Mr A. Sage (Non-Executive Chairman) and Mr F. Timis (Non-Executive Director) are not considered independent.

Non-Executive Director, Mr T. Turner, was considered to have been independent throughout the year.

## **CORPORATE GOVERNANCE STATEMENT**

The Board believes that, while the Chairman is not deemed to be independent (as a result of holding an executive position within the Company within the last 3 years), there is a sufficient number of directors that are deemed to be independent, and he is the most appropriate person to fulfil the role.

The role and responsibilities of the Chief Executive Officer is discharged by Ms Belogortseva. The Board considers relevant industry experience and specific expertise important in providing strategic guidance and oversight of the Company. Mr Belogortseva assumed the role of Chief Executive Officer Mr Osipov's termination as Chief Executive Officer on 26 October 2014.

The term in office held by each director in office at the date of this report is as follows:

Mr A. Sage	10 years, 2 month	(Chairman)
Mr F. Timis	5 years, 9 months	(Non-Executive Director)
Mr T. Turner	10 years, 2 month	(Non-Executive Director)

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

### **Remuneration arrangements**

Review of the Company's remuneration policy is delegated to the Remuneration and Nomination Committee. The total maximum remuneration of non-executive directors, which may only be varied by Shareholders in general meeting, is an aggregate amount of US\$327,938 (A\$450,000) per annum. The Board may award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Company.

### **Performance**

Review of the performance of the Board is delegated to the Nomination Committee.

The Board has established formal practices to evaluate the performance of the Board, committees, non-executive directors, the Chief Executive Officer, and senior management. Details of these practices are described in the Corporate Governance Plan available on the Company's website. No formal performance evaluation of the Board, individual directors or senior management took place during the year.

### **Code of Conduct**

The Company has in place a code of conduct which aims to encourage appropriate standards of behaviour for directors, officers, employees and contractors. All are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The directors are subject to additional code of conduct requirements.

### **Audit and Risk Committee**

The Company has appointed an Audit and Risk Committee. The members of the committee during the year were:

- Mr T. Turner (Chairman)
- Mr A. Sage

The skills, experience and expertise of each committee member at the date of the annual report is included in the Directors' Report.

The Committee has specific powers delegated under the Company's Audit and Risk Committee charter. The charter sets out the Audit and Risk Committee's function, composition, mode of operation, authority and responsibilities.

### **External audit**

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

## **CORPORATE GOVERNANCE STATEMENT**

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### **Remuneration and Nomination Committee**

The Board has established a Remuneration and Nomination Committee with specific powers delegated under the Company's Remuneration Committee Charter. The charter sets out the committee's function, composition, mode of operation, authority and responsibilities. The members of the committee during the year were:

- Mr A. Sage (Chairman)
- Mr T. Turner

The skills, experience and expertise of each committee member at the date of the annual report is included in the Directors' Report.

### **Continuous Disclosure Policy**

The Company has adopted a policy concerning continuous disclosure. The policy outlines the disclosure obligations of the Company as required under the Corporations Act and the applicable Listing Rules. The Company is committed to:

- (a) complying with the general and continuous disclosure principles contained in the Corporations Act and applicable Listing Rules;
- (b) preventing the selective or inadvertent disclosure of material price sensitive information;
- (c) ensuring shareholders and the market are provided with full and timely information about the Company's activities; and
- (d) ensuring that all market participants have equal opportunity to receive externally available information issued by the Company.

### **Nominated Advisor**

In accordance with the rules of NSX, the Company has appointed Steinepreis Paganin Lawyers and Consultants as its nominated advisor (**NOMAD**). Steinepreis Paganin are consulted and advise on announcements issued by the Company that are price sensitive.

### **Continuous Disclosure Committee**

In accordance with its existing corporate governance policies, the Company has established a Continuous Disclosure Committee which prepares (in conjunction with other relevant parties including technical consultants) and recommends all announcements for final approval and sign off by Mr A. Sage (Chairman). In the case of price sensitive announcements the NOMAD reviews and approves the announcement before being released to the exchange.

This committee and the NOMAD (together with other relevant parties including technical consultants) complement and strengthen the continuous disclosure policy currently in place. The members of the Continuous Disclosure Committee during the year were:

- Mr A. Sage (Chairman)
- Mr T. Turner

The skills, experience and expertise of each committee member at the date of the annual report is included in the Directors' Report.

A quarterly declaration is made by the Chairman and Chief Executive Officer certifying that the Board has reviewed the Company's operations during the quarter and declares that, in the opinion of the Board, there are no issues that require additional disclosure by the Company and that the market is fully informed in accordance with the Company's continuous disclosure obligations under the Listing Rules in respect of the prospects and activities of the Company.

### **Health, Safety, Social and Environmental Committee**

Although the ultimate responsibility for establishing Health, Safety, Social and Environmental ("HSSE") policies shall remain with the Board, the Company has established a Health, Safety, Social and Environmental Committee which is responsible for:

- (a) formulating and recommending to the Board the policy for HSSE issues as they affect the Group's operations;
- (b) reviewing management investigations of incidents or accidents that occur in order to assess whether HSSE policy improvements are required; and

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**CORPORATE GOVERNANCE STATEMENT**

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(c) inviting specialists with appropriate technical expertise to attend HSSE Committee meetings.

The skills, experience and expertise of each committee member at the date of the annual report is included in the Directors' Report. Following the resignation of the members of the Health, Safety, Social and Environmental Committee, Mr A. Sage oversees the responsibilities of the committee until a replacement committee can be established.

**Risk Management Program**

The Company's primary objective in relation to risk management is to ensure that risks facing the business are appropriately managed. The Board and senior management are committed to managing risks in order to both minimise uncertainty and to maximise its business opportunities. The function and responsibility for maintaining the Company's risk management systems is delegated to the Company's Audit and Risk Committee.

Further information regarding the risk management program can be found in the Corporate Governance Plan available on the Company's website.

**Securities Trading Policy**

The Company has developed a policy for the sale and purchase of its securities. This policy imposes constraints on directors and senior executives of the Company dealing in securities of the Company. It also imposes disclosure requirements on directors.

Under the Company's Securities Trading Policy, a director, executive or other employee must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

In addition, directors and senior executives may not trade in securities during designated "Blackout Periods" without the prior written consent from the Board or Chairman in the circumstances of "severe financial hardship" or other exceptional circumstances. The "Blackout Periods" are:

- within the period of one (1) month prior to the release of annual or half yearly results; and
- if there is in existence price sensitive information that has not been disclosed because of an NSX exception.

Before commencing to trade, a director or senior executive must obtain the approval of the Chairman (in the case of a director) or the Chief Executive Officer or Chairman (in the case of a senior executive) of their intention to do so.

As is required by the NSX Listing Rules, the Company notifies the NSX of any transaction conducted by a director in the securities of the Company.

**Shareholder Communication**

The Company has adopted a shareholder communication strategy to set out the Company's policy for communicating with its shareholders.

The purpose of the policy is to ensure the Company deals fairly, transparently and promptly with its current and prospective shareholders, encourages and facilitates active participation by shareholders at shareholder meetings and deals promptly with shareholder enquiries

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 US\$	2014 US\$
<b>Continuing operations</b>			
Revenue	5(a)	1,462	2,335
Other income	5(a)	264,804	8,789,963
Consulting expenses		(1,259,993)	124,066
Compliance and regulatory expenses		(152,668)	(187,939)
Travel costs		(93,211)	(110,881)
Other expenses		(390,605)	(347,915)
Occupancy costs		(219,213)	(4,716)
Employee expenses	5(b)	(1,157,037)	(1,668,489)
Foreign currency gains		387,029	1,105,053
Depreciation expense		(5,175)	(3,420)
Profit on disposal of financial assets	11	-	213,612
(Loss)/gain on derivative financial instruments	8	-	(1,419,084)
Finance costs	5(c)	(18,626)	(476,159)
Allowances for impairment	5(d)	(3,719,154)	(4,179,617)
<b>(Loss)/profit before tax</b>		<b>(6,362,387)</b>	<b>1,836,809</b>
Income tax benefit/(expense)	4	1,176	(3,980)
<b>(loss)/profit for the year from continuing operations</b>		<b>(6,361,211)</b>	<b>1,832,829</b>
<b>Discontinued operations</b>			
Profit(loss) for the year from discontinued operations		-	1,973,910
<b>(Loss)/profit for the year</b>		<b>(6,361,211)</b>	<b>3,806,739</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Fair value gains on financial assets available-for-sale		-	41,131
Realised fair value (loss) on disposal of available-for-sale financial assets transferred to profit and loss		-	(231,914)
Foreign currency translation reserve reclassified to gain on disposal of subsidiaries		-	65,768
Foreign exchange gain/(loss) on translation of foreign operations		384,281	(612,150)
<b>Other comprehensive income/(loss) for the year, net of income tax</b>		<b>384,281</b>	<b>(737,165)</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(5,976,930)</b>	<b>3,069,574</b>
<b>(Loss)/profit for the year is attributable to:</b>			
Equity holders of the parent		(6,361,211)	3,806,739
Non-controlling interest		-	-
		<b>(6,361,211)</b>	<b>3,806,739</b>
<b>Total comprehensive income for the year is attributable to:</b>			
Equity holders of the parent		(5,976,930)	3,069,574
Non-controlling interest		-	-
		<b>(5,976,930)</b>	<b>3,069,574</b>

The accompanying notes form part of these financial statements

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**

		<b>2015</b>	2014
		<b>US\$</b>	US\$
<b>Earnings per share</b>			
From continuing and discontinued operations			
Basic/diluted (loss)/earnings per share (cents)	19	<b>(0.38)</b>	0.29
From continuing operations			
Basic/diluted (loss)/earnings per share (cents)	19	<b>(0.38)</b>	0.14

*The accompanying notes form part of these financial statements*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

