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International Petroleum Corporation

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019

International Petroleum Corp.

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

UNAUDITED

Contents

Interim Condensed Consolidated Statement of Operations
For the three months ended March 31, 2019 and 2018
UNAUDITED

		Three months ended March 31	
USD Thousands	Note	2019	2018
Revenue	2	147,420	115,162
Cost of sales			
Production costs	3	(62,773)	(46,298)
Depletion and decommissioning costs		(29,861)	(23,162)
Depreciation of other assets		(7,789)	(7,960)
Exploration and business development costs		(112)	(169)
Gross profit	2	46,885	37,573
General, administration and depreciation expenses		(3,311)	(3,734)
Profit before financial items		43,574	33,839
Finance income	4	3,953	15
Finance costs	5	(8,020)	(9,168)
Net financial items		(4,067)	(9,153)
Profit before tax		39,507	24,686
Income (tax)/ recovery	6	(6,365)	1,627
Net result		33,142	26,313
Net result attributable to:			
Shareholders of the Parent Company		33,137	26,305
Non-controlling interest		5	8
		33,142	26,313
Earnings per share – USD[1]	15	0.20	0.30
Earnings per share fully diluted – USD[1]	15	0.20	0.30

[1] *Based on net result attributable to shareholders of the Parent Company.*

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income
For the three months ended March 31, 2019 and 2018
UNAUDITED

	Three months ended March 31	
USD Thousands	2019	2018
Net result	33,142	26,313
Other comprehensive income:		
Items that may be reclassified to profit or loss, net of tax:		
Cash flow hedges loss	(3,788)	(1,407)
Currency translation adjustments	4,243	1,515
Total comprehensive income	33,597	26,421
Total comprehensive income attributable to:		
Shareholders of the Parent Company	33,595	26,408
Non-controlling interest	2	13
	33,597	26,421

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheet
As at March 31, 2019 and December 31, 2018
UNAUDITED

USD Thousands	Note	March 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Exploration and evaluation assets	*7*	11,857	9,444
Property, plant and equipment, net	*8*	1,022,291	1,005,424
Other tangible fixed assets, net	*10*	83,938	92,149
Right-of-use assets	*1*	2,934	–
Financial assets		22	22
Deferred tax assets	*6*	73,428	75,093
Derivative instruments	*19*	–	2,052
Total non-current assets		1,194,470	1,184,184
Current assets			
Inventories	*11*	16,483	20,636
Trade and other receivables	*12*	77,310	46,061
Derivative instruments	*19*	922	14,360
Current tax receivables		6,724	7,216
Cash and cash equivalents	*13*	8,967	10,626
Total current assets		110,406	98,899
TOTAL ASSETS		1,304,876	1,283,083
LIABILITIES			
Non-current liabilities			
Financial liabilities	*16*	262,813	283,728
Lease liabilities	*1*	2,285	–
Provisions	*17*	156,544	151,474
Deferred tax liabilities	*6*	54,489	55,286
Derivative instruments	*19*	981	493
Total non-current liabilities		477,112	490,981
Current liabilities			
Trade and other payables	*18*	75,292	77,615
Current tax liabilities		3,890	2,635
Lease liabilities	*1*	663	–
Provisions	*17*	13,041	12,897
Derivative instruments	*19*	4,385	3,168
Total current liabilities		97,271	96,315
EQUITY			
Shareholders' equity		730,276	695,572
Non-controlling interest		217	215
Net shareholders' equity		730,493	695,787
TOTAL EQUITY AND LIABILITIES		1,304,876	1,283,083

