Q2

International Petroleum Corporation

Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2018

International
Petroleum
Corp.

Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2018
UNAUDITED

Contents

The Company's independent auditor has performed a review of these financial statements.

Interim Condensed Consolidated Statement of Operations

For the three and six months ended June 30, 2018

UNAUDITED

		Three months ended June 30		Six months ended June 30	
USD Thousands	Note	**2018**	2017	**2018**	2017
Revenue	*2*	**120,637**	48,496	**235,799**	100,428
Cost of sales					
Production costs	*3*	(42,936)	(16,040)	(89,234)	(27,901)
Depletion and decommissioning costs		(24,118)	(13,944)	(47,280)	(28,448)
Depreciation of other assets		(7,789)	(7,906)	(15,749)	(15,666)
Exploration and business development costs		126	(409)	(43)	(546)
Impairment costs		–	164	–	164
Gross profit/(loss)	*2*	**45,920**	10,361	**83,493**	28,031
General, administration and depreciation expenses		(3,343)	(2,854)	(7,077)	(3,780)
Profit/(loss) before financial items		**42,577**	7,507	**76,416**	24,251
Finance income		828	58	843	70
Finance costs	*4*	(15,876)	(560)	(25,044)	(11,523)
Net financial items		**(15,048)**	(502)	**(24,201)**	(11,453)
Profit/(loss) before tax		**27,529**	7,005	**52,215**	12,798
Income tax	*5*	(6,031)	108	(4,404)	(1,224)
Net result		**21,498**	7,113	**47,811**	11,574
Net result attributable to:					
Shareholders of the Parent Company		21,492	7,113	47,797	11,569
Non-controlling interest		6	–	14	5
		21,498	7,113	**47,811**	11,574
Earnings per share – USD[1]	*14*	**0.24**	0.07	**0.54**	0.11
Earnings per share fully diluted – USD[1]	*14*	**0.23**	0.07	**0.53**	0.11

[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 and six months ended June 30, 2018

UNAUDITED

	Three months ended June 30		Six months ended June 30	
USD Thousands	**2018**	2017	**2018**	2017
Net result	**21,498**	7,113	**47,811**	11,574
Other comprehensive income/(loss):				
Items that may be reclassified to profit or loss, net of tax:				
Cash flow hedges	1,033	–	(374)	–
Currency translation adjustments[1]	(3,184)	(8,195)	(1,669)	(8,195)
Total comprehensive income/(loss)	**19,347**	(1,082)	**45,768**	3,379
Total comprehensive income/(loss) attributable to:				
Shareholders of the Parent Company	19,350	(1,099)	45,758	3,357
Non-controlling interest	(3)	17	10	22
	19,347	(1,082)	**45,768**	3,379

[1] *Currency translation adjustments recognized from Spin-Off date.*

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheet

As at June 30, 2018

UNAUDITED

USD Thousands	Note	June 30, 2018	December 31, 2017
ASSETS			
Non-current assets			
Exploration and evaluation assets	*6*	8,292	7,380
Property, plant and equipment, net	*7 - 8*	704,825	312,401
Other tangible fixed assets, net	*9*	106,817	123,051
Financial assets		5	5
Deferred tax assets		5,603	12,398
Total non-current assets		**825,542**	455,235
Current assets			
Inventories	*10*	21,321	24,611
Trade and other receivables	*11*	66,000	74,794
Derivative instruments	*19*	1,354	1,372
Current tax		7,208	20
Cash and cash equivalents	*12*	8,962	33,679
Total current assets		**104,845**	134,476
TOTAL ASSETS		**930,387**	589,711
LIABILITIES			
Non-current liabilities			
Financial liabilities	*16*	258,686	59,267
Provisions	*17*	177,396	105,887
Deferred tax liabilities		58,959	53,943
Total non-current liabilities		**495,041**	219,097
Current liabilities			
Trade and other payables	*18*	69,464	57,388
Provisions	*17*	10,364	6,025
Derivative instruments	*19*	19	–
Current tax liabilities		1,353	259
Total current liabilities		**81,200**	63,672
EQUITY			
Shareholders' equity		354,360	307,166
Non-controlling interest		(214)	(224)
Net shareholders' equity		**354,146**	306,942
TOTAL EQUITY AND LIABILITIES		**930,387**	589,711