	Note	2015 US\$	2014 US\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	1,399,695	5,688,513
Trade and other receivables	7	225,201	74,951
Prepayments		152,320	336,686
<b>TOTAL CURRENT ASSETS</b>		<b>1,777,216</b>	<b>6,100,150</b>
<b>NON CURRENT ASSETS</b>			
Restricted cash	9	20,383	48,361
Plant and equipment	10	25,740	8,990
Financial assets available-for-sale	11	1,599	893
Deferred tax asset	4	-	-
Exploration and evaluation expenditure	12	-	3,307,099
<b>TOTAL NON CURRENT ASSETS</b>		<b>47,722</b>	<b>3,365,343</b>
<b>TOTAL ASSETS</b>		<b>1,824,938</b>	<b>9,465,493</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	3,812,755	5,406,003
Income tax payable		175,011	234,518
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,987,766</b>	<b>5,640,521</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liability	4	-	-
Provisions	14	13,595	25,309
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>13,595</b>	<b>25,309</b>
<b>TOTAL LIABILITIES</b>		<b>4,001,361</b>	<b>5,665,830</b>
<b>NET (LIABILITIES) / ASSETS</b>		<b>(2,176,423)</b>	<b>3,799,663</b>
<b>EQUITY / (SHAREHOLDERS' DEFICIT)</b>			
Contributed equity	15	285,751,343	285,751,343
Reserves	16	(93,914,105)	(94,299,230)
Accumulated losses		(194,013,661)	(187,652,450)
Equity attributable to equity holders of the parent		(2,176,423)	3,799,663
Non-controlling interest		-	-
<b>TOTAL (SHAREHOLDERS' DEFICIT) / EQUITY</b>		<b>(2,176,423)</b>	<b>3,799,663</b>

*The accompanying notes form part of these financial statements*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

Note	Contributed equity US\$	Accumulated losses US\$	Share-based payment reserve US\$	Merger reserve US\$	Foreign currency translation reserve US\$	Total US\$
<b>AS AT 1 JANUARY 2015</b>	<b>285,751,343</b>	<b>(187,652,450)</b>	<b>5,639,686</b>	<b>(101,516,017)</b>	<b>1,577,101</b>	<b>3,799,663</b>
<b>Loss for the year</b>	-	<b>(6,361,211)</b>	-	-	-	<b>(6,361,211)</b>
<b>Other comprehensive Income:</b>						
Revaluation of financial assets available for sale	-	-	-	-	-	-
Realised fair value gain on disposal of available-for-sale financial assets transferred to the profit and loss	-	-	-	-	-	-
Translation of foreign operations from functional currencies to presentation currencies	-	-	-	-	<b>384,281</b>	<b>384,281</b>
<b>Total comprehensive (loss)/income for the year</b>	-	<b>(6,361,211)</b>	-	-	<b>384,281</b>	<b>(5,976,930)</b>
Shares issued	15	-	-	-	-	-
Share based payments	17	-	<b>844</b>	-	-	<b>844</b>
<b>AS AT 31 DECEMBER 2015</b>	<b>285,751,343</b>	<b>(194,013,661)</b>	<b>5,640,530</b>	<b>(101,516,017)</b>	<b>1,961,382</b>	<b>(2,176,423)</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015**

Note	Contributed equity US\$	Accumulated losses US\$	Share-based payment reserve US\$	Revaluation reserve US\$	Merger reserve US\$	Foreign currency translation reserve US\$	Other reserve US\$	Non-controlling interest US\$	Total US\$
<b>AS AT 1 JANUARY 2014</b>	<b>272,412,761</b>	<b>(191,459,189)</b>	<b>7,920,077</b>	<b>190,783</b>	<b>(101,516,017)</b>	<b>2,123,483</b>	<b>(281,625)</b>	<b>365,360</b>	<b>(10,244,367)</b>
<b>Gain for the year</b>	-	<b>3,806,739</b>	-	-	-	-	-	-	<b>3,806,739</b>
<b>Other comprehensive Income:</b>									
Revaluation of financial assets available for sale	-	-	-	<b>41,131</b>	-	-	-	-	<b>41,131</b>
Realised fair value gain on disposal of available-for-sale financial assets transferred to the profit and loss	-	-	-	<b>(231,914)</b>	-	-	-	-	<b>(231,914)</b>
Foreign currency translation reserve reclassified to gain on disposal of subsidiaries	-	-	-	-	-	<b>65,768</b>	-	-	<b>65,768</b>
Translation of foreign operations from functional currencies to presentation currencies	-	-	-	-	-	<b>(612,150)</b>	-	-	<b>(612,150)</b>
<b>Total comprehensive income for the year</b>	-	<b>3,806,739</b>	-	<b>(190,783)</b>	-	<b>(546,382)</b>	-	-	<b>3,069,574</b>
Shares issued	15	<b>13,338,582</b>	-	-	-	-	-	-	<b>13,338,582</b>
Share based payments	17	-	<b>(2,280,391)</b>	-	-	-	-	-	<b>(2,280,391)</b>
Disposal of subsidiaries		-	-	-	-	-	<b>281,625</b>	<b>(365,360)</b>	<b>(83,735)</b>
<b>AS AT 31 DECEMBER 2014</b>	<b>285,751,343</b>	<b>(187,652,450)</b>	<b>5,639,686</b>	<b>-</b>	<b>(101,516,017)</b>	<b>1,577,101</b>	<b>-</b>	<b>-</b>	<b>3,799,663</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASHFLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 US\$	2014 US\$
<b>Cash flows from operating activities</b>			
Receipts from customers		282,997	-
Payments to suppliers and employees		(3,394,621)	(4,357,517)
Interest received		1,462	2,422
Income tax paid		(39,370)	-
<b>Net cash flows used in operating activities</b>	6(b)	(3,149,532)	(4,355,095)
<b>Cash flows from investing activities</b>			
Receipt of security deposits		-	7,599
Proceeds from disposal of plant and equipment		-	-
Proceeds from disposal of available-for-sale investments		-	374,146
Payment for purchase of available-for-sale investments		(72,998)	-
Payment for plant and equipment	10	(23,986)	(755)
Payment for exploration and evaluation activities		(930,910)	(1,470,321)
Proceeds from the disposal of subsidiaries		-	11,510,826
<b>Net cash flows used in investing activities</b>		(1,027,894)	10,421,495
<b>Cash flows from financing activities</b>			
Transaction costs of issue of shares		-	(18,532)
Repayment of borrowings		-	(500,000)
Interest paid		(3,373)	-
<b>Net cash flows (used in)/from financing activities</b>		(3,373)	(518,532)
<b>Net (increase)/decrease in cash and cash equivalents</b>		(4,180,799)	5,547,868
<b>Cash and cash equivalents at the beginning of the year</b>		5,688,513	211,242
Effects of exchange rate changes on the balance of cash held in foreign currencies		(108,019)	(70,597)
<b>Cash and cash equivalents at the end of the year</b>		1,399,695	5,688,513

*The accompanying notes form part of these financial statements.*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**1. CORPORATE INFORMATION**

The financial report of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 14 February 2017.

International Petroleum Limited is a ‘for profit entity’ and is a company limited by shares incorporated in Australia. Its shares are publicly traded on the National Stock Exchange of Australia (code: IOP).

**2. BASIS OF PREPARATION OF ANNUAL REPORT**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for financial assets available for sale and derivative financial assets, which have been measured at fair value.

The financial report is presented in United States dollars (“US\$” or “US dollars”).

**Compliance with IFRS**

The financial report complies with Australian Accounting Standards. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

**Comparative financial information**

When the presentation or classification of items in the financial report is amended, comparative amounts are reclassified unless the reclassification is impracticable.

**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.

During the year ended 31 December 2015, the Group incurred a net loss after tax of US\$6,361,211 and a cash outflow from operating activities of US\$3,149,532. The cash and cash equivalents balance at 31 December 2015 was US\$1,399,695. The Group’s net liability position at 31 December 2015 was US\$2,176,423 and its net current working capital deficiency was US\$2,210,550.

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue as a going concern. In forming this view, the directors have considered the Group’s current position, funding objectives and a wrongful dismissal claim and other employment related claims brought against the Company and two of its Directors by a former employee of the Company. The Group’s funding objectives include:

- i) negotiating with certain creditors to revise payment amounts and terms, and
- ii) a successful appeals process by the Company against a wrongful dismissal claim and other employment related claims brought against the Company and two of its Directors by a former employee of the Company.

There are a number of inherent uncertainties relating to the completion of the funding objectives as listed above, including but not limited to:

- i) creditors not agreeing to revise payment amounts and terms and filing legal claims to recover the amounts owed to them, and
- ii) unfavourable decision on the Company’s appeal against a wrongful dismissal claim and other employment related claims brought against the Company and two of its Directors by a former employee of the Company.

Should the Group’s funding objectives not be achieved and the Company’s appeal against the wrongful dismissal claim and other employment related claims brought against the Company be unsuccessful, the directors will have to seek alternative sources of financing. In the event that such financing is not available, there would exist a material uncertainty as to whether the Group would be able to continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. SUMMARY OF ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following is a summary of the material accounting policies adopted by the Company and the Group in the preparation of the consolidated financial statements. The accounting policies have been consistently applied, unless otherwise stated.

#### New Accounting Standards and Interpretations

The Group has adopted all new and amended Australian Accounting Standards and Interpretations effective as of 1 January 2015, including:

- AASB 2014-1 Amendments to Australian Accounting Standards

AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) *Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle*.

Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:

- AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.
- AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segment assets to the entity's total assets.
- AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 Related Party Disclosures for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

The adoption AASB 2014-1 of this standard did not have any impact on the current period or any prior period and is not likely to materially affect future periods.

#### Accounting Standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the reporting period ended 31 December 2015 are set out below. The Group is still in the process of determining the impact of the new Standards and Interpretations.

- AASB 9 *Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue. The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's revenue recognition and disclosures.

- AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]

AASB 2014-3 amends AASB 11 Joint Arrangements to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:

- a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11
- b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations

This Standard also makes an editorial correction to AASB 11.

- AASB 2014-9: Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted).

AASB 2014-9 amends AASB 127 *Separate Financial Statements*, and consequentially amends AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 128 *Investments in Associates and Joint Ventures*, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127.

### **Other standards not yet applicable**

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### **a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of International Petroleum Limited ("IOP" or "the Company") and its subsidiaries for the year ended 31 December 2015 (together the Group).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

**b) Segment reporting**

An operating segment is a component of an entity that engages in 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.

Operating segments have been identified based on the information available to chief operating decision makers – being the Board and the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category called "all other segments".

**c) Foreign currency translation***Functional and presentation currency*

The Company has elected United States Dollars being the functional currency of all major subsidiaries in the Group, as its presentation currency. Where the functional currencies of entities within the consolidated group differ from United States Dollars, they have been translated into United States Dollars. The functional currency of the Company is Australian Dollars. The Company is listed on an Australian stock exchange, National Stock Exchange ("NSX").

*Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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Non-monetary items that are measured in terms of historical cost in the foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

*Translation of Group Companies' functional currency to presentation currency*

On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their income and expenditure are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

**d) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

**e) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due to it according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the amount expected to be received. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

**f) Inventories**

Inventories including consumables, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Consumables – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including import duties and other taxes (other than those subsequently recoverable by the Group from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials.

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**g) Investments and other financial assets**

Investments and financial assets are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification is

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

determined at the date of initial recognition and depends on the purpose for which the investments were acquired or originated.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transactions costs.

Subsequent to initial recognition, these instruments are measured as set out below. Financial instruments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

**Financial assets available-for-sale**

Financial assets available-for-sale, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. Subsequent to initial recognition, financial assets available-for-sale are carried at fair value with revaluation gains and losses recorded in other comprehensive income.

**Derivative financial assets**

Derivative financial assets are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss. The Group does not hold any derivatives for hedging purposes.

**Impairment of financial assets**

At the end of each reporting period, the Group assesses whether there is objective evidence that loans and receivables or financial assets available-for-sale are impaired. In the case of available-for-sale financial instruments, a prolonged decline in their value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised to profit/loss for the year in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

**h) Exploration and evaluation expenditure**

Exploration and evaluation expenditure is recorded at historical costs on an area of interest basis. Expenditure on an area of interest is capitalised and carried forward where rights to tenure of the area of interest are current and:

- (i) it is expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or
- (ii) exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Accumulated costs in respect of areas of interest which are abandoned, are written off in full against profit in the period in which the decision to abandon the area is made.

Costs of site restoration are provided from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the exploration permits. Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Projects are advanced to development status when it is expected that further expenditure can be recouped through sale or successful development and exploitation of the area of interest.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****i) Plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method.

The depreciation rates used for each class of depreciable assets are:

<b>Class of fixed asset</b>	<b>Depreciation rate</b>
Plant and equipment	14-50%

Gains and proceeds on disposals are determined by comparing proceeds with carrying amounts. These are included in the Statement of Comprehensive Income.

**j) Trade and other payables**

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the reporting date that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

**k) Provisions**

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Costs of site restoration are provided from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

**l) Contributed equity**

Contributed equity is recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**m) Share-based payments**

The fair value of shares issued and options granted are recognised as an expense or an asset as appropriate, with a corresponding increase in equity. For shares issued, the fair value is measured at the share price on the date the shares were issued. For options granted, the fair value is measured at grant date taking into account market performance conditions only, and will be spread over the vesting period during which the holder becomes unconditionally entitled to the options. The fair value of the options is measured using the Black-Scholes model.

Upon exercise of options, the balance of the share-based payments reserve relating to those options is transferred to the redeemed option reserve and the proceeds received, net of any directly attributable transaction costs are credited to share capital.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

**n) Revenue**

Revenues are recognised at the fair value of the consideration received or receivable net of the amount of Goods and Services Tax or Value Added Tax paid to taxation authorities.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the revenue have been resolved. The Group bases its estimates on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

**Interest**

Interest revenue is recognised on a time proportional basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected useful life of the financial asset to the net carrying amount of the financial asset.

**Other revenue**

Other revenue is recognised when the Group's right to receive the payment is established.

**o) Income tax**

The income tax expense or revenue for the period is the tax payable on the current year's taxable income based on the relevant national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**p) Other taxes**

Revenue, expenses and assets are recognised net of the amount of Value Added Tax ("VAT") and Goods and Services Tax ("GST"), except:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

- where the VAT/GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of VAT/GST included.

The net amount of GST/VAT recoverable from, or payable to, taxation authorities is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to taxation authorities are classified as operating cash flows.

**q) Earnings per share**

- (i) Basic earnings per share ("EPS") is calculated by dividing the net profit or loss attributable to members for the reporting period, after excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares of the Company, adjusted for any bonus elements in ordinary shares issued during the year.
- (ii) Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**r) Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled wholly within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled wholly within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

**s) Business combinations**

The acquisition method of accounting is used to account for all business combinations. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the fair value of the acquiree's identifiable net assets. Costs directly attributable to the acquisition are expensed.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured at fair value as at the acquisition date through profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling shareholders' interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Any contingent consideration to be transferred by the acquiree will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* either in

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**


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profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured.

**t) Borrowings**

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the statement of comprehensive income over the period of the borrowing using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**u) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short-term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

Even though exploration and evaluation assets can be qualifying assets, they generally do not meet the “probable economic benefits” test and also are rarely debt funded. Any related borrowing costs incurred during this phase are therefore generally recognised in profit and loss in the period they are incurred.

**v) Non-current assets classified as held for sale and discontinued operations**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

- When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.
- Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.
- In the statement of profit or loss and other comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income.
- Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

**w) Significant accounting judgements, estimates and assumptions**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results of the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**Impairment****Non-current assets**

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available information specific to the Group, at each reporting date. These estimates are most relevant to exploration expenditure recognised by the Group.

**Financial assets**

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for financial assets available-for-sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is recognised in the profit or loss for the year in the Consolidated Statement of Comprehensive Income.

Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss in the Statement of Comprehensive Income.

**Exploration and evaluation expenditure**

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided certain conditions are met. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed the recoverable amount. These calculations and reviews require the use of assumptions and judgement.

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the information becomes available.

**Income taxes**

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations.

Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on its understanding of the tax laws in the relevant jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group does not recognise deferred tax assets relating to carried forward tax losses or temporary differences where there is no certainty that sufficient future taxable incomes will be generated to utilise such losses and temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning.

**Share based payments**

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model. Judgement is applied in the determination of the inputs used in the Black-Scholes valuation model.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****Contingencies**

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the future outcome of events.

**Functional currency**

Each entity within the Group is required to determine its functional currency, which is the currency of the primary economic environment in which the entity operates. Management considers all its foreign subsidiaries and branches to be foreign operations whose functional currencies are the local currencies of the economies in which they operate. In arriving at this determination, management has given priority to the currency that influences the labour, material and other costs of exploration activities, as they consider this to be a primary indicator of each functional currency.

**4. INCOME TAX**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>(a) The income tax (benefit)/expense for the year comprises:</b>		
Current tax	(1,176)	3,980
Deferred tax	-	-
Total tax expense/(benefit) from continuing operations	<b>(1,176)</b>	<b>3,980</b>
<b>(b) The prima facie tax on pre-tax accounting loss from operations reconciles to the income tax expense/(benefit) as follows:</b>		
Profit/(loss) before tax from continuing operations	(3,913,801)	1,836,809
Profit/(loss) before tax from discontinued operations	-	1,973,910
Profit/(loss) before tax	<b>(3,913,801)</b>	<b>3,810,719</b>
Income tax expense/(benefit) calculated at relevant tax rate	(1,174,140)	1,143,216
Foreign tax rate adjustment	-	-
Profit/(loss) before tax	<b>(1,174,140)</b>	<b>1,143,216</b>
Add/(less) tax effect of:		
- Adjustment to current tax related to prior years	-	-
- Non-deductible items	285,732	1,422,879
- Recognised deferred tax asset attributable to tax losses and other temporary differences	-	-
- Unrecognised deferred tax asset attributable to tax losses and other temporary differences	887,232	(2,562,115)
Income tax (expense)/benefit attributable to the Group	<b>(1,176)</b>	<b>3,980</b>
Income tax (benefit)/expense from continuing operations reported in the consolidated statement of comprehensive income	<b>(1,176)</b>	<b>3,980</b>

**Recognised deferred tax assets and liabilities**

The deferred tax balances comprise the following temporary differences relating to continuing operations:

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>Continuing operations temporary differences</b>		
Available for sale financial assets	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****4. INCOME TAX (CONTINUED)****Movement in net deferred tax liability during the current year**

	As at 1 January 2015 US\$	Tax income/ (expense) for the year recognised in income US\$	Recognised in other comprehensive income Revaluation of financial assets US\$	Foreign exchange differences US\$	As at 31 December 2015 US\$
Available for sale financial assets	-	-	-	-	-
Exploration and evaluation expenditure	-	-	-	-	-
Tax losses	-	-	-	-	-
Other deductible temporary differences	-	-	-	-	-
<b>Net deferred tax liability</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Movement in net deferred tax liability during the prior year**

	As at 1 January 2014 US\$	Tax income/ (expense) for the year recognised in income US\$	Recognised in other comprehensive income Revaluation of financial assets US\$	Foreign exchange differences US\$	As at 31 December 2014 US\$
Available for sale financial assets	-	-	-	-	-
Exploration and evaluation expenditure	(7,627,417)	7,128,130	-	499,287	-
Tax losses	3,021,509	(2,823,722)	-	(197,787)	-
Other deductible temporary differences	983,818	(902,263)	-	(81,555)	-
<b>Net deferred tax liability</b>	<b>(3,622,090)</b>	<b>3,402,145</b>	<b>-</b>	<b>219,945</b>	<b>-</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****5. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>(a) Revenue and income</b>		
Interest revenue	1,462	2,335
Revenue from the sale of inventory	44,137	-
Rental income <sup>(i)</sup>	217,831	-
Other income <sup>(ii)</sup>	2,836	8,789,963
	<b>266,266</b>	<b>8,792,298</b>

(i) Rental income relates to the sub lease of London offices to related parties.

(ii) For the prior year, other income includes US\$8,104,300 gain on extinguishing a loan payable and US\$662,376 of amounts owed to African Minerals Limited for office rent and other accommodation related services which were waived.

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>(b) Employee expenses</b>		
Employee benefits	(1,242,206)	(1,816,037)
Directors' remuneration <sup>(i)</sup>	86,013	(442,165)
Share based payments <sup>(ii)</sup>	(844)	589,713
	<b>(1,157,037)</b>	<b>(1,668,489)</b>

(i) The directors' remuneration for the current year includes a reversal of previously accrued director fees of US\$229,727 (A\$300,000).

(ii) The share based payments recognised for the year is US\$844 (2014: US\$2,280,391 reversal). US\$1,516 of which has been expensed in the Statement of Profit or Loss and Other Comprehensive Income (2014: US\$589,713 reversal), US\$672 has been reversed from capitalised exploration and evaluation expenditure (2014: US\$2,051,398) and US\$360,720 was recognised as a result of options issued as part of the conversion of certain loans during the prior year.

