International Petroleum Limited

(ABN 76 118 108 615)

Half-year Financial Report for the Period Ended 30 June 2016

CONTENTS

CORPORATE DIRECTORY

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Antony Sage

NON-EXECUTIVE DIRECTORS
Frank Timis
Timothy Turner

COMPANY SECRETARY
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National Stock Exchange of Australia (NSX)
Code: IOP

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 half-year ended 30 June 2016.

Directors

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

Mr Antony Sage
Mr Timothy Turner
Mr Frank Timis

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

PROJECTS

Kazakhstan Project

The Group, 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 Group 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 Group 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 Group 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the Republic of Kazakhstan (formerly the Ministry of Oil and Gas) ("ME") that its rights to the Alakol licence had been withdrawn by ME unilaterally.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 Group did not accept this as being justified and filed a lawsuit against ME demanding that the licence be reinstated back to the Group. 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 Group submitted a cessation appeal against it on 28 April 2015 and an official ruling against this was issued on 10 June 2015. The Group 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 Group lodged its appeal to the Supreme Court of Kazakhstan regarding Alakol project's Subsurface Use Contract having been withdrawn by ME unilaterally. The Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation had subsequently been lodged through the General Prosecutors office in relation to this decision. Their decision was received by the Group during Quarter 3, 2017 stating that the time had lapsed for us to enforce the application for revocation and that only the Court of First Instance could decide whether the time could be restored and only the Supreme Court could decide if there was a case to re-adjudicate. Therefore, during Quarter 4, 2017 the Group had filed two further motions. One motion to the Supreme Court to compel to re-adjudicate, the decision is pending and expected in Quarter 1, 2018. And another motion was to the Court of First Instance of Astana with request to restore the lapsed time, the decision is pending and expected by beginning of Quarter 1, 2018.

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 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.

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 Group 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 Group 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 Group undertook a reconnaissance survey of the area in June 2014.

During June 2016, the Group 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 Group'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 Group cannot continue with planned exploration in Niger.

FINANCIAL SUMMARY

The Group incurred a loss after income tax of US$2,745,075 (2015: US$5,077,153); of which US$2,745,075 (2015: US$5,077,153) related to continuing operations. The Group's result from continuing operations includes the following:

- Impairment expense on exploration and evaluation expenditure of US$31,956 (2015: expense of US$3,658,233) reflecting the Group's ongoing evaluation of its exploration portfolio. Detail surrounding impairments are included in note 5 to the financial statements.
- Net foreign exchange losses of US$31,703 primarily related to the movements in the carrying values of bank accounts denominated in a foreign currency (2015: gains of US$191,290 primarily relates to the movements in the carrying values of bank accounts and loans denominated in a foreign currency).
- Employee expenses of US$2,237,914 (2015: US$612,492)

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

CASH FLOWS, LIQUIDITY AND FUNDING

Net cash flows used in operations during the 6 months ended 30 June 2016 were US$571,753 (6 months ended 30 June 2015: US$1,314,766).

No funding was received by the Group during the 6 months ended 30 June 2016 (6 months ended 30 June 2015: nil).

CHANGES TO CONTRIBUTED EQUITY

No shares were issued during the 6 months ended 30 June 2016 (6 months ended 30 June 2015: nil).

No options were granted during the 6 months ended 30 June 2016 (6 months ended 30 June 2015: 1,500,000). As at 30 June 2016, there were 12,500,000 share options on issue.

No dividends were proposed or paid during the 6 months ended 30 June 2016 (30 June 2015: no dividends).

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.

SUBSEQUENT EVENTS

The following significant events and transactions have taken place subsequent to 30 June 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 its former Chief Executive Officer, Alex Osipov. A judgment has been handed down by the UK Employment Tribunal, provisionally awarding £1,767,203 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 lodged an appeal with the Employment Appeal Tribunal in the UK (EAT).