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 and six months ended June 30, 2018

UNAUDITED

USD Thousands	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
Cash flow from operating activities				
Net result	21,498	7,113	47,811	11,574
Adjustments for non-cash related items:				
Depletion, depreciation and amortization	32,027	22,297	63,310	44,802
Exploration costs	(126)	409	43	546
Impairment costs	–	(164)	–	(164)
Current tax	1,014	(188)	(6,182)	208
Deferred tax	5,017	80	10,586	1,016
Capitalized financing fees	1,062	136	1,770	136
Foreign currency exchange	8,121	(808)	11,153	9,255
Interest expense	3,939	244	8,373	259
Unwinding of asset retirement obligation discount	2,341	873	4,729	1,727
Share-based costs	943	1,114	1,973	1,114
Other	235	(147)	301	(277)
Cash flow generated from operations (before working capital adjustments and income taxes)	***76,071***	*30,959*	***143,867***	*70,196*
Changes in working capital	2,006	13,203	32,591	16,697
Interest paid	(4,144)	–	(8,256)	–
Net cash flow from operating activities	**73,933**	44,162	**168,202**	86,893
Cash flow used in investing activities				
Investment in oil and gas properties	(2,896)	(3,965)	(17,837)	(6,050)
Investment in other fixed assets	(77)	(56)	(618)	5
Acquisition of the Suffield Assets (see Note 8)	(9,976)	–	(372,220)	–
Decommissioning costs paid	(4,330)	(3,573)	(4,817)	(3,825)
Net cash (outflow) from investing activities	**(17,279)**	(7,594)	**(395,492)**	(9,870)
Cash flow from financing activities				
Borrowings / (repayments)	(76,221)	50,000	208,600	50,000
Paid financing fees	(8)	(1,088)	(6,176)	(1,088)
Bank interest and charges	–	10	–	–
Cash funded from / (to) Lundin Petroleum	–	373	–	(31,394)
Share purchase offer	–	(90,632)	–	(90,632)
Net cash (outflow) from financing activities	**(76,229)**	(41,337)	**202,424**	(73,114)
Change in cash and cash equivalents	**(19,575)**	(4,769)	**(24,866)**	3,909
Cash and cash equivalents at the beginning of the period	28,174	20,082	33,679	13,410
Currency exchange difference in cash and cash equivalents	363	(661)	149	(2,667)
Cash and cash equivalents at the end of the period	**8,962**	14,652	**8,962**	14,652