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>(c) Finance costs</b>		
Interest expense	(18,626)	(1,453,945)
Interest expense waived <sup>(iii)</sup>	-	977,786
	<b>(18,626)</b>	<b>(476,159)</b>

(iii) The Company had four convertible loans with Varesona Participation Corporation ("Varesona"), an entity controlled by the Timis Trust, of which Mr Frank Timis is a beneficiary. During the prior year, Varesona agreed to waive the interest owing on all borrowings, totalling US\$977,786, leaving a total principal loan amount of US\$11,200,000 to be converted to fully paid ordinary shares in the company. The loans were converted to shares in the Company during the prior year. Refer to note 15 for further information.

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>(d) Allowances for impairment</b>		
Impairment loss on financial assets available for sale	(72,998)	-
Impairment loss on exploration and evaluation expenditure	(3,646,156)	(3,483,119)
Other impairment (loss)/reversal	-	(696,498)
	<b>(3,719,154)</b>	<b>(4,179,617)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****5. PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS (CONTINUED)**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>(e) Lease rentals</b>		
Lease rental expense	<b>203,191</b>	27,319

**6. CASH AND CASH EQUIVALENTS****(a) Reconciliation of cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, at bank and investments in money market instruments, net of outstanding bank overdrafts.

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Cash and cash equivalents	<b>1,399,695</b>	5,688,513
	<b>1,399,695</b>	5,688,513

**(b) Reconciliation of profit/(loss) for the year to net cash flows from operating activities**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Profit/(loss) before tax from continuing operations	<b>(6,362,387)</b>	1,836,809
Profit/(loss) before tax from discontinued operations	-	1,973,910
Profit/(loss) before tax	<b>(6,362,387)</b>	3,810,719
Non-cash adjustments:		
Depreciation	-	3,420
Profit on disposal of financial assets	-	(213,612)
Loss/(gain) on derivative financial instruments	-	1,419,084
Share-based payments expense/(reversal)	<b>844</b>	(589,713)
Finance costs	<b>18,626</b>	476,159
Foreign currency (gains)/losses	<b>(4,918)</b>	(246,069)
Allowances for impairment	<b>3,719,154</b>	2,139,939
Gain on extinguishing a loan payable	-	(8,104,300)
Working capital adjustments:		
(Increase)/decrease in trade and other receivables	<b>(150,250)</b>	48,141
(Increase)/decrease in prepayments	<b>184,367</b>	(240,751)
Increase/(decrease) in trade and other payables	<b>(554,968)</b>	(2,858,112)
<b>Net cash used in operating activities</b>	<b>(3,149,532)</b>	(4,355,095)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****7. TRADE AND OTHER RECEIVABLES**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Trade receivables <sup>(i)</sup>	<b>118,873</b>	-
Rental deposits paid <sup>(ii)</sup>	<b>33,898</b>	-
GST/VAT recoverable	<b>24,465</b>	43,946
Other receivables	<b>47,965</b>	31,005
	<b>225,201</b>	74,951

<sup>(i)</sup> Trade receivables relates to rental income due from related parties in respect of the sub lease of the Company's London offices.

<sup>(ii)</sup> Rental deposits paid is for the Company's leased London offices.

At reporting date, none of the trade and other receivable were past due and impaired.

**8. DERIVATIVE FINANCIAL ASSETS**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
At 1 January	-	11,972,784
(Loss)/gain on derivative financial instruments	-	(1,419,084)
Foreign exchange differences on translation of foreign operations	-	646,300
Derecognise derivative financial instruments on conversion of loans to fully paid ordinary shares	-	(11,200,000)
At 31 December	-	-

The derivative financial assets comprise put options over the Company's own shares and are carried at fair value. These arose upon the drawdown of convertible loans entered into by the Company during prior period and 2012. The fair values are determined using the Black-Scholes model. The related assumptions used at initial recognition of the put options are as follows:

<b>Convertible Loan</b>	<b>Drawdown Date</b>	<b>Drawdown date share price A\$</b>	<b>Expected volatility</b>	<b>Option life days</b>	<b>Conversion price A\$</b>	<b>Dividend yield</b>	<b>Risk free rate</b>
Loan 1	20 Jul 2012	0.10 <sup>1</sup>	125%	382	0.15	-	2.34%
Loan 2	7-14 Sept 2012	0.12-0.125 <sup>2</sup>	124%-125%	365-372	0.15	-	2.34%
Loan 3	16 Oct 2012	0.11 <sup>3</sup>	121%	365	0.15	-	2.34%
Loan 4 - 1	21 Dec 2012	0.065 <sup>4</sup>	110%	375	0.07	-	2.34%
Loan 4 - 2	28 Jan 2013	0.07 <sup>5</sup>	91%	368	0.07	-	2.34%

<sup>1</sup> The equivalent US\$ share price on drawdown date is equal to US\$0.10

<sup>2</sup> The equivalent US\$ share price on drawdown date is equal to US\$0.12-US\$0.13

<sup>3</sup> The equivalent US\$ share price on drawdown date is equal to US\$0.11

<sup>4</sup> The equivalent US\$ share price on drawdown date is equal to US\$0.07

<sup>5</sup> The equivalent US\$ share price on drawdown date is equal to US\$0.07

The derivative financial assets were revalued at each reporting date and on conversion date using the Black-Scholes model. The total convertible loans were converted to fully paid ordinary shares of the Company on 2 October 2014. Refer to Note 15 for further details.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****9. RESTRICTED CASH**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Security deposits in place for credit cards	<b>15,147</b>	17,191
Security deposits for applications in Kazakhstan	<b>5,236</b>	31,170
	<b>20,383</b>	48,361

**10. PLANT AND EQUIPMENT**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
At cost	<b>59,472</b>	45,766
Accumulated depreciation	<b>(33,732)</b>	(36,776)
	<b>25,740</b>	8,990
Reconciliations of the carrying amounts of plant and equipment during the year are set out below:		
As at 1 January	<b>8,990</b>	18,963
Additions	<b>23,986</b>	755
Disposals	-	-
Depreciation charge <sup>(i)</sup>	<b>(5,175)</b>	(9,617)
Foreign exchange differences on translation of foreign operations	<b>(2,061)</b>	(1,111)
Carrying amount as at 31 December	<b>25,740</b>	8,990

<sup>(i)</sup> The depreciation charge for the year includes US\$5,175 (2014: US\$6,197) capitalised as exploration and evaluation expenditure.

**11. FINANCIAL ASSETS AVAILABLE-FOR-SALE**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>Available-for-sale-investments</b>		
Investments in listed securities at fair value	<b>1,599</b>	893

Available-for-sale financial assets comprise investments in the ordinary share capital of various listed entities. Their fair value has been determined directly by reference to published price quotations in an active market.

During the current year, the Company bought US\$72,998 of investments in listed securities (2014: nil). This investment has been fully impaired as at 31 December 2015 due to delays in receiving the share certificate. The Company is hopeful that a share certificate will be issued shortly. During the prior year, the Company sold investments in listed securities and recognised US\$213,612 profit on disposal within the Statement of Comprehensive Income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****12. EXPLORATION AND EVALUATION EXPENDITURE**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
At cost	<b>58,433,195</b>	90,269,598
Impairment allowance	<b>(58,433,195)</b>	(86,962,499)
Net carrying value	<b>-</b>	3,307,099
Reconciliations of the carrying amounts of exploration and evaluation expenditure during the year are set out below:		
As at 1 January	<b>3,307,099</b>	5,518,791
Exploration and evaluation expenditure incurred	<b>339,057</b>	1,210,905
Allowances for impairment	<b>(3,646,156)</b>	(3,483,119)
Foreign exchange differences on translation of foreign operations	<b>-</b>	60,522
Carrying amount as at 31 December	<b>-</b>	3,307,099
Reconciliations of the movement in the impairment allowance during the year are set out below:		
As at 1 January	<b>(86,962,499)</b>	(93,651,511)
Impairment allowance increase	<b>(3,646,156)</b>	(3,483,119)
Foreign exchange differences on translation of foreign operations	<b>32,175,460</b>	10,172,131
Carrying amount as at 31 December	<b>(58,433,195)</b>	(86,962,499)

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and commercial exploitation of the areas of interest, or alternatively, by their sale.

The carrying value of exploration and evaluation expenditure as at 31 December 2015 is fully impaired to nil.

During June 2016, the Company advised that the Manga-1, Manga-2, Ténéré Ouest and Aborak Oil exploration permits, known as the Niger assets, have been relinquished by the Company. Due to the continuing threats to security along the Niger-Nigerien border and the Republic of Niger's declaration of a state of emergency in this region, including areas contained within the Company's exploration blocks, a force majeure has been in place since February 2015. This security risk, combined with the deterioration of the global oil market, means the Company cannot continue with planned exploration in Niger. The Niger assets have been fully impaired as at 31 December 2015. Accordingly, an allowance for impairment of US\$3,683,175 has been recognised during the current period (2014: nil).

The Company has fully impaired the recoverable amount of the capitalised exploration and evaluation expenditure in respect of its 10% interest in prospecting licence Hoepakrantz 291 KT as at 31 December 2015 (31 December 2014: nil). Hoepakrantz 291 KT, together with prospecting licences Nooitverwacht 324 KT and Eerste Geluk 327 KT, were known as the Tubatse Project (a South African platinum project). Hoepakrantz 291 KT now forms part of the Garatau Project, with two other prospecting licences. The Company has no interest in the other two prospecting licences forming part of the Garatau Project. Due to the continued uncertainty surrounding ownership title, the Company's 10% interest in prospecting licences Nooitverwacht 324 KT and Eerste Geluk 327 KT has been fully impaired. As at 31 December 2015, due to the continued delay of the receipt of proceeds from the sale of the Company's 10% interest in the Hoepakrantz 291 KT prospecting licence in conjunction with the continued uncertainty on the status and feasibility of the project, Management have maintained full impairment of the carrying amount as at 31 December 2015 (31 December 2014: fully impaired). An allowance for impairment of US\$3,609,600 has been recognised in the prior year. Refer to note 23 (Subsequent Events Note) for further information on the NKWE settlement.