Approved by the Board of Directors

(Signed) C. Ashley Heppenstall
Director

(Signed) Mike Nicholson
Director

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flow

For the three months ended March 31, 2019 and 2018

UNAUDITED

	Three months ended March 31	
USD Thousands	2019	2018
Cash flow from operating activities		
Net result	33,142	26,313
Adjustments for non-cash related items:		
Depletion, depreciation and amortization	37,990	31,283
Exploration costs	30	169
Current tax	1,591	(7,196)
Deferred tax	4,774	5,569
Capitalized financing fees	604	708
Foreign currency exchange	(3,899)	3,032
Interest expense	4,294	4,434
Unwinding of asset retirement obligation discount	2,666	2,388
Share-based costs	1,109	1,030
Other	(472)	66
Cash flow generated from operations (before working capital adjustments and income taxes)	81,829	67,796
Changes in working capital	(30,160)	30,585
Decommissioning costs paid	(824)	(487)
Income taxes paid	81	(4,112)
Interest paid	(4,096)	–
Net cash flow from operating activities	46,830	93,782
Cash flow used in investing activities		
Investment in oil and gas properties	(21,886)	(14,941)
Investment in other fixed assets	(143)	(541)
Acquisition of the Suffield Assets (see Note 20)	(178)	(362,244)
Net cash (outflow) from investing activities	(22,207)	(377,726)
Cash flow from financing activities		
Borrowings / (repayments)	(26,035)	284,821
Paid financing fees	–	(6,168)
Lease payment	(212)	–
Net cash (outflow) from financing activities	(26,247)	278,653
Change in cash and cash equivalents	(1,624)	(5,291)
Cash and cash equivalents at the beginning of the period	10,626	33,679
Currency exchange difference in cash and cash equivalents	(35)	(214)
Cash and cash equivalents at the end of the period	8,967	28,174

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

For the three months ended March 31, 2019 and 2018

UNAUDITED

USD Thousands	Share capital and premium	Retained earnings	CTA[1]	IFRS 2 reserve	MTM reserve	Total	Non-controlling interest[1]	Total equity
Balance at January 1, 2018	279,960	26,080	(4,128)	3,455	1,372	306,739	203	306,942
Net result	–	26,305	–	–	–	26,305	8	26,313
Cash flow hedge	–	–	–	–	(1,407)	(1,407)	–	(1,407)
Currency translation difference	–	–	1,533	(49)	35	1,519	(4)	1,515
Total comprehensive income	–	26,305	1,533	(49)	(1,372)	26,417	4	26,421
Share based payments	–	–	–	1,030	–	1,030	–	1,030
Balance at March 31, 2018	279,960	52,385	(2,595)	4,436	–	334,186	207	334,393

USD Thousands	Share capital and premium	Retained earnings	CTA[1]	IFRS 2 reserve	MTM reserve	Total	Non-controlling interest[1]	Total equity
Balance at January 1, 2019	567,116	129,697	(6,495)	4,958	296	695,572	215	695,787
Net result	–	33,137	–	–	–	33,137	5	33,142
Acquisition of BlackPearl[2]	–	–	–	–	9,013	9,013	–	9,013
Cash flow hedge	–	–	–	–	(12,801)	(12,801)	–	(12,801)
Currency translation difference	–	–	4,017	(17)	246	4,246	(3)	4,243
Total comprehensive income	–	33,137	4,017	(17)	(3,542)	33,595	2	33,597
Share based payments	–	–	–	1,109	–	1,109	–	1,109
Balance at March 31, 2019	567,116	162,834	(2,478)	6,050	(3,246)	730,276	217	730,493

1 *For comparative purposes, CTA and non-controlling interests have been restated in 2018.*
2 *See Note 9.*

See accompanying notes to the interim condensed consolidated financial statements.

1. CORPORATE INFORMATION

A. Formation of and changes in the Group

International Petroleum Corporation ("IPC" or the "Corporation" and, together with its subsidiaries, the "Group") is incorporated and domiciled in British Columbia, Canada under the Business Corporations Act. The address of its registered office is Suite 2600, 595 Burrard Street, P.O. Box 49314, Vancouver, BC V7X 1L3, Canada and its business address is Suite 2000, 885 West Georgia Street, Vancouver, BC V6C 3E8, Canada.

On January 5, 2018, IPC completed the acquisition of the Suffield area oil and gas assets in southern Alberta, Canada (the "Suffield Assets").

On December 1, 2018, IPC completed the sale of its non-core, non-operated gas assets in the Netherlands.

On December 14, 2018, IPC completed the acquisition of all of the issued and outstanding shares of BlackPearl Resources Inc. ("BlackPearl") by way of plan of arrangement under the Canada Business Corporations Act (the "BlackPearl Acquisition"). Upon completion of the BlackPearl Acquisition, BlackPearl became a wholly-owned subsidiary of IPC (see Note 9).

B. Basis of preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Financial Statements should be read in conjunction with IPC's annual consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

These unaudited interim condensed consolidated financial statements are presented in United States Dollars (USD), which is the Group's presentation and functional currency. The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for items that are required to be accounted for at fair value as detailed in the Group's accounting policies. Intercompany transactions and balances have been eliminated.

These unaudited interim condensed consolidated financial statements have been approved by the Board of Directors of IPC and authorized for issuance on May 8, 2019.