  Unfortunately, the Company was not successful in its appeal to the EAT. Judgement was given on 27 July 2017 by the EAT and EAT's sealed Order of 27 July 2017 was received by the Company on 8 August 2017 against the Company, Mr Frank Timis and Mr Antony Sage in the total amount of £2,003,972 gross on a joint and several liability basis. The Group has made a provision for the full amount as at 30 June 2016. An application for permission to appeal certain aspects of this Judgement to the Court of Appeal on behalf Messrs. Timis and Sage was lodged on 17 August 2017.

The Company was informed on 24 October 2017 by the letter from the Civil Appeals Office, that permission to appeal was granted by the Court of Appeal at an oral hearing on 16 October 2017 to which the parties were not invited. The hearing was given a hear-by date of 19 November 2018. On 21 November 2017, the Company received a letter from the Civil Appeals Office notifying that the hearing for this matter is listed for 3 July 2018 with a time estimate of 2 days.

Interest on the amount payable of £2,003,972 accrues at 8% per annum, accruing daily. Interest through to December 2017 has been accrued for in this report, totalling £149,081.

- Following the relinquishment of all of the Group's assets in Niger in Quarter 2, 2016, Group's representative office in Niger was officially closed in January 2017.

- Kazakhstan project –- As previously reported, during December 2015 the Group lodged its appeal to the Supreme Court of Kazakhstan regarding Alakol project's Subsurface Use Contract having been withdrawn by ME unilaterally. The Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation had subsequently been lodged through the General Prosecutors office in relation to this decision. Their decision was received by the Group during Quarter 3, 2017 stating that the time had lapsed for us to enforce the application for revocation and that only the Court of First Instance could decide whether the time could be restored and only the Supreme Court could decide if there was a case to re-adjudicate. Therefore, during Quarter 4, 2017 the Group had filed two further motions. One motion to the Supreme Court to compel to re-adjudicate, the decision is pending and expected in Quarter 1, 2018. And another motion was to the Court of First Instance of Astana with request to restore the lapsed time, the decision is pending and expected by beginning of Quarter 1, 2018.

- 10,000,000 unlisted options with an exercise price of A$0.06 per option expired on 2 October 2016.

- 1,500,000 unlisted options with an exercise price of A$0.06 per option expired on 8 June 2017.

- 500,000 unlisted options with an exercise price of A$0.25 per option expired on 18 July 2017.

No other event has arisen between 30 June 2016 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.

RISK MANAGEMENT AND CORPORATE GOVERNANCE

The Group's risk management and corporate governance statements were included in the 2015 annual report. These statements remain current.

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 8.

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

Antony Sage
Director **Perth, 23 December 2017**

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23 December 2017

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

Dear Directors

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 review of the financial statements of International Petroleum Limited for the half-year ended 30 June 2016, 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 review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,