On 14 October 2013, the Group entered into a binding conditional agreement with a third party for the sale of 100% of the issued shares of Eastern Petroleum Corporation Limited (a wholly-owned subsidiary whose assets principally comprise the Alakol licence) for proceeds of US\$10 million. The buyer did not comply with its

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****12. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)**

obligations set out in the term sheet and the sale did not complete. On 4 August 2014, the Company received a notification from the Ministry of Energy of the Republic of Kazakhstan (formerly the Ministry of Oil and Gas) ("ME") that its rights to the Alakol licence had been withdrawn by ME unilaterally. The Company did not accept this as being justified and filed a lawsuit against ME demanding that the licence be reinstated back to the Company. A first instance court hearing was held on 16 January 2015 to address our claim for the licence to be reinstated and was decided in our favour. It was also recommended by the court of first instance that the licence expiry date be extended to account for lost time since the date the licence was withdrawn. ME appealed this decision, and won. Immediately following this appeal court decision, the Company submitted a cessation appeal against it on 28 April 2015 and an official ruling against this was issued on 10 June 2015. The Company had one year, till the 10 June 2016, to submit its appeal to the Supreme Court.

Due to new legislation, specifically the Civil Procedural Code of the Republic of Kazakhstan, which was to be applied retrospectively, the deadline to submit an appeal to the Supreme Court changed to 10 December 2015. During December 2015 the Company lodged its appeal and the Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation has subsequently been lodged through the General Prosecutors office in relation to this decision. A decision is still pending and is expected by the end of Quarter 1, 2017.

Based on the terms of the incomplete sales transaction and the uncertainty pertaining to the status of the licence the capitalised exploration and evaluation expenditure relating to the Alakol permit was impaired to nil as at 31 December 2015. Accordingly, an allowance for impairment of US\$37,019 has been reversed during the current period (2014: US\$126,482 reversal of impairment).

**13. TRADE AND OTHER PAYABLES**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Trade payables	<b>1,273,788</b>	2,541,321
Accruals	<b>2,335,472</b>	894,344
Other payables	<b>203,495</b>	1,970,338
	<b>3,812,755</b>	5,406,003

Terms and conditions relating to the above financial instruments:

- (i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- (ii) Other payables and accruals are non-interest bearing and have an average term of 30 days.

Trade and other payables includes US\$1,432,346 of creditor amounts that are past due.

**14. PROVISIONS**

	<b>Provision for site restoration</b>	
	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
As at 1 January	<b>25,309</b>	30,048
Increase resulting from re-measurement	-	-
Foreign exchange differences on translation of foreign operations	<b>(11,714)</b>	(4,739)
<b>As at 31 December</b>	<b>13,595</b>	25,309

The remaining restoration provision balance at 31 December 2015 relates to the exploration project in Kazakhstan. The provisions have been calculated based on the present value of the expected future cash flows associated with the restoration activities required under the licence agreement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****15. CONTRIBUTED EQUITY**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Issued ordinary shares (a)	<b>266,250,687</b>	266,250,687
Shareholder equity contribution – convertible loans (b)	<b>6,162,074</b>	6,162,074
Shareholder equity contribution – loans (c)	<b>13,338,582</b>	13,338,582
	<b>285,751,343</b>	285,751,343

**(a) Issued ordinary shares – fully paid**

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholders' meetings, each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

	<b>No. of shares</b>		<b>US\$</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
As at 1 January	<b>1,679,602,608</b>	1,176,262,031	<b>279,589,269</b>	266,250,687
Issue of shares pursuant to loan conversions <sup>(i)</sup>	-	503,340,577	-	13,338,582
<b>As at 31 December</b>	<b>1,679,602,608</b>	1,679,602,608	<b>279,589,269</b>	279,589,269

- (i) 503,340,577 shares were issued during the prior year upon conversion of the Company's loans with African Petroleum, Varesona and Range.

**(b) Shareholder equity contribution**

The equity contribution is the difference between the initial fair value of the convertible loans recognised as debt and the loan proceeds received. There were no new convertible loan agreements entered into during the current period.

**(c) Shareholder equity contributions – loans**

The equity contribution is the difference between the fair value of loans and the 503,340,577 shares in the Company issued in settlement of the Company's loans with African Petroleum Corporation Limited, Range Resources Limited and Varesona Participation Corporation in 2014. There were no loans required to be repaid during the current year.

**Capital Risk Management**

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels, distributions to shareholders and share and option issues. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

Management monitors capital requirements through cash flow forecasting. Capital is defined as issued share capital. Management may seek further capital if required through the issue of capital or changes in the capital structure.

The Group has no externally imposed capital requirements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****16. RESERVES****Nature and purpose of reserves****Share-based payment reserve**

The share based payment reserve is used to recognise the fair value of options and performance shares issued.

**Revaluation reserve**

The revaluation reserve is used to recognise the changes in fair value of available-for-sale investments held.

**Merger reserve**

The merger reserve balance relates entirely to the acquisition of North Caspian Petroleum Ltd by Eastern Petroleum Corporation Ltd in 2007.

**Foreign currency translation reserve**

The Foreign currency translation reserve is used to recognise foreign currency exchange differences arising on translation of balances from functional currencies to presentation currency.

**17. SHARE BASED PAYMENTS****Options**

During the current year, 1,500,000 unlisted options have been issued to an employee of the Company (2014: 10,000,000 unlisted options). In the prior year, 10,000,000 unlisted options were issued as part of the conversion of loans. During the current year US\$1,516 has been expensed, in respect of these options, within the line item "Employee expenses" within the Statement of Profit or Loss and Other Comprehensive Income (2014: US\$124,953 reversed). Further US\$1,055 has been capitalised within Exploration and Evaluation Expenditure and US\$1,727 reversed from being capitalised within Exploration and Evaluation Expenditure for the current year. US\$1,054,123 was reversed from being capitalised and US\$360,720 expensed in the prior year as a result of options issued as part of the conversion of certain loans.

The following share-based payment options were granted during the current year:

Grant date	Number of options	Exercise Price A\$	Expiry Date	Fair Value at Grant Date A\$	Fair Value at Grant Date US\$
8 June 2015	1,500,000	0.06 <sup>1</sup>	8 June 2017	390	297

<sup>1</sup>The equivalent US\$ exercise price per option at 31 December 2015 is equal to US\$0.04

The weighted average fair value of the options granted during the current year is A\$0.06 (2014: A\$0.05). Options were priced using the Black-Scholes option pricing model. Expected volatility used is 125% and is based on the historical volatility. No allowance has been made for the effects of early exercise.

The options issued to an employee in the current year are in recognition of services provided and to be provided in the future. Holders of options do not have any voting or dividend rights in relation to the options.

The following share-based payment options were granted during the prior year:

Grant date	Number of options	Exercise Price A\$	Expiry Date	Fair Value at Grant Date A\$	Fair Value at Grant Date US\$
9 Jun 2014	10,000,000	0.01 <sup>1</sup>	29 Jul 2019	0.06	0.05
8 Sep 2014	10,000,000	0.06 <sup>2</sup>	2 Oct 2016	0.04	0.04

<sup>1</sup>The equivalent US\$ exercise price per option at 31 December 2014 is equal to US\$0.01

<sup>2</sup>The equivalent US\$ exercise price per option at 31 December 2014 is equal to US\$0.05

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****17 SHARE BASED PAYMENTS (CONTINUED)****Options forfeited and cancelled during the current year**

During the current year 2,000,000 unlisted options, 500,000 of which with an exercise price of A\$0.10, and 1,500,000 with an exercise price of A\$0.25, were either forfeited or cancelled upon resignation of certain employees of the Company (2014: 25,500,000 unlisted options with an exercise price of A\$0.25 and 10,000,000 unlisted options with an exercise price of A\$0.01). An amount of US\$1,727 which had been capitalised in prior periods in respect of these options, has been reversed in the current year (2014: US\$1,077,240). For the current year, nil has been reversed within the line item "Employee expenses" in the Statement of Profit or Loss and Other Comprehensive Income, in recognition of unvested options that have been forfeited or cancelled as a result of the holders ceasing to be employed with the Company (2014: US\$122,891).

**Options expired during the current year**

During the current year, 8,000,000 options with an exercise price of A\$0.30 and 2,500,000 options with an exercise price of between A\$0.25 and A\$0.65 expired (2014: 200,000 options with an exercise price of A\$0.30).

**Options outstanding at 31 December 2015**

The following shows the model inputs for the options granted and outstanding at 31 December 2015:

Expiry Date	Exercise Price A\$	Number Under Option	Dividend Yield (%)	Risk Free Rate (%)	Expected life of Options (years)	Share price at grant date A\$	Share price at grant date US\$
16 March 2016	0.25 <sup>1</sup>	500,000	-	4.64	3	0.23	0.21
18 July 2017	0.25 <sup>1</sup>	500,000	-	3.79	3	0.23	0.21
16 March 2016	0.25 <sup>1</sup>	1,500,000	-	4.68	3	0.30	0.25
2 October 2016	0.06 <sup>2</sup>	10,000,000	-	2.63	2	0.06	0.06
8 June 2017	0.06 <sup>2</sup>	1,500,000	-	2.01	2	0.06	0.06
<b>TOTAL</b>		<b>14,000,000</b>					

<sup>1</sup> The equivalent US\$ exercise price per option at 31 December 2014 is equal to US\$0.18

<sup>2</sup> The equivalent US\$ exercise price per option at 31 December 2013 is equal to US\$0.04

The following reconciles the outstanding share options granted, exercised and forfeited during the year:

	2015		2014	
	Number of Options	Weighted Average Exercise Price A\$	Number of Options	Weighted Average Exercise Price A\$
Balance at beginning of the period	25,000,000	0.21 <sup>1</sup>	40,700,000	0.27 <sup>7</sup>
Granted during the year	1,500,000	0.06 <sup>2</sup>	20,000,000	0.04 <sup>8</sup>
Exercised during the year	-	-	-	-
Forfeited/cancelled during the year	(2,000,000)	0.21 <sup>3</sup>	(35,500,000)	0.18 <sup>9</sup>
Expired during the year	(10,500,000)	0.34 <sup>4</sup>	(200,000)	0.30 <sup>10</sup>
Balance at end of the year	14,000,000	0.09 <sup>5</sup>	25,000,000	0.21 <sup>1</sup>
Exercisable at end of the period	12,500,000	0.10 <sup>6</sup>	19,200,000	0.16 <sup>11</sup>

<sup>1</sup> The US\$ equivalent weighted average exercise price is US\$0.17

<sup>2</sup> The US\$ equivalent weighted average exercise price is US\$0.04

<sup>3</sup> The US\$ equivalent weighted average exercise price is US\$0.15

<sup>4</sup> The US\$ equivalent weighted average exercise price is US\$0.25

<sup>5</sup> The US\$ equivalent weighted average exercise price is US\$0.07

<sup>6</sup> The US\$ equivalent weighted average exercise price is US\$0.07

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****17. SHARE BASED PAYMENTS (CONTINUED)**

<sup>7</sup> The US\$ equivalent weighted average exercise price is US\$0.22

<sup>8</sup> The US\$ equivalent weighted average exercise price is US\$0.03

<sup>9</sup> The US\$ equivalent weighted average exercise price is US\$0.15

<sup>10</sup> The US\$ equivalent weighted average exercise price is US\$0.24

<sup>11</sup> The US\$ equivalent weighted average exercise price is US\$0.17

The share options outstanding at the end of the period had a weighted average exercise price of A\$0.09 (2014: A\$0.21) and the weighted average remaining contractual life was 216 days (2014: 503 days).