These interim condensed consolidated financial statements have been prepared following the same accounting policies and methods of application as those in the Group's audited annual consolidated financial statements for the year ended December 31, 2018 except for those noted below.

C. Changes in accounting policies and disclosures

Adoption of IFRS 16 "Leases"

The Group adopted IFRS 16 effective January 1, 2019. In accordance with the transition provisions in IFRS 16 the new rules have been adopted following the modified retrospective approach with the cumulated effect of initially applying the new standards recognized on January 1, 2019. Comparatives for the 2018 financial year have not been restated as permitted under the specific transition provisions in the standard. Reclassification and adjustments arising from the new leasing rules were not significant in the opening balance sheet on January 1, 2019.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019 estimated by country. The change in accounting policy affected the right-of-use assets with an increase amounting to USD 3.1 million and the lease liabilities with an increase amounting to USD 3.1 million in the balance sheet on January 1, 2019. There was no impact on retained earnings on January 1, 2019.

The Group leases various offices, warehouses, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed and variable lease payments and the exercise price of the purchase option. The lease payments are discounted using the incremental borrowing rate. The right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made and any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

D. Going concern

The Group's consolidated financial statements for the three months ended March 31, 2019 have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business as they become due in the foreseeable future.

2. SEGMENT INFORMATION

The Group operates within several geographical areas. Operating segments are reported at a country level which is consistent with the internal reporting provided to the CEO, who is the chief operating decision maker.

The following tables present segment information regarding: revenue, production costs, exploration and evaluation costs, impairment costs of oil and gas properties and gross profit. The Group derives its revenue from contracts with customers primarily through the transfer of oil and gas at a point in time. In addition, certain identifiable asset segment information is reported in Notes 7 and 8.

	Three months ended – March 31, 2019				
USD Thousands	Canada	Malaysia	France	Other	Total
Crude oil	73,214	36,412	11,713	–	121,339
NGLs	85	–	–	–	85
Gas	23,951	–	–	–	23,951
Net sales of oil and gas	**97,250**	**36,412**	**11,713**	**–**	**145,375**
Change in under/over lift position	–	–	3,270	–	3,270
Royalties	(5,920)	–	–	–	(5,920)
Hedging settlement	499	–	–	–	499
Other operating revenue	–	3,825	286	85	4,196
Revenue	**91,829**	**40,237**	**15,269**	**85**	**147,420**
Production costs	(45,604)	(10,049)	(7,120)	–	**(62,773)**
Depletion	(18,376)	(8,274)	(3,211)	–	**(29,861)**
Depreciation of other assets	–	(7,789)	–	–	**(7,789)**
Exploration and business development costs	(30)	–	–	(82)	**(112)**
Gross profit	**27,819**	**14,125**	**4,938**	**3**	**46,885**

	Three months ended – March 31, 2018					
USD Thousands	Canada	Malaysia	France	Netherlands[1]	Other	Total
Crude oil	27,014	43,686	20,550	23	–	91,273
NGLs	84	–	–	119	–	203
Gas	17,201	–	–	3,401	–	20,602
Net sales of oil and gas	44,299	43,686	20,550	3,543	–	112,078
Change in under/over lift position	–	–	(41)	12	–	(29)
Royalties	(1,706)	–	–	–	–	(1,706)
Other operating revenue	208	3,825	278	387	121	4,819
Revenue	42,801	47,511	20,787	3,942	121	115,162
Production costs	(28,514)	(5,340)	(10,713)	(1,731)	–	(46,298)
Depletion	(10,025)	(9,089)	(3,292)	(756)	–	(23,162)
Depreciation of other assets	–	(7,960)	–	–	–	(7,960)
Exploration and business development costs	–	(165)	–	–	(4)	(169)
Gross profit	4,262	24,957	6,782	1,455	117	37,573

[1] *On December 1, 2018, IPC completed the sale of its non-core, non-operated gas assets in the Netherlands.*

3. PRODUCTION COSTS

	Three months ended March 31	
USD Thousands	2019	2018
Cost of operations	45,067	29,846
Tariff and transportation expenses	5,880	4,918
Direct production taxes	1,869	2,011
Operating costs	52,816	36,775
Cost of blending[1]	5,672	6,907
Change in inventory position	4,285	2,616
Total production costs	62,773	46,298

[1] In Canada, oil production is blended with purchased condensate diluent to meet pipeline specifications. Cost of blending represents the contracted purchase of diluent used for blending net of proceeds from the sale of surplus diluent. A net cost of USD 407 thousand and USD 632 thousand was recognized relating to the difference between the cost and sale proceeds of the surplus diluent for Q1 2019 and Q1 2018 respectively.

