



# IPB

IPB PETROLEUM LTD  
(ACN 137 387 350)

**FINANCIAL REPORT FOR THE HALF YEAR ENDED**

**31 DECEMBER 2016**



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# DIRECTORS' REPORT

## FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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The Directors present their report of IPB Petroleum Limited ('IPB Petroleum') ('Company') ('IPB') and subsidiaries ('Group') for the Half Year ended 31 December 2016 and the independent auditor's review report thereon.

### Board of Directors

The Board of Directors of the Company ('Board') has been in office since the start of the Half Year to date of this report unless otherwise stated:

#### **Bruce G McKay**

**Non-Executive Chairman**

##### **Qualifications**

BSc (Hons), FAICD, FIEAust

##### **Experience and Expertise**

Bruce McKay has over 40 years' experience in the oil and gas and resources industries. He commenced his career with Esso Australia where he worked for more than 23 years in exploration, operations and executive management in Australia and overseas. At the culmination of his career with Esso and Exxon affiliates, he held the positions of General Manager Production for Esso Australia and Chief Executive Officer of Delhi Petroleum. Subsequently he was Director of Personnel at Telstra and then was appointed Chief Executive and Head of School of the Australian Graduate School of Engineering Innovation in 1994. From 1996 to 2002 he was on the Board of Normandy Mining, then Australia's largest gold mining company. From 1997 to 2010 Bruce was Non-executive Chairman of AWE Limited, which achieved considerable success with its growth from start-up to an ASX100 company. More recently he has been Non-executive Chairman of Epic Energy (gas pipelines), Digitalcore (technology services) and KUTH Energy (geothermal). He is currently chairman of ANU Enterprise and the Advisory Board of Management for the Australian School of Petroleum at Adelaide University. He is an Honorary Life Member of APPEA where he was Chairman between 1991-92. He is also a member of AAPG and PESA.

##### **Directorships Held in Other Listed Entities**

During the last four years, Bruce McKay was Non-Executive Chairman of KUTH Energy (until January 2014).

#### **Brendan Brown**

**Managing Director**

##### **Qualifications**

BSc, BE (Hons), MBA (Melb), F.Fin

##### **Experience and Expertise**

Brendan Brown has 25 years' experience in the oil and gas and finance industries. He commenced his career as an engineer with BHP Petroleum, where he was involved in various projects and operations including the Jabiru, Challis, Skua and Griffin oil field developments. He has also been an analyst and corporate adviser with ANZ Investment Bank. Prior to establishing IPB Petroleum in 2009, Mr Brown was General Manager Finance and Business Development at Nexus Energy where he was responsible for managing the group's corporate activities and financing functions and the negotiation and maintenance of its key commercial arrangements.

##### **Directorships Held in Other Listed Entities**

Brendan Brown has not been a Director of any other publicly listed companies in the past four (4) years.

# DIRECTORS' REPORT

## FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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### Philip Smith

#### Technical Director

#### Qualifications

BSc Physics (Hons), MSc Geophysics, Grad Dip App Fin & Inv

#### Experience and Expertise

Philip Smith was appointed as the Technical Director in October 2010. He has over 30 years' experience working as an Exploration Geoscientist and commenced his career in London with Phillips Petroleum and Kufpec before coming to Australia to join Woodside Petroleum and then BHP Petroleum. Mr Smith's positions in his 15 years with BHP Petroleum were in senior technical and managerial roles, mainly involved in offshore basins around Australia. He was involved in oil and gas discoveries in Elang, Laminaria, Maple and Argus. Later he joined Nexus Energy where he was responsible for building the exploration portfolio and was involved in the Longtom and Crux appraisal and development projects.

#### Directorships Held in Other Listed Entities

Philip Smith has not been a Director of any other publicly listed companies in the past four (4) years.

### Geoffrey King

#### Non-Executive Director

#### Qualifications

BSc (Hons), GAICD

#### Experience and Expertise

Geoffrey King was appointed to the Board in February 2013 as a Non-Executive Director and is also a member of the Audit Committee. He brings over 30 years' experience within the oil and gas industry, having commenced his career with Esso Australia. Mr King then joined BHP Petroleum where he held a number of management positions and was directly involved in oil and gas discoveries at Macedon, Pyrenees, Montara, Argus and Gwydion. He was the Vice President of Exploration Australia/Asia for four (4) years with BHP Billiton and has experience in offshore basins around Australia. With his wealth of knowledge in the Australian market, Mr King also has experience in the oil and gas sector in the United States and South East Asia. He brings a particular insight into the area of exploration in the Browse Basin.