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

For the three and six months ended June 30, 2018

UNAUDITED

USD Thousands	Parental investment	Share capital	Share premium	Retained earnings	CTA	IFRS 2 reserve	MTM reserve	Total	Non-controlling interest	Total equity
Balance at January 1, 2017	**405,348**	**–**	**–**	**–**	**–**	**–**	**–**	**405,348**	**(252)**	**405,096**
Parent Company net investment/(proceeds)	(31,394)	–	–	–	–	–	–	**(31,394)**	7	**(31,387)**
Net result prior to Spin-Off	(3,362)	–	–	–	–	–	–	**(3,362)**	9	**(3,353)**
Balance at Spin-Off date	**370,592**	**–**	**–**	**–**	**–**	**–**	**–**	**370,592**	**(236)**	**370,356**
Formation of the Corporation	(410,000)	86,342	323,658	–	–	–	–	**–**	–	**–**
Valuation adjustments[1]	39,408	–	(39,408)	–	–	–	–	**–**	–	**–**
Net result after formation of the Corporation	–	–	–	14,931	–	–	–	**14,931**	(4)	**14,927**
Currency translation difference	–	–	–	–	(8,243)	38	–	**(8,205)**	10	**(8,195)**
Purchase and cancellation of common shares	–	(19,436)	(71,196)	–	–	–	–	**(90,632)**	–	**(90,632)**
Share based payments	–	–	–	–	–	839	–	**839**	–	**839**
Balance at June 30, 2017	**–**	**66,906**	**213,054**	**14,931**	**(8,243)**	**877**	–	**287,525**	**(230)**	**287,295**
Balance at January 1, 2018	**–**	**66,906**	**213,054**	**26,080**	**(3,701)**	**3,455**	**1,372**	**307,166**	**(224)**	**306,942**
Net result	–	–	–	47,797	–	–	–	**47,797**	14	**47,811**
Cash flow hedge	–	–	–	–	–	–	(374)	**(374)**	–	**(374)**
Currency translation difference	–	–	–	–	(1,544)	(97)	(24)	**(1,665)**	(4)	**(1,669)**
Total comprehensive income	**–**	**–**	**–**	**47,797**	**(1,544)**	**(97)**	**(398)**	**45,758**	**10**	**45,768**
Share based payments	–	–	–	–	–	1,436	–	**1,436**	–	**1,436**
Balance at June 30, 2018	**–**	**66,906**	**213,054**	**73,877**	**(5,245)**	**4,794**	**974**	**354,360**	**(214)**	**354,146**

[1] *Arises due to the use of the predecessor method of accounting*

See accompanying notes to the interim condensed consolidated financial statements.

1. CORPORATE INFORMATION

A. Formation of the Corporation

In April 2017, Lundin Petroleum AB ("Lundin Petroleum") spun-off its oil and gas assets in Malaysia, France and the Netherlands into a newly formed company called International Petroleum Corporation ("IPC" or the "Corporation" and, together with its subsidiaries, the "Group") and distributed the IPC shares, on a pro-rata basis, to Lundin Petroleum shareholders (the "Spin-Off").

On April 24, 2017, the Spin-Off was completed and IPC's shares commenced trading on the Toronto Stock Exchange and Nasdaq First North under the ticker symbol "IPCO". In June 2018, the shares of IPC ceased trading on Nasdaq First North and commenced trading on the Nasdaq Stockholm.

In September 2017, IPC announced the acquisition of the Suffield area oil and gas assets (the "Suffield Assets") in southern Alberta, Canada. The acquisition was completed on January 5, 2018.

The Corporation 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.

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 include the accounts of the Corporation from the Spin-Off date of April 24, 2017 and also incorporate the carve-out combined financial statements of IPC as if it had operated as a stand-alone entity prior to this date – see section 'Basis of preparation prior to the Spin-Off date' below.

These interim condensed consolidated financial statements are presented in United States Dollars (USD), which is the Group's presentation and functional currency. The 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.

Certain information and disclosures normally included in the notes to the audited annual consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

These unaudited interim condensed consolidated financial statements have been approved by the Board of Directors of IPC and authorized for issuance on August 7, 2018.

Basis of preparation prior to the Spin-Off date

Prior to the Spin-Off date, separate financial statements were not prepared for the assets that were spun-off as they were not operated as a single business by Lundin Petroleum AB and accordingly, the results up until the Spin-Off date have been carved out from the historical consolidated financial statements of Lundin Petroleum AB. The operating results for 2017 prior to the Spin-Off date have been derived from the accounting records of Lundin Petroleum on a carve-out basis and should be read in conjunction with Lundin Petroleum's published quarterly reports for 2017.

As the carve-out combined financial statements for 2017 results up to the Spin-Off date represent portions of Lundin Petroleum's business, which were not previously organized into a single legal entity, the net assets of IPC have been reflected as a Parent Company net investment up to the Spin-Off date.