4. FINANCE INCOME

	Three months ended March 31	
USD Thousands	2019	2018
Foreign exchange gain, net	3,899	–
Interest income	54	15
	3,953	15

5. FINANCE COSTS

	Three months ended March 31	
USD Thousands	2019	2018
Foreign exchange loss, net	–	(1,419)
Interest expense	(4,294)	(4,434)
Unwinding of asset retirement obligation discount	(2,666)	(2,388)
Amortization of loan fees	(604)	(708)
Loan commitment fees	(344)	(123)
Other financial costs	(112)	(96)
	(8,020)	(9,168)

6. INCOME TAX

	Three months ended March 31	
USD Thousands	2019	2018
Current tax	(1,591)	7,196
Deferred tax	(4,774)	(5,569)
Total tax	(6,365)	1,627

The deferred tax amount arises primarily where there is a difference in depletion for tax and accounting purposes.

The current tax for Q1 2018 includes a non-recurring Dutch petroleum tax refund (SPS - "State Profit Share") of USD 7.5 million relating to historical intragroup charges and an industry change in the calculation of the present value of the asset retirement obligation.

Specification of deferred tax assets and tax liabilities[1]

USD Thousands	March 31, 2019	December 31, 2018
Unused tax loss carry forward	87,436	92,995
Other	2,629	1,092
Deferred tax assets	**90,065**	94,087
Accelerated allowances	71,126	74,070
Other	–	210
Deferred tax liabilities	**71,126**	74,280
Deferred taxes, net	**18,939**	19,807

[1] *The specification of deferred tax assets and tax liabilities does not agree to the face of the balance sheet due to the netting off of balances in the balance sheet when they relate to the same jurisdiction.*

The deferred tax liabilities consist of accelerated allowances, being the difference between the book and the tax value of oil and gas properties. The deferred tax liabilities will be released over the life of the oil and gas assets as the book value is depleted for accounting purposes.

Deferred tax assets in relation to tax loss carried forwards are only recognized in so far that there is a reasonable certainty as to the timing and the extent of their realization. The recognized unused tax loss carry forward mainly relates to the BlackPearl Acquisition (see Note 9).

7. EXPLORATION AND EVALUATION ASSETS

USD Thousands	Canada	Malaysia	France	Total
Cost				
January 1, 2019	–	2,844	6,600	9,444
Additions	1,075	1,449	49	2,573
Write-off	(30)	–	–	(30)
Currency translation adjustments	(5)	–	(125)	(130)
Net book value March 31, 2019	**1,040**	**4,293**	**6,524**	**11,857**

USD Thousands	Malaysia	France	Netherlands	Total
Cost				
January 1, 2018	254	6,186	940	7,380
Additions	2,805	759	201	3,765
Expensed exploration and evaluation costs	(215)	(45)	–	(260)
Disposal of Netherlands assets	–	–	(1,083)	(1,083)
Currency translation adjustments	–	(300)	(58)	(358)
Net book value December 31, 2018	2,844	6,600	–	9,444

8. PROPERTY, PLANT AND EQUIPMENT, NET

USD Thousands	Canada	Malaysia	France	Total
Cost				
January 1, 2019	788,879	448,976	351,772	1,589,627
BlackPearl Acquisition (see Note 9)	12,346	–	–	12,346
Additions	16,105	465	2,743	19,313
Change in estimates	–	2,457	–	2,457
Currency translation adjustments	16,596	–	(6,557)	10,039
March 31, 2019	833,926	451,898	347,958	1,633,782
Accumulated depletion				
January 1, 2019	(41,257)	(362,071)	(180,875)	(584,203)
Depletion charge for the period	(18,375)	(8,275)	(3,211)	(29,861)
Currency translation adjustments	(781)	–	3,354	2,573
March 31, 2019	(60,413)	(370,346)	(180,732)	(611,491)
Net book value March 31, 2019	773,513	81,552	167,226	1,022,291