#### Directorships Held in Other Listed Entities

Mr King has not been a Director of any other publicly listed companies in the past four (4) years.

### Brodrick Wray

#### Non-Executive Director

#### Qualifications

BE (Chem) SPE

#### Experience and Expertise

Brod joined Santos as a reservoir engineer in 1985 after graduating from Adelaide University and has worked for more than 28 years in engineering, commercial, executive management and consulting roles in the Energy Industry. After ten years in petroleum and reservoir engineering at Santos, Brod spent 5 years in a variety of commercial management roles in the electricity industry during the privatisation of the South Australian Electricity business before rejoining Santos in 2001 in gas marketing and undertook a number of different commercial roles, including Manager of LNG marketing during the evolution of Santos substantial LNG business. In 2008 Brod joined AWE Ltd as General Manager Commercial and Business and Development. Since 2012 he has been an independent consultant to the oil and gas industry. Brod is Chairman of IPB Petroleum's Audit Committee.

#### Directorships Held in Other Listed Entities

Brodrick Wray has not been a Director of any other publicly listed companies in the past four (4) years.

# DIRECTORS' REPORT

## FOR THE HALF YEAR ENDED 31 DECEMBER 2016

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### Review of Operations

#### Exploration Permits WA-424-P, WA-471-P and WA-485-P (IPB Petroleum 100% and Operator)

During the half year IPB Petroleum commissioned a seismic depth conversion feasibility study on IPB's Gwydion MC3D survey dataset in WA-424-P centred around the Gwydion-1 discovery well (BHP 1995) and the Idris prospect.

The initial results of the depth conversion feasibility study supported the concept that the oil in the Gwydion discovery well is stratigraphically trapped as the gas oil contact in the well matches the closing contour of the Gwydion structure. The possible benefits of commissioning a further more detailed depth conversion study may now be considered by the Company.

A feasibility study into the potential use of Gravity and Magnetic (Grav/Mag) survey within IPB Petroleum's three Browse Basin Permits was also undertaken during the reporting period. As a result of this work it was determined that any future Grav/Mag survey is likely to be of only limited utility for the Company within these permits.

Revised cost estimates for the proposed Idris-1 exploration well were also finalised during December 2016 such that the dryhole cost for Idris-1 is now estimated to stand at just under A\$12m.

Despite a challenging industry environment, various discussions with potential seismic providers progressed during the half year.

#### Farmout Activities

In order to fund proposed future exploration activity IPB continued to advance the farmout process it commenced during the previous corresponding period.

During the half year, key activities primarily focussed on the provision of technical information and support to interested potential farminees.

As at the date of this report these and other such associated activities are ongoing.

#### Corporate and Financial Activities

In order to maximise the potential for achieving a successful farmout, the Company has continued to operate on a materially lower relative net cash outflow basis. Net cash outflow for the 6 months to December 2016 was approximately (\$0.215 million) compared with the previous corresponding 6 month period to December 2015 of approximately (\$0.701 million).

As at 31 December 2016 the Company held approximately \$ 0.56 million in cash with no debt.

Following approval at the Annual General Meeting held on 17 November 2016, the Company issued 4,750,000 Employee Options expiring 17 November 2020 with an Exercise Price of 3.2 cents per option to various Directors and Officers of the Company. These options were issued in consideration of reduced income and fees over the preceding period and as an increased loyalty and bonus/retention mechanism for recipients.

During the half year the Company also considered other strategies for creating future shareholder wealth complementary to the core farmout strategy for its Browse Basin Permits.

### Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

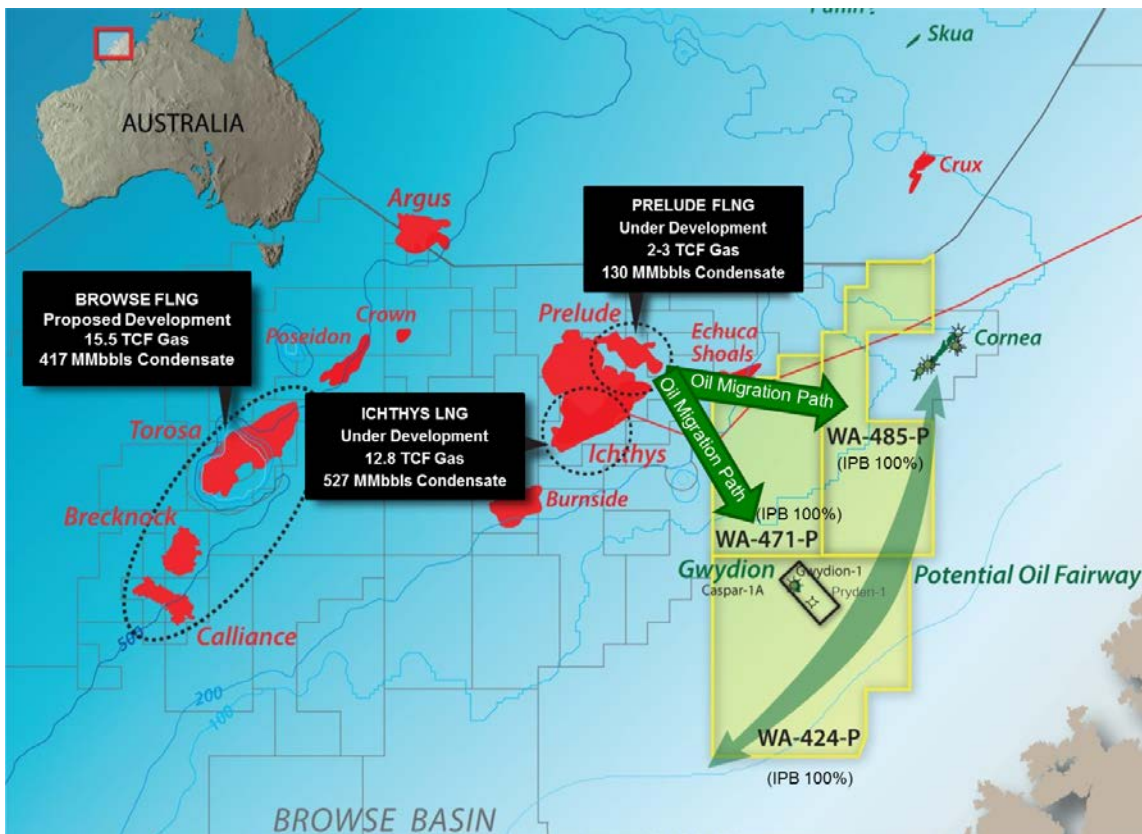


Figure 1: IPB Petroleum Permits Browse Basin Offshore North West Australia

## Rounding of amounts to nearest dollar

In accordance with ASIC Corporations (rounding in Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report have been rounded to the nearest dollar.

## Auditor's independence declaration

A copy of the auditor's independence declaration for the Half Year ended 31 December 2016 has been received as required under Section 307C of the Corporations Act 2001 and is included on page 6. The Directors' Report is made in accordance with a resolution of the Board.

On behalf of the Board

Bruce McKay  
Non- Executive Chairman

Dated at Melbourne this 16th day of February 2017

Brendan Brown  
Managing Director

Dated at Melbourne this 16th day of February 2017

# AUDITOR'S INDEPENDENCE DECLARATION

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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE DIRECTORS OF IPB PETROLEUM LIMITED

In relation to the independent auditor's review for the half-year ended 31 December 2016, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of IPB Petroleum Limited and the entities it controlled during the period.

ROD SHANLEY  
Partner

PITCHER PARTNERS

Sydney

16 February 2017

**IPB Petroleum Limited Consolidated**  
**ACN 137 387 350**  
**Statement of Profit or Loss and Other comprehensive income**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Note	31 December 2016 \$	31 December 2015 \$
<b>Continuing operations</b>			
Revenue		-	-
Other income	3	2,657	41,943
Employee benefits and directors fees		(107,281)	(122,232)
Consulting & Contractors		(3,795)	(28,150)
Legal, Audit & Accounting		(24,417)	(26,746)
Travel		(2,727)	(3,679)
Shareholder Relations		(6,113)	(3,610)
Listing & filing fees		(20,227)	(25,977)
Occupancy		(4,278)	(12,724)
Depreciation and amortisation expense		(1,640)	(8,119)
Finance costs		(1)	(67)
Other expenses		(61,926)	(37,132)
<b>Loss before income tax</b>		<u>(229,748)</u>	<u>(226,493)</u>
Income Tax expense		-	-
<b>Net Loss for the half year</b>		<u>(229,748)</u>	<u>(226,493)</u>
<b>Other comprehensive income for the half year</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the half year</b>		<u>(229,748)</u>	<u>(226,493)</u>
<b>Earnings per share</b>			
<b>From continuing operations:</b>			
Basic earnings per share (cents)		(0.002)	(0.002)
Diluted earnings per share (cents)		(0.002)	(0.002)