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

Martin Michalik

Martin Michalik
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2016

	Note	30 June 2016 US$	30 June 2015 US$
Continuing operations			
Revenue	3(a)	**275,918**	68,521
Consulting expenses		**(245,472)**	(625,096)
Compliance and regulatory expenses		**(15,193)**	(78,323)
Other expenses	3(b)	**(331,302)**	(204,022)
Occupancy costs		**(96,639)**	(78,644)
Employee expenses	3(c)	**(2,237,914)**	(612,492)
Travel costs		**(22,441)**	(63,002)
Foreign currency (loss)/gain		**(31,703)**	191,290
Depreciation expense		**-**	(5,175)
Finance costs	3(d)	**(8,342)**	(10,487)
Allowance for impairment	3(d)	**(31,956)**	(3,658,233)
Loss before tax		**(2,745,044)**	(5,075,663)
Income tax expense		**(31)**	(1,490)
Loss for the period from continuing operations		**(2,745,075)**	(5,077,153)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Foreign exchange loss on translation of foreign operations		**39,966**	(33,836)
Other comprehensive income/(loss) for the period, net of tax		**39,966**	(33,836)
Total comprehensive loss for the period		**(2,705,109)**	(5,110,989)
Loss for the period is attributable to:			
Equity holders of the parent		**(2,745,075)**	(5,077,153)
Non-controlling interest		**-**	-
		(2,745,075)	(5,077,153)
Total comprehensive loss for the period is attributable to:			
Equity holders of the parent		**(2,705,109)**	(5,110,989)
Non-controlling interest		**-**	-
		(2,705,109)	(5,110,989)
Earnings per share			
From continuing and discontinued operations			
Basic/diluted loss per share (cents)		**(0.16)**	(0.30)
From continuing operations			
Basic/diluted loss per share (cents)		**(0.16)**	(0.30)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	30 June 2016 US$	31 December 2015 US$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	**996,541**	1,399,695
Trade and other receivables		**98,908**	225,201
Prepayments		**70,245**	152,320
TOTAL CURRENT ASSETS		**1,165,694**	1,777,216
NON CURRENT ASSETS			
Restricted cash		**-**	20,383
Plant and equipment		**25,816**	25,740
Financial assets available-for-sale		**-**	1,599
Exploration and evaluation expenditure	5	**-**	-
TOTAL NON CURRENT ASSETS		**25,816**	47,722
TOTAL ASSETS		**1,191,510**	1,824,938
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	**5,894,702**	3,812,755
Income tax payable		**178,340**	175,011
TOTAL CURRENT LIABILITIES		**6,073,042**	3,987,766
NON CURRENT LIABILITIES			
Provisions		**-**	13,595
TOTAL NON CURRENT LIABILITIES		**-**	13,595
TOTAL LIABILITIES		**6,073,042**	4,001,361
NET LIABILITIES		**(4,881,532)**	(2,176,423)
SHAREHOLDERS' (DEFICIT)/EQUITY			
Contributed equity	7	**285,751,343**	285,751,343
Reserves	8	**(93,874,139)**	(93,914,105)
Accumulated losses		**(196,758,736)**	(194,013,661)
Equity attributable to equity holders of the parent		**(4,881,532)**	(2,176,423)
Non-controlling interest		**-**	-
TOTAL SHAREHOLDERS' DEFICIT		**(4,881,532)**	(2,176,423)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2016

	Contributed equity US$	Accumulated losses US$	Share-based payment reserve US$	Merger reserve US$	Foreign currency translation reserve US$	Total US$
AS AT 1 JANUARY 2016	**285,751,343**	**(194,013,661)**	**5,640,530**	**(101,516,017)**	**1,961,382**	**(2,176,423)**
Loss for the period	**-**	**(2,745,075)**	**-**	**-**	**-**	**(2,745,075)**
Translation of foreign operations from functional currencies to presentation currencies	**-**	**-**	**-**	**-**	**39,966**	**39,966**
Total comprehensive loss for the period	**-**	**(2,745,075)**	**-**	**-**	**39,966**	**(2,705,109)**
Share based payments	**-**	**-**	**-**	**-**	**-**	**-**
AS AT 30 JUNE 2016	**285,751,343**	**(196,758,736)**	**5,640,530**	**(101,516,017)**	**2,001,348**	**(4,881,532)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2016

	Contributed equity US$	Accumulated losses US$	Share-based payment reserve US$	Merger reserve US$	Foreign currency translation reserve US$	Total US$
AS AT 1 JANUARY 2015	285,751,343	(187,652,450)	5,639,686	(101,516,017)	1,577,101	3,799,663
Loss for the period	-	(5,077,153)	-	-	-	(5,077,153)
Translation of foreign operations from functional currencies to presentation currencies	-	-	-	-	(33,836)	(33,836)
Total comprehensive loss for the period	-	(5,077,153)	-	-	(33,836)	(5,110,989)
Share based payments	-	-	592	-	-	592
AS AT 30 JUNE 2015	285,751,343	(192,729,603)	5,640,278	(101,516,017)	1,543,265	(1,310,734)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2016