USD Thousands	Canada	Malaysia	France	Netherlands	Total
Cost					
January 1, 2018	–	435,630	363,758	146,536	945,924
Acquisition of the Suffield Assets	454,735	–	–	–	454,735
BlackPearl Acquisition (see Note 9)	358,301	–	–	–	358,301
Additions	15,040	12,928	6,129	1,182	35,279
Change in estimates	2,095	418	(1,641)	–	872
Disposal of Netherlands assets	–	–	–	(140,173)	(140,173)
Currency translation adjustments	(41,292)	–	(16,474)	(7,545)	(65,311)
December 31, 2018	788,879	448,976	351,772	–	1,589,627
Accumulated depletion					
January 1, 2018	–	(327,583)	(175,457)	(130,483)	(633,523)
Depletion charge for the period	(43,415)	(34,488)	(13,596)	(2,352)	(93,851)
Disposal of Netherlands assets	–	–	–	126,093	126,093
Currency translation adjustments	2,158	–	8,178	6,742	17,078
December 31, 2018	(41,257)	(362,071)	(180,875)	–	(584,203)
Net book value December 31, 2018	747,622	86,905	170,897	–	1,005,424

9. ACQUISITION OF BLACKPEARL

On December 14, 2018, IPC completed the BlackPearl Acquisition. Upon completion of the BlackPearl Acquisition, BlackPearl became a wholly-owned subsidiary of IPC.

The BlackPearl Acquisition has been accounted for as a business combination in accordance with IFRS 3, with IPC being the acquirer. For accounting purposes, the preliminary purchase price allocation was reflected as at December 31, 2018 as the financial result from the date of acquisition to December 31, 2018 was not material to the IPC Group.

Total consideration provided, after preliminary closing adjustments, amounted to approximately USD 289 million (CAD 393 million).

The amounts recognized, on a preliminary basis, in respect of the identifiable assets acquired and liabilities assumed are as follows:

USD Thousands	
Cash and cash equivalents	2,572
Trade and other receivables	883
Inventory	42
Prepaid expenses and deposits	882
Fair value of risk management assets	13,909
Deferred tax assets	69,592
Property, plant and equipment	370,647
Other fixed assets	1,037
Accounts payable and accrued liabilities	(16,587)
Fair value of risk management liabilities	(1,564)
Decommissioning liabilities	(28,708)
Long-term debt	(113,728)
Other provisions	(1,321)
MTM reserve in equity	(9,013)
Total Consideration	**288,643**
Settled by:	
Equity instruments (75,798,219 common shares of IPC)	288,643

Acquisition-related costs of approximately USD 2.3 million have been recognized in the income statement for the year ended December 31, 2018. No material acquisition-related costs were recognized in Q1 2019.

The amounts disclosed above were determined provisionally pending the finalization of the valuation for those assets and liabilities. Adjustments may be made to the fair values assigned to the identifiable assets acquired and liabilities assumed up to twelve months from the effective date of the BlackPearl Acquisition.

Decommissioning obligations
The fair value of the decommissioning obligation at the acquisition date was based on the estimated future cash flows to decommission the acquired oil and natural gas properties at the end of their useful life. The discount rate used to determine the net present value of the decommissioning obligation was a credit risk adjusted rate of 8%.

10. OTHER TANGIBLE FIXED ASSETS, NET

USD Thousands	FPSO	Other	Total
Cost			
January 1, 2019	206,421	9,203	215,624
Additions	–	143	143
Currency translation adjustments	(431)	(53)	(484)
March 31, 2019	**205,990**	**9,293**	**215,283**
Accumulated depreciation			
January 1, 2019	(117,715)	(5,760)	(123,475)
Depreciation charge for the period	(7,789)	(147)	(7,936)
Currency translation adjustments	–	66	66
March 31, 2019	**(125,504)**	**(5,841)**	**(131,345)**
Net book value March 31, 2019	**80,486**	**3,452**	**83,938**

USD Thousands	FPSO	Other	Total
Cost			
January 1, 2018	207,600	7,833	215,433
Additions	–	1,289	1,289
BlackPearl Acquisition (see Note 9)	–	1,037	1,037
Disposals	–	(658)	(658)
Currency translation adjustments	(1,179)	(298)	(1,477)
December 31, 2018	206,421	9,203	215,624
Accumulated depreciation			
January 1, 2018	(86,387)	(5,995)	(92,382)
Depreciation charge for the period	(31,328)	(521)	(31,849)
Disposals	–	576	576
Currency translation adjustments	–	180	180
December 31, 2018	(117,715)	(5,760)	(123,475)
Net book value December 31, 2018	88,706	3,443	92,149

The FPSO ("Floating Production Storage and Offloading") facility located on the Bertam field, Malaysia, is being depreciated over the committed contract term of six years from April 2015. The depreciation charge is included in the depreciation of other assets line in the income statement.