The majority of the assets and liabilities in the carve-out combined statements of balance sheet of IPC have been derived from the following legal entities which were historically a part of Lundin Petroleum before the Spin-Off:

- Lundin Services Limited
- IPC Netherlands BV (formerly known as Lundin Netherlands BV)
- IPC Netherlands Facilities BV (formerly known as Lundin Netherlands Facilities BV)
- IPC Petroleum Holdings SA (formerly known as Lundin Holdings SA)
- IPC Petroleum France SA (formerly known as Lundin International SA)
- IPC Petroleum Gascogne SNC (formerly known as Lundin Gascogne SNC)
- IPC Malaysia BV (formerly known as Lundin Malaysia BV).

In addition, the activities of International Petroleum BV (formerly known as Lundin Petroleum BV) which relate to the Malaysia, France and the Netherlands oil and gas businesses acquired by IPC from Lundin Petroleum and the legacy non-producing interests and non-active entities transferred as part of the reorganization have been included in these financial statements to the extent separately identifiable.

The preparation of financial statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the year that affect the reported amounts of assets or liabilities as well as expenses. Actual outcomes and results could differ from those estimates and assumptions. In particular due to the fact that the presented operating results for 2017 up to the Spin-Off date have been extracted from Lundin Petroleum's financial information the following has to be considered:

- In the past, the business of IPC did not form a separate legal company. Therefore it is not possible to provide an analysis of share capital and reserves. The Corporation's invested capital in these combined financial statements represents the excess of total assets over total liabilities. Net parent company investment primarily represents the contributions from Lundin Petroleum prior to the Spin-Off. The net assets of the Group are represented by the cumulative investment of Lundin Petroleum prior to the Spin-Off in the business (presented as "net parent company investment").

- Prior to the Spin-Off, all funding of the Group came from Lundin Petroleum. These historical funding costs of Lundin Petroleum are not allocated to the operations and have therefore not been reflected in the combined income statement or combined balance sheet.

C. Going concern

The Group's interim condensed consolidated financial statements for the three and the six months ended June 30, 2018 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.

D. Changes in accounting policies and disclosures

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, 2017 except for those noted below.

Adoption of IFRS 9 "Financial Instruments"

The Group adopted IFRS 9 effective January 1, 2018 and applied it on a retrospective basis. The application of IFRS 9 has not resulted in any differences between the previous carrying amounts and the carrying amounts at the date of initial application of IFRS 9.

Financial instruments are recognized on the consolidated balance sheet on the trade date, the date on which the Group becomes a party to the contractual provisions of the financial instrument. The Group classifies its financial instruments in the following categories:

Financial Assets at Amortized Cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Group's loans and receivables consist of fixed or determined cash flows related solely to principal and interest amounts or contractual sales of oil. The Group's intent is to hold these receivables until cash flows are collected. Loans and receivables are recognized initially at fair value, net of any transaction costs incurred and subsequently measured at amortized cost.

Financial Assets at Fair Value through Other Comprehensive Income ("FVOCI"): Financial assets measured at FVOCI are assets held within a business model whose objective is achieved by collecting contractual cash flows, where its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest.

Financial Assets at Fair Value through Profit or Loss ("FVTPL"): Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortized cost or at fair value through other comprehensive income.

Financial Liabilities at Amortized Cost: Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL, or the Group has opted to measure them at FVTPL. Borrowings and accounts payable are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost.

Financial Liabilities at FVTPL: Financial liabilities measured at FVTPL are liabilities which include embedded derivatives and cannot be classified as amortized cost.

Derivatives: Derivative financial instruments are used to manage economic exposure to market risks relating to commodity prices, foreign currency exchange rates and interest rates. Policies and procedures are in place with respect to required documentation and approvals for the use of derivative financial instruments. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Where specific financial instruments are executed, the Group assesses, both at the time of purchase and on an ongoing basis, whether the financial instrument used in the particular transaction is effective in offsetting changes in fair values or cash flows of the transaction.

The Group has only cash flow hedges which qualify for hedge accounting. The effective portion of changes in the fair value derivatives that qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss.