	Note	30 June 2016 US$	30 June 2015 US$
Cash flows from operating activities			
Receipts from customers		**96,372**	143,721
Payments to suppliers and employees		**(668,196)**	(1,424,619)
Interest received		**71**	974
Income tax paid		**-**	(34,842)
Net cash flows used in operating activities		**(571,753)**	(1,314,766)
Cash flows from investing activities			
Return of security deposits		**5,118**	-
Sale of Tubatse project		**205,324**	
Payment for plant and equipment		**-**	(17,299)
Payment for exploration and evaluation expenses	**5**	**(31,956)**	(856,965)
Net cash flows (used in)/from investing activities		**178,486**	(874,264)
Cash flows from financing activities			
Interest paid		**-**	(3,373)
Net cash flows used in financing activities		**-**	(3,373)
Net (decrease)/increase in cash and cash equivalents		**(393,267)**	(2,192,403)
Cash and cash equivalents at the beginning of the period		**1,399,695**	5,688,513
Effects of exchange rate changes on the balances of cash held in foreign currencies		**(9,887)**	(33,667)
Cash and cash equivalents at the end of the period		**996,541**	3,462,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of International Petroleum Limited and its subsidiaries ("the Group") for the half-year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Board of Directors on 23 December 2017.

International Petroleum Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the National Stock Exchange of Australia.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

This general purpose condensed financial report for the half-year ended 30 June 2016 has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2015 and considered together with any public announcements made by International Petroleum Limited during the half-year ended 30 June 2016 in accordance with the continuous disclosure obligations of the NSX Listing Rules.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2015 annual financial report for the financial year ended 31 December 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

From 1 January 2016 the Group has adopted all new and amended Standards and Interpretations that are relevant to their operations and effective for the current reporting period. None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2016 affected any of the amounts recognised in the current period or any prior period, although it caused minor changes to the Group's disclosures.

The Group has not elected to early adopt any new standards or amendments.

The financial report is presented in United States dollars ("US$" or "US dollars").

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 half year ended 30 June 2016, the Group incurred a net loss after tax of US$2,745,075 and a cash outflow from operating activities of US$571,753 (6 months ended 30 June 2015: US$5,077,153 and US$1,314,766 respectively). The cash and cash equivalents balance at 30 June 2016 was US$996,541. The Group's net liability position at 30 June 2016 was US$4,881,532 and its net current liability position was US$4,907,348.

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 full completion of appeals process by the Company, and the Directors, 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;
iii) a loan or a capital raising.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

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, and the Directors, 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 significant 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.

3. REVENUE AND EXPENSES

Components of revenue and expenses related to continuing operations that require separate disclosure are as follows:

	Period ended 30 June 2016 US$	Period ended 30 June 2015 US$
(a) Revenue		
Rental income	**70,523**	55,353
Interest revenue	**71**	974
Other income[1]	**205,324**	12,194
	275,918	68,521

Other income consists of US$205,324 (A$280,000) settlement payment received from NKWE on 20 May 2016 related to the sale of the Tubatse Project. Refer to Note 5 for further details.

	Period ended 30 June 2016 US$	Period ended 30 June 2015 US$
(b) Other expenses		
Other expenses	**(221,463)**	(204,022)
Bad debts	**(109,839)**	-
	(331,302)	(204,022)

(c) Employee expenses		
Employee benefits expense (iii)	**(2,183,650)**	(785,195)
Directors' remuneration(i)	**(54,264)**	147,496
Share based payments(ii)	**-**	25,207
	(2,237,914)	(612,492)

(i)The directors' remuneration for the prior period includes a reversal of previously accrued director fees of US$229,727 for the prior year.

(ii)The share based payments relate to unlisted equity-settled options and performance shares for the prior year.