For office equipment and other assets, the depreciation charge for the year is based on cost and an estimated useful life of 3 to 5 years. The depreciation charge is included within the general, administration and depreciation expenses in the income statement.

11. INVENTORIES

USD Thousands	March 31, 2019	December 31, 2018
Hydrocarbon stocks	6,624	10,887
Well supplies and operational spares	9,859	9,749
	16,483	20,636

12. TRADE AND OTHER RECEIVABLES

USD Thousands	March 31, 2019	December 31, 2018
Trade receivables	62,853	32,559
Underlift	4,655	1,447
Joint operations debtors	2,061	2,671
Prepaid expenses and accrued income	5,401	4,121
Other	2,340	5,263
	77,310	46,061

The increase in the trade receivables since December 31, 2018 results from higher oil and gas prices achieved during the Q1 2019.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include only cash at hand or held in bank accounts.

14. SHARE CAPITAL

The common shares of IPC started trading on both the Toronto Stock Exchange and the Nasdaq First North in Stockholm on April 24, 2017, with a total of 113,462,148 common shares issued and outstanding. As part of the share purchase offer by a subsidiary of IPC announced following listing, 25,540,302 common shares were tendered (including the 22,805,892 common shares owned by Statoil) and, as part of a subsequent internal reorganization, these shares were subsequently cancelled. Following the completion of the share purchase offer, the total number of common shares issued and outstanding in IPC was 87,921,846. In June 2018, IPC's shares ceased trading on the Nasdaq First North and commenced trading on the Nasdaq Stockholm.

In connection with the completion of the BlackPearl Acquisition, IPC issued a total of 75,798,219 common shares to the former shareholders of BlackPearl (see Note 9). As at May 8, 2019, IPC has a total of 163,720,065 common shares issued and outstanding with no par value.

In addition, IPC has 117,485,389 outstanding class A preferred shares, issued as a part of an internal corporate structuring to a wholly-owned subsidiary of IPC. Such preferred shares are not listed on any stock exchange, do not carry the right to vote on matters to be decided by the holders of IPC's common shares and are not included in the earnings per share calculations.

The Group's issued common share capital is as follows:

	Number of shares
Balance at January 1, 2018	87,921,846
Issuance of common shares	75,798,219
Balance at December 31, 2018	163,720,065
Balance at March 31, 2019	163,720,065

15. EARNINGS PER SHARE

Basic earnings per share are based on net result attributable to the common shareholders and is calculated based upon the weighted-average number of common shares outstanding during the periods presented.

	Three months ended March 31	
USD Thousands	2019	2018
Net result attributable to shareholders of the Parent Company, USD	33,137,048	26,305,112
Weighted average number of shares for the period	163,720,065	87,921,846
Earnings per share, USD	0.20	0.30
Weighted average diluted number of shares for the period	166,532,898	88,667,267
Earnings per share fully diluted, USD	0.20	0.30

16. FINANCIAL LIABILITIES

USD Thousands	March 31, 2019	December 31, 2018
Bank loans	209,754	232,357
Senior secured notes	56,175	55,030
Capitalized financing fees	(3,116)	(3,659)
	262,813	283,728

In connection with the completion of the Suffield acquisition, the Group entered into an amendment to the existing reserve-based lending credit facility on December 20, 2017, to increase such facility from USD 100 million to USD 200 million and to extend the maturity to end June 2022. Concurrently, IPC Alberta Ltd entered into a CAD 250 million reserve-based lending credit facility with a maturity date of January 2020 and a CAD 60 million second lien facility in Canada on January 5, 2018. The CAD 60 million second lien facility was repaid in August 2018 and the facility was cancelled. The CAD 250 million reserve-based lending credit facility was reduced to and is currently at CAD 200 million, and the maturity was extended by one year to January 2021.

As at March 31, 2019, the USD 200 million reserve-based lending credit facility was drawn to USD 44 million and the Canadian reserve-based lending credit facility was drawn to CAD 133.8 million. No facility repayment schedule results in mandatory repayment within the next twelve months.

In December 2018, in connection with the completion of the BlackPearl Acquisition, the Group assumed the debt of BlackPearl consisting of a reserve-based lending credit facility of CAD 120 million (CAD 87.5 million outstanding as at March 31, 2019) and senior secured notes outstanding of CAD 75 million. The reserve-based lending facility has a maturity in May 2021 and the senior secured notes have a maturity date in June 2020.

As such, the loans outstanding as at March 31, 2019, are classified as non-current.