**IPB Petroleum Limited Consolidated**  
**ACN 137 387 350**  
**Statement of Financial Position**  
**As at 31 DECEMBER 2016**

	Note	31 December 2016 \$	30 June 2016 \$
<b>Current Assets</b>			
Cash and Cash Equivalents	4	558,326	772,860
Trade and Other Receivables	6	10,928	17,737
Other Current Assets		8,240	20,600
<b>Total Current Assets</b>		<u>577,494</u>	<u>811,197</u>
<b>Non-Current Assets</b>			
Property, Plant and Equipment		4,166	5,806
Intangible Assets		4,947	4,947
Exploration and Evaluation Assets	7	4,412,800	4,383,252
<b>Total Non-Current Assets</b>		<u>4,421,913</u>	<u>4,394,005</u>
<b>Total Assets</b>		<u>4,999,407</u>	<u>5,205,202</u>
<b>Current Liabilities</b>			
Trade and Other Payables		39,066	46,467
<b>Total Current Liabilities</b>		<u>39,066</u>	<u>46,467</u>
<b>Total Liabilities</b>		<u>39,066</u>	<u>46,467</u>
<b>Net Assets</b>		<u>4,960,341</u>	<u>5,158,735</u>
<b>Equity</b>			
Issued Capital	8	15,234,393	15,234,393
Reserves	9	93,681	62,327
Accumulated Losses		(10,367,733)	(10,137,985)
<b>Total Equity</b>		<u>4,960,341</u>	<u>5,158,735</u>

**IPB Petroleum Limited Consolidated**  
**ACN 137 387 350**  
**Statement of Changes in Equity**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Notes	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2015</b>		15,234,393	62,327	(9,654,852)	5,641,868
<b>Comprehensive Income</b>					
Loss for Half Year				(226,493)	(226,493)
<b>Total Comprehensive Income for half year</b>				(226,493)	(226,493)
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Proceeds from issues of shares (less transaction costs)		-	-	-	-
<b>Total Transactions with owners and other transfers</b>		-	-	-	-
<b>Balance at 31 December 2015</b>	8	15,234,393	62,327	(9,881,345)	5,415,375
<b>Balance at 1 July 2016</b>	8	15,234,393	62,327	(10,137,985)	5,158,735
<b>Comprehensive Income</b>					
Loss for Half Year				(229,748)	(229,748)
<b>Total Comprehensive Income for half year</b>				(229,748)	(229,748)
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Proceeds from issues of shares (less transaction costs)		-	-	-	-
Option Reserve	9	-	31,354		31,354
<b>Total Transactions with owners and other transfers</b>		-	31,354	-	31,354
<b>Balance at 31 December 2016</b>	8	15,234,393	93,681	(10,367,733)	4,960,341

**IPB Petroleum Limited Consolidated**  
**ACN 137 387 350**  
**Statement of Cash Flows**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2016**

	Note	31 December 2016 \$	31 December 2015 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers		-	32,652
Payments to Suppliers and Employees		(187,642)	(353,509)
Interest Received	3	2,657	9,291
Finance Costs		(1)	(67)
<b>Net Cash Outflow from Operating Activities</b>	5	<u>(184,986)</u>	<u>(311,633)</u>
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment		-	-
Payments for exploration & evaluation expenditure	7	(29,548)	(389,129)
<b>Net Cash Outflow from Investing Activities</b>		<u>(29,548)</u>	<u>(389,129)</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares		-	-
<b>Net Cash Inflow from Financing Activities</b>		<u>-</u>	<u>-</u>
Net Decrease in Cash Held		(214,534)	(700,762)
Cash and Cash Equivalents at beginning of the Half Year		772,860	1,727,614
<b>Cash and Cash Equivalents at End of the Half Year</b>	4	<u><u>558,326</u></u>	<u><u>1,026,852</u></u>

**IPB Petroleum Limited Consolidated ACN 137 387 350**  
**Notes to the Financial Statements**  
**For the Half Year Ended 31 DECEMBER 2016**

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IPB Petroleum is a publicly listed company limited by shares and is listed in Australia on the ASX. It is incorporated and domiciled in Australia. The registered office of IPB Petroleum and the principal place of business is Level1, 181 Bay Street, Brighton, Victoria 3186.