**18. FINANCIAL INSTRUMENTS**

The Group's principal financial instruments are cash and restricted cash, receivables, derivative financial assets, available for sale investments, trade and other payables and borrowings.

The financial instruments classified as available for sale (refer Note 12) are excluded from this disclosure note.

**Fair value**

The directors consider that the carrying values of these financial instruments approximate their fair values. The carrying value of the trade and other receivables and the carrying value of the trade and other payables approximate the fair value, as the receivables are due to be paid in 12 months and the payables are due to be settled in 12 months.

The Group uses a level 1 method in estimating fair value of equity securities. Under the level 1 method, the fair value is calculated using quoted prices in active markets. The Group uses a level 2 method in estimating fair values of derivative financial assets. Under the level 2 method, this technique uses non-market observable inputs in option pricing models. There has been no transfer between different levels of fair value hierarchy.

	Carrying amount		Fair value	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
<b>Financial assets</b>				
Cash and cash equivalents	<b>1,399,695</b>	5,688,513	<b>1,399,695</b>	5,688,513
Restricted cash	<b>20,383</b>	48,361	<b>20,383</b>	48,361
Trade and other receivables	<b>225,201</b>	74,951	<b>225,201</b>	74,951
Derivative financial assets	-	-	-	-
Financial assets available-for-sale	<b>1,599</b>	893	<b>1,599</b>	893
<b>Financial liabilities</b>				
Trade and other payables	<b>3,812,755</b>	5,406,003	<b>3,812,755</b>	5,406,003

**Risk exposure and responses**

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The Group does not use any form of derivatives to hedge its risk exposure, as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****18. FINANCIAL INSTRUMENTS (CONTINUED)****(a) Interest rate risk**

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents and variable interest bearing loans), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>Financial assets</b>		
Cash and cash equivalents – variable rate	<b>1,399,695</b>	5,688,513
Restricted cash – variable rate	<b>20,383</b>	48,361

The following sensitivity analysis is based on interest rate risk exposure in existence at the reporting date. At the reporting date, if interest rates applicable to variable rate financial instruments had increased or decreased by 100 basis points, which is management's assessment of the reasonably possible change, with all other variables held constant the profit before tax and equity would have been affected as follows:

	<b>Profit before tax</b>		<b>Equity</b>	
	<b>higher/(lower)</b>		<b>higher/(lower)</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
+ 1% (100 basis points)	<b>14,201</b>	57,369	<b>14,201</b>	57,369
- 1 % (100 basis points)	<b>(14,201)</b>	(57,369)	<b>(14,201)</b>	(57,369)

The impact is mainly due to the higher or lower interest rate applied on variable rate borrowings.

**(b) Foreign currency risk**

The Group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of the entities within the Group. The Group has not entered into any derivative financial instruments to hedge such transactions.

The Group's presentation currency is US dollars. As a result of most subsidiaries having functional currencies other than the US dollar, the consolidated statement of financial position can be affected significantly by movements in the exchange rates.

At the reporting date, the Group had the following exposure to the US dollar, Australian dollar and Great British Pound. The foreign currency risk originates due to the functional currency being different from the exposure currencies tabled. The foreign currency risk assessment excludes the risk arising on translation from functional currencies to the US dollar presentational currency. The Group's exposure to foreign currency changes for all other currencies is not material.

		<b>2015</b>	<b>2014</b>
	<b>Currency</b>	<b>US\$</b>	<b>US\$</b>
<b>Financial assets</b>			
Cash and cash equivalents	USD	<b>732,168</b>	4,501,375
Cash and cash equivalents	AUD	<b>82,484</b>	545,126
Cash and cash equivalents	GBP	<b>450,534</b>	263,972
Restricted cash	GBP	<b>15,147</b>	17,192
<b>Financial liabilities</b>			
Trade and other payables	USD	<b>355,237</b>	334,801
Trade and other payables	AUD	<b>514,328</b>	1,199,489
Trade and other payables	GBP	<b>1,842,380</b>	1,942,861

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****18. FINANCIAL INSTRUMENTS (CONTINUED)**

The following sensitivity analysis is based on the foreign currency risk exposure in existence at the reporting date. At the reporting date, had the exchange rates moved as illustrated in the table below, with all other variables held constant the profit before tax and equity would have been affected as follows:

	<b>Profit before tax higher/(lower)</b>		<b>Equity higher/(lower)</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
US dollar to AUD + 10%	<b>(825)</b>	(33,480)	<b>(825)</b>	(33,480)
US dollar to AUD – 10%	<b>825</b>	33,480	<b>825</b>	33,480
US dollar to GBP + 10%	<b>(46,576)</b>	166,170	<b>(46,576)</b>	166,170
US dollar to GBP – 10%	<b>46,576</b>	(166,170)	<b>46,576</b>	(166,170)

The impact is mainly due to the higher or lower US dollar to AUD applied on the US dollar denominated borrowings.

**(c) Commodity price risk**

The Group is still in the exploration and evaluation phase. Consequently, its financial assets and liabilities are subject to minimal commodity price risk)

**(d) Credit risk**

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Group has adopted the policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group does not have any significant credit risk exposure to any single counter-party.

*(i) Cash and cash equivalents*

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

*(ii) Trade and other receivables*

Trade and other receivables as at the reporting date mainly comprise of rental income due from the sub-lease of UK offices and VAT/GST refundable by the applicable Government Authority. No amount is part due or impaired. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Management does not expect any counterparty to fail to meet their obligations.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

**(e) Liquidity risk management**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****18. FINANCIAL INSTRUMENTS (CONTINUED)**

The following are the contractual maturities of financial liabilities:

	<b>6 months or less</b>	<b>6 – 12 months</b>	<b>1 – 5 years</b>	<b>Greater than 5 years</b>	<b>Total</b>
<b>2015</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Trade and other payables	(3,812,755)	-	-	-	(3,812,755)

  

	<b>6 months or less</b>	<b>6 – 12 months</b>	<b>1 – 5 years</b>	<b>Greater than 5 years</b>	<b>Total</b>
<b>2014</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Trade and other payables	(5,406,003)	-	-	-	(5,406,003)

**(f) Equity market risk**

The Group is exposed to equity market risk. This impacts listed equity investments held by the Group, classified in the Statement of Financial Position as financial assets available-for-sale, and derivative financial assets comprising put options over the Company's own listed shares.

At the reporting date the financial instruments influenced by share price movements were:

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>Financial assets</b>		
Financial assets available-for-sale	1,599	893

The fair value of the available for sale assets has been based on the quoted share price of the shares and as such it is categorised as Level 1.

The table below summarises the expected impact of an increase/decrease of 10% in the ASX 200 index on the Group's profit before tax and on equity. The analysis is based on the assumption that the ASX 200 index had increased or decreased by 10%, with all other variables held constant, and that the listed equity instruments held by the Group and the Company's own listed shares changed in value according to the ASX 200 index. The same analysis was performed for 2014.

	<b>Profit before tax</b>		<b>Equity</b>	
	<b>higher/(lower)</b>		<b>higher/(lower)</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
10% increase in ASX 200 index	-	-	7,460	89
10% decrease in ASX 200 index	-	-	(7,460)	(89)

There was no impact for 2015.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****19. EARNINGS/(LOSS) PER SHARE**

	<b>2015</b> <b>Cents per</b> <b>share</b>	<b>2014</b> <b>Cents per</b> <b>share</b>
<b>Basic earnings/(loss) per share</b>		
From continuing operations	<b>(0.38)</b>	0.14
From discontinued operations	-	0.15
Total basic gain/(loss) per share	<b>(0.38)</b>	0.29
<b>Diluted earnings/(loss) per share</b>		
From continuing operations	<b>(0.38)</b>	0.14
From discontinued operations	-	0.15
Total diluted earnings/(loss) per share	<b>(0.38)</b>	0.29
	<b>2015</b> <b>US\$</b>	<b>2014</b> <b>US\$</b>
<b>Basic and diluted earnings/(loss) per share:</b>		
The loss and weighted average number of ordinary shares used in the calculation of basic and diluted earnings/loss per share are as follows:		
Profit/(loss) attributable to the ordinary equity holders used in calculating basic and diluted earnings/loss per share	<b>(6,361,211)</b>	3,806,739
Profit/(loss) for the year from discontinued operations	-	1,973,910
Profit/(loss) used for continuing operations	<b>(6,361,211)</b>	1,832,829
	<b>Number of shares</b>	
	<b>2015</b>	<b>2014</b>
Weighted average number of ordinary shares on issue during the year used in the calculation of basic and diluted earnings/(loss) per share	<b>1,679,602,608</b>	1,301,752,421

Options on issue are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which the options are dilutive. There are 14,000,000 options outstanding at 31 December 2015 (2014: 25,000,000 options). These options are considered anti-dilutive due to the impact of reducing the earnings/(loss) per share; and therefore excluded from the diluted earnings per share calculation.

**20. SEGMENT REPORTING**

For management purposes, the Group is organised into one main operating segment, which involves exploration for hydrocarbons. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results, assets and liabilities from this segment are equivalent to the financial statements of the Group as a whole. The Group only has one operating segment being exploration for hydrocarbons.

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

	<b>2015</b> <b>US\$</b>	<b>2014</b> <b>US\$</b>
Australia	<b>1,599</b>	893
United Kingdom	<b>29,383</b>	-
Africa	<b>9,075</b>	3,307,099
Kazakhstan	<b>7,665</b>	57,351
	<b>47,722</b>	3,365,343

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****21. COMMITMENTS AND CONTINGENCIES****Remuneration commitments**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Commitments for the payment of remuneration under long term contracts in existence at the reporting date but not recognised as liabilities, payable:		
Within 1 year	<b>338,991</b>	235,262
Later than 1 year and not later than 5 years	<b>213,151</b>	-
Later than 5 years	-	-
	<b>552,142</b>	235,262

Refer further to the remuneration report in the Directors' Report for details of service contracts.