The Group is in compliance with the covenants under the credit facility agreements as at March 31, 2019.

17. PROVISIONS

USD Thousands	Asset retirement obligation	Farm in obligation	Other[2]	Total
January 1, 2019	152,686	6,047	5,638	164,371
Additions	–	–	115	115
Unwinding of asset retirement obligation discount	2,666	–	–	2,666
Changes in estimates	–	2,457	–	2,457
Payments	(824)	(614)	(3)	(1,441)
Reclassification[1]	–	–	(175)	(175)
Currency translation adjustments	1,443	73	76	1,592
March 31, 2019	155,971	7,963	5,651	169,585
Non-current	148,569	5,513	2,462	156,544
Current	7,402	2,450	3,189	13,041
Total	155,971	7,963	5,651	169,585

[1] *The Suffield Assets contingent consideration related to the price of oil for March 2019 has been reclassified to current liabilities for an amount of CAD 239 thousand (see Note 20).*

[2] *Other provisions mainly includes the estimated contingent consideration relating to the acquisition of the Suffield Assets (see Note 20).*

USD Thousands	Asset retirement obligation	Farm in obligation	Other	Total
January 1, 2018	104,633	5,557	1,722	111,912
Acquisition of the Suffield Assets	75,086	–	8,355	83,441
Acquisition of BlackPearl (see Note 9)	28,708	–	1,321	30,029
Disposal of Netherlands assets	(42,449)	–	(419)	(42,868)
Additions	–	–	15	15
Unwinding of asset retirement obligation discount	9,190	–	–	9,190
Changes in estimates	(3,876)	1,910	–	(1,966)
Payments	(7,716)	(1,223)	(3,963)	(12,902)
Reclassification[1]	–	–	(700)	(700)
Currency translation adjustments	(10,890)	(197)	(693)	(11,780)
December 31, 2018	152,686	6,047	5,638	164,371
Non-current	145,509	3,628	2,337	151,474
Current	7,177	2,419	3,301	12,897
Total	152,686	6,047	5,638	164,371

[1] *The Suffield Assets contingent consideration related to the price of gas for December 2018 has been reclassified to current liabilities for an amount of CAD 878 thousand.*

The farm-in obligation relates to future payments for historic costs on Block PM307 in Malaysia payable on reaching certain Bertam field production milestones.

In calculating the present value of the asset retirement obligation provision, a discount rate of 8% was used in Canada and 3.5% for France and Malaysia for Q1 2019 and 2018 based on a credit risk adjusted rate.

18. TRADE AND OTHER PAYABLES

USD Thousands	March 31, 2019	December 31, 2018
Trade payables	7,356	13,398
Residual working capital liability to Lundin Petroleum[1]	14,127	14,008
Overlift	–	–
Joint operations creditors	13,183	13,506
Accrued expenses	38,519	35,142
Other	2,107	1,561
	75,292	77,615

[1] *See Note 21.*

19. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

March 31, 2019 USD Thousands	Total	Financial assets at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Other non-current financial assets	2,956	2,956	–	–
Derivative instruments	922	–	–	922
Joint operation debtors	2,061	2,061	–	–
Other current receivables[1]	76,572	71,917	4,655	–
Cash and cash equivalents	8,967	8,967	–	–
Financial assets	91,478	85,901	4,655	922

[1] *Prepayments are not included in other current assets, as prepayments are not deemed to be financial instruments.*

March 31, 2019 USD Thousands	Total	Financial liabilities at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Long term financial liabilities	265,098	265,098	–	–
Derivative instruments	5,366	–	–	5,366
Joint operation creditors	13,183	13,183	–	–
Other current liabilities	28,143	28,143	–	–
Financial liabilities	311,790	306,424	–	5,366

December 31, 2018 USD Thousands	Total	Financial assets at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Other non-current financial assets	22	22	–	–
Derivative instruments	16,412	–	–	16,412
Joint operation debtors	2,671	2,671	–	–
Other current receivables[1]	46,485	45,038	1,447	–
Cash and cash equivalents	10,626	10,626	–	–
Financial assets	76,216	58,357	1,447	16,412

[1] *Prepayments are not included in other current assets, as prepayments are not deemed to be financial instruments*

December 31, 2018 USD Thousands	Total	Financial liabilities at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Long term financial liabilities	283,728	283,728	–	–
Derivative instruments	3,661	–	–	3,661
Joint operation creditors	13,506	13,506	–	–
Other current liabilities	31,602	31,602	–	–
Financial liabilities	332,497	328,836	–	3,661

For financial instruments measured at fair value in the balance sheet, the following fair value measurement hierarchy is used:
- Level 1: based on quoted prices in active markets;
- Level 2: based on inputs other than quoted prices as within level 1, that are either directly or indirectly observable;
- Level 3: based on inputs which are not based on observable market data.