### **1. Statement of Significant Accounting Policies**

This condensed consolidated interim financial report for the half year reporting period ended 31 December 2016 has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by IPB Petroleum Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

In accordance with ASIC Corporations (rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Financial and Directors' Report have been rounded to the nearest dollar.

The accounting policies have been consistently applied by the Company throughout the reporting period and are consistent with those applied in the 30 June 2016 Annual Financial Report

### **New and Revised Accounting Requirements Applicable to the Current Half Year Reporting Period**

The Group has considered the application of new or amended Accounting Standards applicable for the first time in current half year reporting period and has determined that the application is either not relevant or not material.

### **2. Going Concern**

On the basis of the present level of operations the Directors are of the opinion that for the next 12 month period from the date of signing the Directors Declaration the Group will have sufficient liquidity to meet their existing commitments and accordingly present these consolidated financial statements on a going concern basis.

### **3. Revenue and Other Income**

	Half Year Ended 31 December 2016	Half Year Ended 31 December 2015
	\$	\$
Other Income		
Interest Received	2,657	9,291
Other Revenue	-	174
Government Grant Income	-	32,478
	<u>2,657</u>	<u>41,943</u>

**IPB Petroleum Limited Consolidated ACN 137 387 350**  
**Notes to the Financial Statements**  
**For the Half Year Ended 31 DECEMBER 2016**

**4. Cash and Cash Equivalents**

	Half Year Ended 31 December 2016	Year Ended 30 June 2016
	\$	\$
Cash at bank and on hand	558,326	772,860
	<u>558,326</u>	<u>772,860</u>

The effective interest rate on short-term bank deposits was 0.903% (Year Ended 30 June 2016: 1.383%); these deposits are at call.

**Reconciliation of Cash**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and Cash Equivalents	<u>558,326</u>	<u>772,860</u>
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**5. Cash Flow Information**

	Half Year Ended 31 December 2016	Half Year Ended 31 December 2015
	\$	\$

**Reconciliation of Cash Flow from Operations with Profit after Income Tax**

Loss after Income Tax	(229,748)	(226,493)
Non-Cash Flows in Profit:		
- Depreciation	1,640	8,119
- Share Based Payment Expense	31,354	-
Changes in Assets and Liabilities:		
- (Increase)/Decrease in Trade & Other Receivables	6,809	7,557
- (Increase)/Decrease in Other Current Assets	12,360	13,740
- Increase/(Decrease) in Trade & Other Payables	(7,401)	(36,644)
- Increase/(Decrease) in Provisions	-	(77,912)
Cash outflow from Operating Activities	<u>(184,986)</u>	<u>(311,633)</u>

**6. Trade and Other Receivables**

	Half Year Ended 31 December 2016	Year Ended 30 June 2016
	\$	\$
<b>Current</b>		
GST Refundable	10,928	8,636
Payroll Tax Refundable	-	9,101
Total Current Trade and Other Receivables	<u>10,928</u>	<u>17,737</u>

**IPB Petroleum Limited Consolidated ACN 137 387 350**  
**Notes to the Financial Statements**  
**For the Half Year Ended 31 DECEMBER 2016**

**7. Exploration and Evaluation**

	Half Year Ended 31 December 2016	Year Ended 30 June 2016
	\$	\$
<b>Non-Current</b>		
Exploration Expenditure		
- Exploration & Evaluation Phase	7,551,570	7,522,022
Less Historical Accumulated Impairment Losses	(3,138,770)	(3,138,770)
<b>Total exploration expenditure</b>	<b>4,412,800</b>	<b>4,383,252</b>

**Exploration Expenditure**

Capitalised costs amounting to \$29,548 (30 June 2016: \$444,458) have been included in cash flows from investing activities in the statement of cash flows.