Adoption of IFRS 15 "Revenue from Contracts with Customers"

The Group adopted IFRS 15 "Revenue from Contracts with Customers" effective January 1, 2018 and applied it on a retrospective basis. IFRS 15 provides guidance on the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Group has reviewed its revenue contracts and has determined that there was no material impact on the financial statements with respect to the application of IFRS 15.

Revenue recognition: Revenue associated with the sale of crude oil and natural gas is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of the product or service to a customer, which is generally when title passes from the Group to its customer. The Group satisfies its performance obligations in contracts with customers upon the delivery of crude oil and natural gas, which is generally at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

The Group recognizes revenue from the FPSO in other revenue as earned from third party participants in the Bertam field, Malaysia. Other operating revenue also includes pipeline tariffs earned.

E. New accounting pronouncements

IFRS 16 "Leases"

IFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted. The Group does not intend to adopt the standard before its effective date. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has no material non-cancellable operating lease commitments. The quantitative impact of the adoption of IFRS 16 is currently being evaluated.

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. In addition certain identifiable asset segment information is reported in Notes 6 and 7.

	Three months ended – June 30, 2018					
USD Thousands	Canada	Malaysia	France	Netherlands	Other	Total
Crude oil	34,483	50,683	14,683	23	–	**99,872**
NGLs	88	–	–	89	–	**177**
Gas	14,688	–	–	2,666	–	**17,354**
Net sales of oil and gas	**49,259**	**50,683**	**14,683**	**2,778**	**–**	**117,403**
Change in under/over lift position	–	–	212	–	–	**212**
Royalties	(1,639)	–	–	–	–	**(1,639)**
Other operating revenue	(72)	3,868	302	457	106	**4,661**
Revenue	**47,548**	**54,551**	**15,197**	**3,235**	**106**	**120,637**
Production costs	(28,609)	(6,494)	(6,190)	(1,643)	–	**(42,936)**
Depletion	(10,873)	(8,985)	(3,660)	(600)	–	**(24,118)**
Depreciation of other assets	–	(7,789)	–	–	–	**(7,789)**
Exploration and business development costs	–	150	–	–	(24)	**126**
Gross profit/(loss)	**8,066**	**31,433**	**5,347**	**992**	**82**	**45,920**

	Three months ended – June 30, 2017				
USD Thousands	Malaysia	France	Netherlands	Other	Total
Crude oil	32,679	8,508	13	–	41,200
NGLs	–	–	96	–	96
Gas	–	–	3,183	–	3,183
Net sales of oil and gas	32,679	8,508	3,292	–	44,479
Change in under/over lift position	–	(113)	(177)	–	(290)
Other operating revenue	3,975	266	112	(46)	4,307
Revenue	36,654	8,661	3,227	(46)	48,496
Production costs	(9,793)	(4,405)	(1,852)	10	(16,040)
Depletion	(8,920)	(3,855)	(1,169)	–	(13,944)
Depreciation of other assets	(7,906)	–	–	–	(7,906)
Exploration and business development costs	175	(4)	–	(580)	(409)
Impairment costs	164	–	–	–	164
Gross profit/(loss)	10,374	397	206	(616)	10,361

	Six months ended – June 30, 2018					
USD Thousands	Canada	Malaysia	France	Netherlands	Other	Total
Crude oil	61,497	94,369	35,233	46	–	**191,145**
NGLs	172	–	–	208	–	**380**
Gas	31,889	–	–	6,067	–	**37,956**
Net sales of oil and gas	**93,558**	**94,369**	**35,233**	**6,321**	**–**	**229,481**
Change in under/over lift position	–	–	171	12	–	**183**
Royalties	(3,345)	–	–	–	–	**(3,345)**
Other operating revenue	136	7,693	580	844	227	**9,480**
Revenue	**90,349**	**102,062**	**35,984**	**7,177**	**227**	**235,799**
Production costs	(57,123)	(11,834)	(16,903)	(3,374)	–	**(89,234)**
Depletion	(20,898)	(18,074)	(6,952)	(1,356)	–	**(47,280)**
Depreciation of other assets	–	(15,749)	–	–	–	**(15,749)**
Exploration and business development costs	–	(15)	–	–	(28)	**(43)**
Gross profit/(loss)	**12,328**	**56,390**	**12,129**	**2,447**	**199**	**83,493**