The options have been valued using the Black-Scholes option pricing model. The share based payment expense recognised for the six months ended 30 June 2016 is nil (30 June 2015: expense of US$592, of which US$25,207 was recognised as a reversal in the Statement of Comprehensive Income and US$25,799 has been capitalised to exploration and evaluation expenditure and subsequently written off).

3. REVENUE AND EXPENSES (CONTINUED)

No performance shares were awarded during the 6 months ended 30 June 2016 (6 months ended 30 June 2015: nil). No performance shares expired, were forfeited or cancelled during the 6 months ended 30 June 2016 (6 months ended 30 June 2015: nil. As at 30 June 2016, there are no performance shares are on issue (30 June 2015: nil).

[iii]Employee benefits expense for the current period includes an accrual for £2,003,972 (US$2,683,319) being the amount payable to Mr Osipov as per the judgement of the UK Tribunal, plus interest of £149,081 (US$199,619).

	Period ended 30 June 2016 US$	**Period ended 30 June 2015 US$**
(d) Finance costs		
Interest expense	**(8,342)**	(10,487)
Impairment (loss) / reversals on exploration and evaluation expenditure	**(31,956)**	(3,658,233)

4. CASH AND CASH EQUIVALENTS

	30 June 2016 US$	**31 December 2015 US$**
Cash at bank and on hand	**996,541**	1,399,695

5. EXPLORATION AND EVALUATION EXPENDITURE

	30 June 2016 US$	**31 December 2015 US$**
At cost	**38,651,732**	58,433,195
Less: impairment provisions	**(38,651,732)**	(58,433,195)
Net Carrying value	**-**	-
Reconciliation of movement		
At 1 January [1]	**-**	3,307,099
Current period exploration expenditure incurred	**31,956**	339,057
Impairment reversal / (allowance for impairment)[2]	**(31,956)**	(3,646,156)
Foreign exchange differences on translation of foreign operations	**-**	-
At end of reporting period	**-**	-
Movement in impairment provision:		
At 1 January	**(58,433,195)**	(86,962,499)
Impairment reversal / (allowance for impairment)	**(31,956)**	(3,646,156)
Foreign exchange differences on translation of foreign operations	**(58,708)**	32,175,460
Exploration expenditure written off	**19,872,127**	-
At end of reporting period	**(38,651,732)**	(58,433,195)

5. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

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.

During June 2016, the Group advised that the Manga-1, Manga-2, Ténéré Ouest and Aborak Oil exploration permits, known as the Niger assets, have been relinquished by the Group. 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 Group'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 Group cannot continue with planned exploration in Niger. The Niger assets have been fully written off as at 30 June 2016, with an impairment expense of US$31,956 has been recognised during the current period (year ended 31 December 2015: US$3,683,175).

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 obligations set out in the term sheet and the sale did not complete. On 4 August 2014, the Group 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 Group did not accept this as being justified and filed a lawsuit against ME demanding that the licence be reinstated back to the Group. 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 Group submitted a cessation appeal against it on 28 April 2015 and an official ruling against this was issued on 10 June 2015. The Group 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 Group lodged its appeal to the Supreme Court of Kazakhstan regarding Alakol project's Subsurface Use Contract having been withdrawn by ME unilaterally. The Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation had subsequently been lodged through the General Prosecutors office in relation to this decision. Their decision was received by the Group during Quarter 3, 2017 stating that the time had lapsed for us to enforce the application for revocation and that only the Court of First Instance could decide whether the time could be restored and only the Supreme Court could decide if there was a case to re-adjudicate. Therefore, during Quarter 4, 2017 the Group had filed two further motions. One motion to the Supreme Court to compel to re-adjudicate, the decision is pending and expected in Quarter 1, 2018. And another motion was to the Court of First Instance of Astana with request to restore the lapsed time, the decision is pending and expected by beginning of Quarter 1, 2018.