**Office rental commitments**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Commitments for the payment of lease rentals in existence at the reporting date but not recognised as liabilities, payable:		
Within 1 year	<b>191,242</b>	29,509
Later than 1 year and not later than 5 years	<b>6,583</b>	36,866
Later than 5 years	-	-
	<b>197,825</b>	66,375

It is expected that US\$112,334 of the office rental commitments shown above will be on-charged to a Company related to Mr Timis, for the sub lease of the London office.

**Capital commitments**

At 31 December 2015 the Group had no capital commitments in respect of its licence obligations (2014: US\$44,762,514).

**Contingent Liabilities**

On 9 May 2014, the Company (through its wholly owned subsidiary) entered into a share purchase agreement with a third party ("buyer") for the sale of 100% of the issued shares of IPL Siberia Limited (a company incorporated in the Cayman Islands) ("IPL Siberia") and International Petroleum Company LLC (a company incorporated in Russia) ("IPL Russia") for proceeds of US\$13 million. As part of the transaction the buyer has the right to lodge financial claims with the Seller, not later than the second anniversary of the date of Completion of the transaction, in respect of undisclosed third party debts of IPL Siberia and IPL Russia (and their subsidiaries) as at the date of the transaction. The aggregate liability of the Seller in respect of all claims is limited to the consideration amount of US\$13 million. As at the date of signing of the financial report no financial claims have been lodged by the buyer.

Towards the end of 2014, a wrongful dismissal claim and other employment related claims were brought against the Company and two of its Directors by a former employee of the Company. A judgment has recently been handed down by the UK Employment Tribunal, provisionally awarding £1,767,203.16 including taxes to the former employee. No amounts have been paid in respect of this award by the Company. The Company and its Directors strongly dispute the claims and have lodged an appeal which is scheduled to be heard by the UK Employment Tribunal on 23 May 2017.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****22. REMUNERATION OF AUDITORS**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>Paid or payable to auditors</b>		
Audit or review of financial reports		
Ernst & Young Australia	<b>21,515</b>	89,586
Ernst & Young related practices	<b>-</b>	75,300
Stantons International	<b>41,203</b>	-
	<b>62,718</b>	164,886
Non-audit services (credits)/fees Ernst & Young related practices	<b>105,715</b>	(102,489)
	<b>168,433</b>	62,397

**23. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE**

The following significant events and transactions have taken place subsequent to 31 December 2015:

- On 22 January 2016, the Company commenced legal proceedings in the Supreme Court of Western Australia against NKWE Platinum Ltd (NKWE) claiming A\$45,000,000 in relation to the failure by NKWE to pay for the purchase of International Petroleum's 10% interest in prospective platinum tenements known as Hoepakrantz 291 KT, Nooitverwacht 324 KT and Eerste Geluk 327 KT located in the Eastern Limb of the Bushveld Complex in the Republic of South Africa (Tubatse Project or IGC Project) in accordance with the Sale Agreement between International Petroleum and NKWE dated 4 October 2009 (Sale Agreement).

Despite International Petroleum's several attempts to resolve this matter without formal legal proceedings and to the mutual satisfaction of both parties, NKWE has failed to honour its commitments to International Petroleum. Accordingly, International Petroleum was left with no choice but to commence legal proceedings against NKWE.

On 29 February 2016, the Company was served with a defence from NKWE together with a counter-claim in the sum of A\$10 million seeking restitution of funds previously paid by NKWE to International Petroleum under the Sale Agreement between International Petroleum and NKWE Platinum dated 4 October 2009.

During May 2016, all legal proceedings were settled with NKWE on the basis that each party agreed to its claim against the other being dismissed, with no orders as to costs. As part of the settlement agreement, an amount of A\$280,000 was paid by NKWE to the Company on 20 May 2016.

- Towards the end of 2014, a wrongful dismissal claim and other employment related claims were brought against the Company and two of its Directors by a former employee of the Company. A judgment has recently been handed down by the UK Employment Tribunal, provisionally awarding £1,767,203.16 including taxes to the former employee. No amounts have been paid in respect of this award by the Company. The Company and its Directors strongly dispute the claims and have lodged an appeal which is scheduled to be heard by the UK Employment Tribunal on 23 May 2017.
- During June 2016, the Company advised that the Manga-1, Manga-2, Ténéré Ouest and Aborak Oil exploration permits have been relinquished by the Company. Due to the continuing threats to security along the Niger-Nigerian border and the Republic of Niger's declaration of a state of emergency in this region, including areas contained within the Company's exploration blocks, a force majeure has been in place since February 2015. This security risk, combined with the deterioration of the global oil market, means the Company cannot continue with planned exploration in Niger.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****23. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE (CONTINUED)**

- On 4 August 2014, the Company received a notification from the Ministry of Energy of the Republic of Kazakhstan (formerly the Ministry of Oil and Gas) ("ME") that its rights to the Alakol licence had been withdrawn by ME unilaterally. The Company did not accept this as being justified and filed a lawsuit against ME demanding that the licence be reinstated back to the Company. A first instance court hearing was held on 16 January 2015 to address our claim for the licence to be reinstated and was decided in our favour. It was also recommended by the court of first instance that the licence expiry date be extended to account for lost time since the date the licence was withdrawn. ME appealed this decision, and won. Immediately following this appeal court decision, the Company submitted a cessation appeal against it on 28 April 2015 and an official ruling against this was issued on 10 June 2015. The Company had one year, till the 10 June 2016, to submit its appeal to the Supreme Court.

Due to new legislation, specifically the Civil Procedural Code of the Republic of Kazakhstan, which was to be applied retrospectively, the deadline to submit an appeal to the Supreme Court changed to 10 December 2015. During December 2015 the Company lodged its appeal and the Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation has subsequently been lodged through the General Prosecutors office in relation to this decision. A decision is still pending and is expected by the end of Quarter 1, 2017.

- 10,000,000 unlisted options with an exercise price of A\$0.06 expired on 2 October 2016. A further 1,500,000 unlisted options with an exercise price of A\$0.25 were forfeited on 31 January 2016 upon resignation of a former employee.

No other event has arisen between 31 December 2015 and the date of this report that would be likely to materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

**24. RELATED PARTY INFORMATION**

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

**(a) Ultimate parent**

International Petroleum Limited is the ultimate parent of the Group.

**(b) Corporate Structure**

The legal corporate structure of the Group is set out below. The Company's principal activity through its group entities is oil and gas exploration. All entities within the Group support or are involved in this activity.

Name	Country of incorporation	Country of operation	% Equity interest	
			31 December 2015	31 December 2014
Parent entity: International Petroleum Limited	Australia	Australia		
Eastern Petroleum Corporation Ltd	United Kingdom	United Kingdom	100%	100%
Almroth Holdings Ltd	Cyprus	Cyprus	100%	100%
North Caspian Petroleum Ltd	United Kingdom	United Kingdom	100%	100%
North Caspian Petroleum LLP	Kazakhstan	Kazakhstan	100%	100%
International Petroleum Services Ltd	United Kingdom	United Kingdom	100%	100%
International Petroleum Ltd	Cayman Islands	Cayman Islands	100%	100%
IPL Africa Limited	Cayman Islands	Cayman Islands	100%	100%
IPL Niger Limited	Republic of Niger	Republic of Niger	100%	100%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****24. RELATED PARTY INFORMATION (CONTINUED)****(c) Directors and key management personnel**

Details relating to key management personnel, including remuneration paid, are included in the Remuneration Report within the Directors' Report.

**Compensation for directors and key management personnel**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Short-term employee benefits	618,396	1,583,114
Share based payments	284	(2,085,478)
Post-employment benefits	33,529	38,134
<b>Total compensation</b>	<b>652,209</b>	<b>(464,230)</b>

**d) Transactions with related parties:**

- i) An aggregate amount of US\$67,412 was paid, or was due and payable to Cape Lambert Resources Limited ('Cape Lambert'), for reimbursement of employee, consultancy, travel and occupancy costs (2014: US\$100,713). Mr Sage and Mr Turner are directors of Cape Lambert.
- ii) An aggregate amount of nil was paid, or was due and payable to African Petroleum Corporation Limited ('African Petroleum') for accounting support services (2014: US\$10,753). Mr Turner and Mr Ashurst are directors of African Petroleum.
- iii) No amount was paid, or was due and payable to African Petroleum Corporation Services Limited in respect of staff seconded to the Company (2014: US\$91,649). African Petroleum Corporation Services Limited is a subsidiary of African Petroleum. No amount was paid, or was due and payable to African Petroleum Corporation Services Limited in relation to data mapping and travel costs (2014: US\$17,547).
- iv) No amount was paid, or was due and payable to African Petroleum Limited in respect of travel costs (2014: US\$224,969). African Petroleum Limited is a subsidiary of African Petroleum.
- v) As at 31 December 2015, the following amounts were payable to directors and former directors of the Company or their nominees:

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
CRMS, an entity controlled by Mr Turner	<b>2,919</b>	3,589
MLR Advisory Limited, a company controlled by Mr Ashurst	<b>2,919</b>	3,262
Mr Antoniou	<b>10,947</b>	12,234
Barade International Limited, a company controlled by Mr Godec	<b>8,758</b>	9,787

US\$90,576 has been accrued in respect of director and former directors' remuneration as at 31 December 2015 for directors of the Company or their nominees (2014: US\$1,027,126).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****25. PARENT ENTITY FINANCIAL INFORMATION**

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 3 for a summary of the significant accounting policies relating to the Group.

	<b>Parent Entity</b>	
	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
<b>Financial Position of parent entity at year-end</b>		
<b>Assets</b>		
Current assets	<b>685,337</b>	5,083,726
Non-current assets	<b>51,598</b>	50,892
Total assets	<b>736,935</b>	5,134,618
<b>Liabilities</b>		
Current liabilities	<b>1,059,630</b>	1,389,481
Non-current liabilities	<b>8,273,696</b>	8,499,826
Total liabilities	<b>9,333,326</b>	9,889,307
<b>Net liabilities</b>	<b>(8,596,391)</b>	(4,754,689)
<b>Total equity of the parent entity comprising of</b>		
Contributed equity	<b>285,751,343</b>	285,751,343
Share-based payment reserve	<b>32,720,387</b>	32,718,720
Revaluation reserve	-	-
Foreign currency translation reserve	<b>(15,528,915)</b>	(8,460,690)
Accumulated losses	<b>(311,539,206)</b>	(314,764,062)
Total equity	<b>(8,596,391)</b>	(4,754,689)
<b>Results of the parent entity</b>		
Gain for the year	<b>3,224,856</b>	4,927,369
Other comprehensive (loss)	<b>(7,068,225)</b>	(2,789,596)
Total comprehensive (loss)/income for the year	<b>(3,843,369)</b>	2,137,773

**Guarantees entered into by the parent entity**

Subsequent to year end, the parent provided letters of support to Eastern Petroleum Corporation Limited and International Petroleum Services Limited for a period of twelve months from the date of signing the companies' 2015 unaudited financial statements.