	Six months ended – June 30, 2017				
USD Thousands	Malaysia	France	Netherlands	Other	Total
Crude oil	58,333	25,744	38	–	84,115
NGLs	–	–	198	–	198
Gas	–	–	7,767	–	7,767
Net sales of oil and gas	58,333	25,744	8,003	–	92,080
Change in under/over lift position	–	(202)	(393)	–	(595)
Other operating revenue	7,693	539	551	160	8,943
Revenue	66,026	26,081	8,161	160	100,428
Production costs	(10,642)	(13,794)	(3,475)	10	(27,901)
Depletion	(18,505)	(7,371)	(2,572)	–	(28,448)
Depreciation of other assets	(15,666)	–	–	–	(15,666)
Exploration and business development costs	58	(24)	–	(580)	(546)
Impairment costs	164	–	–	–	164
Gross profit/(loss)	21,435	4,892	2,114	(410)	28,031

3. PRODUCTION COSTS

	Three months ended June 30		Six months ended June 30	
USD Thousands	**2018**	2017	**2018**	2017
Cost of operations	32,262	12,399	62,107	23,128
Tariff and transportation expenses	3,813	628	8,731	1,892
Direct production taxes	1,901	812	3,912	1,597
Operating costs	**37,976**	13,839	**74,750**	26,617
Cost of blending[1]	7,238	–	14,145	–
Change in inventory position	(2,278)	2,201	339	1,284
Total production costs	**42,936**	16,040	**89,234**	27,901

[1] In Canada, the oil produced from the Suffield Assets is blended with purchased condensate diluent to meet pipeline specifications.

4. FINANCE COSTS

	Three months ended June 30		Six months ended June 30	
USD Thousands	**2018**	2017	**2018**	2017
Foreign exchange gain/(loss), net	(8,175)	808	(9,594)	(9,255)
Interest expense	(3,939)	(244)	(8,373)	(259)
Unwinding of asset retirement obligation discount	(2,341)	(873)	(4,729)	(1,727)
Amortization of loan fees	(1,062)	(136)	(1,770)	(136)
Loan commitment fees	(223)	(140)	(346)	(140)
Other financial costs	(136)	25	(232)	(6)
	(15,876)	(560)	**(25,044)**	(11,523)

5. INCOME TAX

	Three months ended June 30		Six months ended June 30	
USD Thousands	**2018**	2017	**2018**	2017
Current tax	(1,014)	188	6,182	(208)
Deferred tax	(5,017)	(80)	(10,586)	(1,016)
Total tax	**(6,031)**	108	**(4,404)**	(1,224)

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

The current tax for the six months ended June 30, 2018, includes a non-recurring Dutch petroleum tax refund (SPS - “State Profit Share”) of USD 7,196 thousand relating to historical intragroup charges and an industry change in the calculation of the present value of the asset retirement obligation.

6. EXPLORATION AND EVALUATION ASSETS

USD Thousands	Canada	Malaysia	France	Netherlands	Total
Cost					
January 1, 2018	–	254	6,186	940	7,380
Additions	–	688	374	81	1,143
Expensed exploration and evaluation costs	–	(15)	–	–	(15)
Currency translation adjustments	–	–	(187)	(29)	(216)
Net book value June 30, 2018	**–**	**927**	**6,373**	**992**	**8,292**