Based on this hierarchy, financial instruments measured at fair value can be detailed as follows:

March 31, 2019 USD Thousands	Level 1	Level 2	Level 3
Other current receivables	4,655	–	–
Derivative instruments – current	–	922	–
Financial assets	**4,655**	**922**	**–**
Derivative instruments – current	–	4,385	–
Derivative instruments – non current	–	981	–
Financial liabilities	**–**	**5,366**	**–**

December 31, 2018 USD Thousands	Level 1	Level 2	Level 3
Other current receivables	1,447	–	–
Derivative instruments – current	–	14,360	–
Derivative instruments – non current	–	2,052	–
Financial assets	1,447	16,412	–
Derivative instruments – current	–	3,168	–
Derivative instruments – non current	–	493	–
Financial liabilities	–	3,661	–

The Group had gas price hedges outstanding as at March 31, 2019 which are summarized as follows:

Period	Volume (Gigajoules (GJ) per day)	Basis	Average Pricing
Gas Purchase			
April 1, 2019 - December 31, 2019	10,000	AECO 5a	CAD 1.57/GJ
January 1, 2020 - December 31, 2020	4,000	AECO 5a	CAD 1.49/GJ

The Group had oil price hedges outstanding as at March 31, 2019 which are summarized as follows:

Period	Volume (Gigajoules (GJ) per day)	Weighted average Floor (WTI in USD)	Weighted average CAP (WTI in USD)	Other
Oil Sale				
April 1, 2019 – June 30, 2019	5,200	47.26	66.20	–
April 1, 2019 – June 30, 2019	2,000	–	–	WCS CAD 54/bbl
April 1, 2019 – June 30, 2019	3,000	–	–	WTI - USD 12/bbl
July 1, 2019 – September 30, 2019	7,500	50.00	72.88	–
October 1, 2019 – December 31, 2019	3,000	49.45	68.15	–
January 1, 2020 - March 31, 2020	3,500	50.00	77.50	–
April 1, 2020 – June 30, 2020	6,150	35.00	71.74	–

All of the above hedges are treated as effective and changes to the fair value are reflected in other comprehensive income. Any impact of hedge ineffectiveness is not significant.

20. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As part of the acquisition of the Suffield Assets, the Group is required to pay Cenovus Energy Inc. additional cash consideration dependent upon the future prices of oil and natural gas for each month between January 2018 and December 2019. The potential undiscounted amount of all future payments that the Group could be required to pay as at March 31, 2019, is up to CAD 13 million (USD 10 million). A total estimated contingent consideration of CAD 10,371 thousand (USD 8,354 thousand) as at March 31, 2019, has been reflected in the Financial Statements. The contingent consideration paid in 2018 and Q1 2019 amounted to CAD 4,111 thousand (USD 3,079 thousand) for oil and CAD 2,003 thousand (USD 1,500 thousand) for gas.

IPC has an obligation to make payments towards historic costs on Block PM307 in Malaysia payable on the Bertam field for every 1 MMboe gross that the field produces above 10 MMboe gross. The estimated liability based on current 2P reserves has been provided for in the Group's Balance Sheet (see Note 17).

The Bertam field (IPC working interest of 75%) has leased the FPSO Bertam from another Group company for an initial period of six years commencing April 2015.

IPC has a residual liability for working capital owed to Lundin Petroleum AB (see Note 21).

21. RELATED PARTIES

As a result of the Spin-Off, the Group had a residual liability for working capital owed to Lundin Petroleum of USD 14,127 thousand including accrued interest as at March 31, 2019. Instalments relating to the working capital amount bear interest at 3.5% from the date of the original repayment schedule. The amount is reflected as a current liability as it is due before the end of June 2019. Expensed interest of USD 119 thousand is included in Q1 2019 related to this liability.

Lundin Petroleum has charged the Group USD 178 thousand in respect of office space rental and USD 444 thousand in respect of shared services provided during Q1 2019.

All transactions with related parties are in the normal course of business and are made on the same terms and conditions as with parties at arm's length.

22. SUBSEQUENT EVENTS

No events have occurred since March 31, 2019, that are expected to have a substantial effect on this financial report.

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