**Contingent liabilities of the parent entity**

On 9 May 2014, the Company (through its wholly owned subsidiary) entered into a share purchase agreement with a third party ("buyer") for the sale of 100% of the issued shares of IPL Siberia Limited (a company incorporated in the Cayman Islands) ("IPL Siberia") and International Petroleum Company LLC (a company incorporated in Russia) ("IPL Russia") for proceeds of US\$13 million. As part of the transaction the buyer has the right to lodge financial claims with the Seller, not later than the second anniversary of the date of Completion of the transaction, in respect of undisclosed third party debts of IPL Siberia and IPL Russia (and their subsidiaries) as at the date of the transaction. The aggregate liability of the Seller in respect of all claims is limited to the consideration amount of US\$13 million. As at the date of signing of the financial report no financial claims have been lodged by the buyer and the date by which a claim must be made has passed.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****25. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)****Commitments of the parent entity**

	<b>2015</b>	<b>2014</b>
	<b>US\$</b>	<b>US\$</b>
Commitments for the payment of lease rentals in existence at the reporting date but not recognised as liabilities, payable:		
Within 1 year	<b>26,404</b>	29,509
Later than 1 year and not later than 5 years	<b>6,583</b>	36,866
Later than 5 years	-	-
	<b>32,987</b>	66,375

***DIRECTORS' DECLARATION***

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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 year ended 31 December 2015 are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of its financial position as at 31 December 2015 and of its performance for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
    - (iii) complying with International Financial Reporting Standards as disclosed in Note 2.
  - (b) subject to the achievement of matters disclosed in Note 2 (Going Concern), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the year ended 31 December 2015.

Signed in accordance with a resolution of the Directors:



Antony Sage  
Director

**Perth, 14 February 2017**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
INTERNATIONAL PETROLEUM LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of International Petroleum Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

*Directors' responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## *Basis for Disclaimer of Opinion*

### *Impact of the sale of IPL Siberia Limited and International Petroleum Company LLC on Opening Balances*

In 2014, the Group entered into a transaction to dispose of 100% of the issued shares of IPL Siberia Limited and International Petroleum Company LLC (the "Russian Subsidiaries"). The accounting books and records of the Russian Subsidiaries were provided to the acquirer on 30 May 2014.

The directors of the Company were unable to obtain access to the accounting books and records of the Russian Subsidiaries to enable the prior auditor to carry out sufficient and appropriate audit procedures to verify balances. As a result, the opening balances and comparative figures may be misstated.

In addition, as described in Note 21 to the financial report, pursuant to the sale of the Russian Subsidiaries, the acquirer has the right to lodge legitimate financial claims against the Company in respect of undisclosed third party debts of the Russian Subsidiaries as at the date of the transaction up to the value of the proceeds of US\$13 million. As the directors were unable to access the accounting books and records of the Russian Subsidiaries, the financial information relating to the Russian Subsidiaries was not appropriately audited and therefore, the likelihood of any such claims arising was not adequately assessed. As at the date of signing this report no financial claims have been lodged by the buyer.

## *Going Concern*

As referred to in Note 2 to the financial statements, the year financial statements have been prepared on a going concern basis. The consolidated entity comprising the Company and its subsidiaries incurred a loss of US\$6,361,211 for the year ended 31 December 2015 and had net cash outflows of US\$3,149,532 for the year ended 31 December 2015. The consolidated entity had a working capital deficiency as at 31 December 2015 of US\$2,210,550. As outlined in Note 21, the Company is appealing against a judgement handed down in favour of a past employee awarding the employee £1,767,203.

The ability of the consolidated entity to continue as a going concern and meet its planned exploration, administration and other commitments is dependent upon:

- i. The consolidated entity raising further working capital, sale of certain assets and/or successfully exploiting its mineral assets;
- ii. The consolidated entity achieving its funding objectives which include negotiating with certain trade creditors to revise payment amounts and terms;
- iii. There being no material legitimate claims being made against the Company by the acquirers of the Russian Subsidiaries as outlined above; and
- iv. The Company being successful in its appeal against a wrongful dismissal claim and other employment related claims that have been brought against the Company by a former employee.

In the event that the consolidated entity is not successful in raising further equity, selling certain assets or successfully exploiting its mineral assets, or is unable to negotiate with certain creditors to revise the liabilities and credit terms, or material legitimate claims are made against the Company by the acquirers of the Russian Subsidiaries or the consolidated entity is not successful in defending a wrongful dismissal claim by a former employee, the consolidated entity may not be able to meet its liabilities as and when they fall due and the realisable value of the consolidated entity's current and non-current assets may be significantly less than book values.

# Stantons International

## *Disclaimer of Opinion*

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the Financial Report for the year ended 31 December 2015.

## **Report on the Remuneration Report**

We have audited the remuneration report included in pages 8 to 16 of the Directors' Report for the year ended 31 December 2015. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

## *Opinion*

In our opinion the remuneration report of International Petroleum Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
(Trading as Stantons International)  
(An Authorised Audit Company)

*Stantons International Audit & Consulting Pty Ltd*



**Martin Michalik**  
Director

West Perth, Western Australia  
14 February 2017

**NSX ADDITIONAL INFORMATION**

International Petroleum Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia ("NSX").

The Company's registered and principal place of business is 32 Harrogate Street, West Leederville, Western Australia 6007 Australia.

**Shareholding**

The distribution of members and their holdings of equity securities in the Company as at 2 December 2016 were as follows:

<b>Category (size of holding)</b>	<b>Holders</b>	<b>Units</b>
1- 1,000	35	13,768
1,001- 10,000	550	2,780,860
10,001- 100,000	512	17,029,495
100,001 – 1,000,000	111	33,110,942
1,000,001 - over	40	1,626,667,543
<b>Total</b>	<b>1,248</b>	<b>1,679,602,608</b>

**Equity Securities**

There are 1,248 shareholders, holding 1,679,602,608 fully paid ordinary shares.

All issued ordinary shares carry one vote per share and are entitled to dividends.

The number of shareholders holding less than a marketable parcel of ordinary shares is nil.

**Options**

Summarised below are the options (all unlisted) currently on issue together with their exercise price and expiry date:

<b>Expiry date</b>	<b>Exercise price A\$</b>	<b>Number under option</b>
5 March 2017	0.25	1,500,000
18 July 2017	0.25	2,000,000
15 April 2018	0.10	1,000,000
21 July 2019	0.01	5,000,000

**Voting Rights**

In accordance with the Company's constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Options do not carry a right to vote.

**NSX ADDITIONAL INFORMATION****Substantial Holders**

The names of the substantial shareholders notified to the Company in accordance with section 671B of the Corporations Act as at 5 December 2016 are as follows:

	<b>Fully paid ordinary shareholders</b>	<b>Number</b>	<b>% of held Issued Capital</b>
1	Safeguard Management Limited <Timis Fund A/C>	444,018,420	26.44

**Twenty Largest Shareholders**

The names of the twenty largest fully paid ordinary shareholders as at 5 December 2016 are as follows:

	<b>Name</b>	<b>Number of Fully Paid Ordinary Shares Held</b>	<b>% held of Issued Capital</b>
1	SAFEGUARD MANAGEMENT LIMITED <TIMIS FUND A/C>	444,018,420	26.44
2	AFRICAN PETROLEUM CORPORATION LIMITED	233,890,450	13.93
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	161,342,163	9.61
4	RANGE RESOURCES LIMITED	147,803,270	8.80
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	133,604,625	7.95
6	VARESONA PARTICIPATION CORPORATION	121,646,857	7.24
7	CITICORP NOMINEES PTY LIMITED	70,421,404	4.19
8	CROWN MERCANTILE LIMITED	45,000,000	2.68
9	KONTILLO RESOURCES SA	36,000,000	2.14
10	BNP PARIBAS NOMS PTY LTD <DRP>	28,553,061	1.70
11	LANGSTON KEY LIMITED	27,900,000	1.66
12	DEMPSEY RESOURCES PTY LIMITED	27,494,812	1.64
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	23,227,261	1.38
14	CS FOURTH NOMINEES PTY LTD	15,454,000	0.92
15	OKEWOOD PTY LTD	13,948,864	0.83
16	CCWIPP SINGLE USER TRUST	13,750,000	0.82
17	MR RUSSELL NEIL CREAGH	13,250,389	0.79
18	PEMBURY NOMINEES PTY LTD	8,620,000	0.51
19	HKT AU PTY LTD <MORAMBA SERV SUPER PLAN A/C>	8,080,000	0.48
20	DAVID GRANT ROBINSON	7,600,000	0.45
		<b>1,581,605,576</b>	<b>94.17</b>

**NSX ADDITIONAL INFORMATION****Schedule of Exploration Assets held at the date of this report****Key Assets**

<b>Tenement No.</b>	<b>Prospect Area</b>	<b>Percentage</b>
1766 ( <i>In dispute</i> )	Alakol	50%

**Five year summary of the results, assets and liabilities of the Group**

	<b>Year ended 31 December 2015 US\$</b>	<b>Year ended 31 December 2014 US\$</b>	<b>Year ended 31 December 2013 US\$</b>	<b>Year ended 31 December 2012 US\$</b>	<b>Year ended 31 December 2011 US\$</b>
Profit/(loss) for the year	<b>(6,361,211)</b>	3,806,739	(133,176,144)	(3,362,144)	(27,463,912)
Total assets	<b>1,824,938</b>	9,465,493	73,941,000	193,611,261	143,825,835
Total liabilities	<b>4,001,361</b>	5,665,830	84,185,367	70,248,320	56,406,840
Net liabilities / assets	<b>(2,176,423)</b>	3,799,663	(10,244,367)	123,362,941	87,418,995