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 fully impaired as at 30 June 2016. No impairment expense was required for the current period as the asset was already fully impaired as at 31 December 2015 (year ended 31 December 2015: US$37,019 reversal).

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 assigned 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

5. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

been able to pay the A$45 million consideration to the Company by the revised agreement date of 31 December 2012. Company had fully impaired the carrying value of Hoepakrantz 291 KT as at 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 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. All exploration expenditure on the Tubtase Project was fully impaired in prior years and has been written off during the current period.

6. TRADE AND OTHER PAYABLES

	30 June 2016	**31 December 2015**
	US$	**US$**
Current liabilities		
Trade payables	**1,376,202**	1,273,788
Accruals	**4,288,308**	2,335,472
Other payables	**230,192**	203,495
	5,894,702	3,812,755

7. CONTRIBUTED EQUITY

	30 June 2016	**31 December 2015**
	US$	**US$**
Issued ordinary shares	**266,250,687**	266,250,687
Shareholder equity contribution – convertible loans (a)	**6,162,074**	6,162,074
Shareholder equity contribution – loans (b)	**13,338,582**	13,338,582
	285,751,343	285,751,343

(a) Shareholder equity contribution – convertible loans

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.

(b) Shareholder equity contribution – 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

7. CONTRIBUTED EQUITY (CONTINUED)

Resources Limited and Varesona Participation Corporation in 2014. There were no loans required to be repaid during the current period.

(c) Options and performance rights

There were no options or performance shares granted during the current period (6 months ended 30 June 2015: 1,500,000 options, and no performance shares. As at 30 June 2016, there were 12,500,000 share options on issue, as detailed below:

Number of options	Exercise Price A$	Expiry Date
10,000,000	0.06	2 October 2016
1,500,000	0.06	8 June 2017
500,000	0.25	18 July 2017
500,000	0.10	15 April 2018
12,500,000		

As at 30 June 2016, there were 12,500,000 share options on issue

8. 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.

9. 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 on 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:

	30 June 2016 US$	**31 December 2015 US$**
Australia	**-**	1,599
United Kingdom	**14,235**	29,383
Africa	**9,075**	9,075
Kazakhstan	**2,506**	7,665
	25,816	47,722

10. COMMITMENTS AND CONTINGENCIES

Capital commitments
The Group had no capital commitments in respect of its licence obligations at period end (31 December 2015: nil) at the end of the reporting period.

There are no other material changes between 31 December 2015 and 30 June 2016 to the commitments, as disclosed in the most recent annual financial report.

Contingent liabilities
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 its former Chief Executive Officer, Alex Osipov. A judgment has been handed down by the UK Employment Tribunal, provisionally awarding £1,767,203 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 lodged an appeal with the Employment Appeal Tribunal in the UK (EAT).

Unfortunately, the Company was not successful in its appeal to the EAT. Judgement was given on 27 July 2017 by the EAT and EAT's sealed Order of 27 July 2017 was received by the Company on 8 August 2017 against the Company, Mr Frank Timis and Mr Antony Sage in the total amount of £2,003,972 gross on a joint and several liability basis. The Group has made a provision for the full amount as at 30 June 2016. An application for permission to appeal certain aspects of this Judgement to the Court of Appeal on behalf Messrs. Timis and Sage was lodged on 17 August 2017.

The Company was informed on 24 October 2017 by the letter from the Civil Appeals Office, that permission to appeal was granted by the Court of Appeal at an oral hearing on 16 October 2017 to which the parties were not invited. The hearing was given a hear-by date of 19 November 2018. On 21 November 2017, the Company received a letter from the Civil Appeals Office notifying that the hearing for this matter is listed for 3 July 2018 with a time estimate of 2 days.

Interest on the amount payable of £2,003,972 accrues at 8% per annum, accruing daily. Interest through to December 2017 has been accrued for in this report, totalling £149,081.

11. EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events and transactions have taken place subsequent to 30 June 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 its former Chief Executive Officer, Alex Osipov. A judgment has been handed down by the UK Employment Tribunal, provisionally awarding £1,767,203 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 lodged an appeal with the Employment Appeal Tribunal in the UK (EAT).

  Unfortunately, the Company was not successful in its appeal to the EAT. Judgement was given on 27 July 2017 by the EAT and EAT's sealed Order of 27 July 2017 was received by the Company on 8 August 2017 against the Company, Mr Frank Timis and Mr Antony Sage in the total amount of £2,003,972 gross on a joint and several liability basis. The Group has made a provision for the full amount as at 30 June 2016. An application for permission to appeal certain aspects of this Judgement to the Court of Appeal on behalf Messrs. Timis and Sage was lodged on 17 August 2017.

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  Interest on the amount payable of £2,003,972 accrues at 8% per annum, accruing daily. Interest through to December 2017 has been accrued for in this report, totalling £149,081.

- Following the relinquishment of all of the Company's assets in Niger in Quarter 2, 2016, Company's representative office in Niger was officially closed in January 2017.

- Kazakhstan project –- As previously reported, during December 2015 the Company lodged its appeal to the Supreme Court of Kazakhstan regarding Alakol project's Subsurface Use Contract having been withdrawn by ME unilaterally. The Supreme Court decision rejecting our appeal was received on 24 February 2016. However, the application for revocation had subsequently been lodged through the General Prosecutors office in relation to this decision. Their decision was received by the Company during Quarter 3, 2017 stating that the time had lapsed for us to enforce the application for revocation and that only the Court of First Instance could decide whether the time could be restored and only the Supreme Court could decide if there was a case to re-adjudicate. Therefore, during Quarter 4, 2017 the Company had filed two further motions. One motion to the Supreme Court to compel to re-adjudicate, the decision is pending and expected in Quarter 1, 2018. And another motion was to the Court of First Instance of Astana with request to restore the lapsed time, the decision is pending and expected by beginning of Quarter 1, 2018.

- 10,000,000 unlisted options with an exercise price of A$0.06 expired on 2 October 2016.

- 1,500,000 unlisted options with an exercise price of A$0.06 per option expired on 8 June 2017.

- 500,000 unlisted options with an exercise price of A$0.25 per option expired on 18 July 2017.

No other event has arisen between 30 June 2016 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.

DIRECTORS' DECLARATION

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 the Group for the period ended 30 June 2016 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of it's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

(b) subject to the matters set out in note 2 in the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Antony Sage
Director

Perth, 23 December 2017

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of International Petroleum Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for International Petroleum Limited (the consolidated entity). The consolidated entity comprises both International Petroleum Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of International Petroleum Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of International Petroleum Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of International Petroleum Limited on 23 December 2017.

Basis for Disclaimer of Review Conclusion

Going Concern

As referred to in Note 2 to the financial statements, the half 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$2,745,075 for the half year ended 30 June 2016 and had net cash outflows of US$571,753 for the half year ended 30 June 2016. The consolidated entity had a working capital deficiency as at 30 June 2016 of US$4,907,348. The Consolidated Entity's final liability to the employee is dependent on an appeal by related parties against the tribunal judgement handed down in favour of a past employee for a wrongful dismissal claim which awarded the employee compensation of £2,003,972. The full amount of compensation payable (£2,003,972), in addition to related interest (£149,081), up to December 2017, has been accrued in the financial statements.

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; and

ii. The consolidated entity achieving its funding objectives which include negotiating with certain trade creditors to revise payment amounts and terms.

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 the consolidated entity is to be liable for the full amount payable pursuant to a 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.

Disclaimer of Review Conclusion

Because of the significance of the matters described in the Basis for Disclaimer of Review Conclusion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for a Review Conclusion. Accordingly, we do not express a conclusion on the Financial Report for the half year ended 30 June 2016.

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
23 December 2017