**(a) Movement in Carrying Values**

Movements in the carrying amounts for exploration permit between the beginning and the end of the current half year:

**Exploration permit - Area of**

	WA-424-P	WA-471-P	WA-485-P	Total
Interest	\$	\$	\$	\$
Balance as at 1 July 2016	2,408,029	744,944	1,230,279	4,383,252
Exploration and evaluation expenditure	23,217	3,445	2,886	29,548
<b>Balance as at 31 December 2016</b>	<b>2,431,246</b>	<b>748,389</b>	<b>1,233,165</b>	<b>4,412,800</b>

**Exploration permit commitments and tenure risks**

The terms and conditions of the exploration permits held by IPB Petroleum require guaranteed annual work commitments to be completed. Whilst not a liability in terms of the relevant accounting standards and therefore not recordable in the company's Statement of Financial Position, a failure to meet a guaranteed work commitment may render a permit liable to be cancelled, unless an extension of time or waiver of the requirement is granted by government. If an exploration permit were cancelled the Company would be required to fully Impair the carrying value of the exploration and evaluation expenditure associated with the subject permit.

**Carrying Values for exploration and evaluation expenditure**

Recoverability of the carrying amount of exploration, development and sale of petroleum assets is dependent on the successful exploration, development and sale of commercial hydrocarbons.

In order to fund substantive future exploration activities within its permits, IPB continued with its farmout process during the reporting period. As at the date of this report these activities and associated discussions are ongoing.

**IPB Petroleum Limited Consolidated ACN 137 387 350**  
**Notes to the Financial Statements**  
**For the Half Year Ended 31 DECEMBER 2016**

The directors recognise that the carrying amount of the group's non-cash assets is more than that implied by its market capitalisation. This has been considered in the context of a further potential impairment of these assets. As at the date of this report the directors continue to pursue activities such as that of farmout of 1 or more of its permits so as to enable the company to realise future economic benefits from these assets. The directors will continue to monitor market conditions so as to update their impairment assessments of these assets as required.

**8. Issued Capital**

	Half Year Ended 31 December 2016	Year Ended 30 June 2016
	\$	\$
113,668,586 (30 June 2016 : 113,668,586) fully paid ordinary shares	15,234,393	15,234,393

**Ordinary Shares**

	No.	No.
At the beginning of the reporting period	113,668,586	113,668,586
Shares issued during the year:	-	-
Shares bought back during the reporting period:	-	-
At the end of the reporting period	113,668,586	113,668,586

**9. Reserves**

Options Reserve	93,681	62,327
	93,681	62,327
<b>Employee Share Options Reserve</b>		
Opening Balance for the year	62,327	62,327
Expensed During Year	31,354	-
	93,681	62,327

The option reserve records items recognised as expenses on valuation of employee share options.

**Options**

For information relating to the IPB Petroleum Limited employee share option plan, including details of options issued, exercised and lapsed during the half year and the options outstanding at period end, refer to Note 10.

## 10. Share-based Payments

On 17 November 2016, a total of 4,750,000 share options were granted under the IPB Petroleum Employee Option Plan (EOP) to directors and officers as part of their remuneration package to take up ordinary shares at an exercise price of \$0.032 per option. The options are fully vested and exercisable on or before 17 November 2020. The options hold no voting or dividend rights.

The Company established the EOP on 20 February 2013 as a long-term incentive scheme to recognise attract and retain valuable Employees and incentivise them for performance which results in long-term growth in shareholder value. The EOP was re-approved by shareholders at the Annual General Meeting on 17 November 2016.

Under the EOP options may be offered to full or part-time employees, officers and Directors ( subject to shareholders approval) of IPB Petroleum, which the Board determines should be entitled to participate in the EOP. Any options granted to eligible recipients will be free, unless the Board determines otherwise.

Any vesting conditions, exercise price and life of the options will be set by the Board at its discretion. The Board may determine and specify at the time of grant of options:

- i. the time periods or other conditions that must be satisfied before options are vested; and/or
- ii. any exercise conditions that must be satisfied before options can be exercised.

Subject to the satisfaction of any applicable vesting and/or exercise conditions before options can be exercised, options are exercisable during the specified exercise period, or within 6 months of certain prescribed events such as retirement, death and permanent disability, by giving notice of the exercise to the Company and by paying the exercise price for the options exercised. Each option entitles the holder to subscribe for one share. The Shares allotted upon exercise of the options will rank equally in all respects with all other issued ordinary shares of the Company. The Company intends to apply for official quotation on ASX of shares issued upon exercise of any options.

A summary of the movements of all Company options issues is as follows:

	Number	Weighted Average Exercise Price \$
<b>Options outstanding as at 1 July 2016</b>	-	-
Granted 17-11-16	4,750,000	\$0.0320
Forfeited	-	-
Exercised	-	-
Expired	-	-
<b>Options outstanding as at 31 December 2016</b>	4,750,000	\$0.0320

The fair value of the options granted to employees is deemed to represent the value of the employee services received up to vesting of the options.

The weighted average fair value of options granted during the half year was \$31,354 (2016: nil). This is included under other expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

These values were calculated using the Black-Scholes option pricing model applying the following inputs:

- Underlying Share Price on Date of Issue (17 November 2016) = 1.6 cents per share
- Exercise Price: 3.2 cents, being 2.0 x Underlying Share Price on Date of Issue
- Expiry Date of the Options: 17 November 2020 ( Life of the options)
- Volatility 75%

**IPB Petroleum Limited Consolidated ACN 137 387 350**  
**Notes to the Financial Statements**  
**For the Half Year Ended 31 DECEMBER 2016**

- Risk Free Cost of Capital: 1.9% - Based on Australian Commonwealth Bond Market indicative rates

Historical volatility of similar Oil and Gas Exploration companies has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements in IPB's share price at the valuation date.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future

### 11. Operating Segments

Management has determined that the Group has one reportable segment, being Oil and Gas Exploration in Australia.

The Group's activities are therefore classified as one business segment.

### 12. Interests in Subsidiaries

#### Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group	
		Half Year Ended 31 December 2016	Year Ended 30 June 2016
		%	%
IPB WA 424P Pty Ltd	Level 1, 181 Bay Street Brighton VIC 3186	100	100
IPB Browse Pty Ltd	Level 1, 181 Bay Street Brighton VIC 3186	100	100
IPB West Pty Ltd	Level 1, 181 Bay Street Brighton VIC 3186	100	100
IPB Exploration Pty Ltd	Level 1, 181 Bay Street Brighton VIC 3186	100	100
IPB Operations Pty Ltd	Level 1, 181 Bay Street Brighton VIC 3186	100	100
IPB Development Pty Ltd	Level 1, 181 Bay Street Brighton VIC 3186	100	100
IPB Offshore Pty Ltd	Level 1, 181 Bay Street Brighton VIC 3186	100	100

### 13. Events occurring after the reporting period

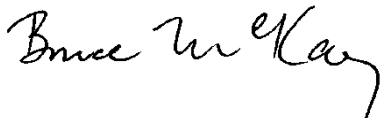
No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years

## DIRECTORS' DECLARATION

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In accordance with a resolution of the Directors of IPB Petroleum Limited (ABN 52 137 387 350), the directors of the company declare that:

1. the financial statements and notes, as set out on pages 7 to 16 are in accordance with the *Corporations Act 2001* and:
  - a) comply with Accounting Standards, AASB 134: Interim Financial Reporting; and
  - b) gives a true and fair view of the financial position as at 31 December 2016 and of the performance for the Half Year ended on that date of the group; and
2. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;



Bruce McKay

Non-Executive Chairman

Dated this 16<sup>th</sup> day of February 2017



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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF IPB PETROLEUM LIMITED AND CONTROLLED ENTITIES**

We have reviewed the accompanying half-year financial report of IPB Petroleum Limited (“the company”) and its Controlled Entities (“the consolidated entity”), which comprises the consolidated statement of financial position as at 31 December 2016, 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, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising IPB Petroleum Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

### *Directors' Responsibility for the Half-year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 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 *Corporation Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 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 IPB Petroleum Limited and the entities it controlled, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the 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.

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF IPB PETROLEUM LIMITED AND CONTROLLED ENTITIES

### *Independence*

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

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of IPB Petroleum Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.



ROD SHANLEY  
Partner

16 February 2017



PITCHER PARTNERS  
Sydney

## DIRECTORS AND COMPANY SECRETARY

### **Bruce McKay**

Non-Executive Director and Chairman

### **Brendan Brown**

Managing Director

### **Philip Smith**

Technical Director

### **Brodrick Wray**

Non-Executive Director

### **Geoffrey King**

Non-Executive Director

### **Martin Warwick**

Company Secretary

## SOLICITORS

Baker & McKenzie  
Level 19, 181 William Street  
Melbourne VIC 3000

## SHARE REGISTRY

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**Website** [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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## AUSTRALIAN BUSINESS NUMBER

52 137 387 350

## AUDITOR

Pitcher Partners  
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19 Martin Place  
Sydney NSW 2000