7. PROPERTY, PLANT AND EQUIPMENT, NET

USD Thousands	Canada	Malaysia	France	Netherlands	Total
Cost					
January 1, 2018	–	435,630	363,758	146,536	945,924
Acquisition of the Suffield Assets (see Note 8)	453,630	–	–	–	453,630
Additions	2,086	12,662	1,686	261	16,695
Change in estimates	–	2,675	–	–	2,675
Currency translation adjustments	(28,572)	–	(10,109)	(3,972)	(42,653)
June 30, 2018	**427,144**	**450,967**	**355,335**	**142,825**	**1,376,271**
Accumulated depletion					
January 1, 2018	–	(327,583)	(175,457)	(130,483)	(633,523)
Depletion charge for the period	(20,898)	(18,074)	(6,952)	(1,356)	(47,280)
Currency translation adjustments	748	–	5,045	3,564	9,357
June 30, 2018	**(20,150)**	**(345,657)**	**(177,364)**	**(128,275)**	**(671,446)**
Net book value June 30, 2018	**406,994**	**105,310**	**177,971**	**14,550**	**704,825**

8. ACQUISITION OF THE SUFFIELD ASSETS

On January 5, 2018, IPC acquired the Suffield Assets from Cenovus Energy Inc. for a total consideration, after preliminary closing adjustments and an assessment of the contingent consideration, of USD 375,862 thousand. The amount has reduced from USD 378,567 thousand recorded at March 31, 2018 following the receipt of an updated statement of adjustments.

The Group recorded deferred taxes due to temporary differences in the carrying amount of the acquired properties and the tax base. This acquisition has been accounted for as a business combination in accordance with IFRS 3 and the purchase price has been allocated, on a preliminary basis, as follows:

USD Thousands	
Property, plant and equipment	453,630
Deferred tax liabilities	(2,682)
Asset retirement obligation	(75,086)
Net assets acquired	**375,862**

USD Thousands	
Deposit	32,223
Cash paid at closing	329,428
Deferred consideration paid at the end of June 2018	9,394
Contingent consideration paid in Q1 and Q2 2018	1,175
Consideration paid as at June 30, 2018	**372,220**
Estimated contingent consideration to be paid before December 2019	6,075
Subsequent statement of adjustments	(2,628)
Currency impact on contingent payment	195
Total consideration for the acquisition of the Suffield Assets	**375,862**

The Group recognized an amount of USD 2,165 thousand for acquisition-related costs in the income statement for the year ended December 31, 2017. No material acquisition-related costs were recognized in 2018.

The amounts disclosed above were determined provisionally pending the finalization of the valuation for those assets and liabilities. Up to twelve months from the effective date of the acquisition, further adjustments may be made to the fair values assigned to the identifiable assets acquired and liabilities assumed, as well as to the fair value of the consideration transferred.

The Suffield Assets contributed net sales and operating income of USD 90,349 thousand and USD 12,328 thousand respectively for the period from January 5, 2018 to June 30, 2018, which is substantially similar to what would have been contributed, had the acquisition occurred on January 1, 2018.

Contingent consideration
As part of the acquisition of the Suffield Assets, the Group may be 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 is up to CAD 36 million as at January 5, 2018. The fair value of the contingent consideration of USD 7,250 thousand as at January 5, 2018 is based on the projected commodity prices for 2018 and 2019.

The Group paid an amount of CAD 1,500 thousand for January to April 2018 during the first six months of 2018 as contingent consideration related to the price of oil. For May and June 2018, the Group accrued an amount of CAD 750 thousand related to the price of oil. No amounts have been paid or accrued in respect of the price of natural gas.

Asset retirement obligations
The fair value of the asset retirement obligation at the acquisition date was based on the estimated future cash flows to retire 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 asset retirement obligation was a credit adjusted discount rate of 8 percent.

9. OTHER TANGIBLE FIXED ASSETS, NET

USD Thousands	FPSO	Other	Total
Cost			
January 1, 2018	207,600	7,833	215,433
Additions	–	618	618
Disposals	–	(526)	(526)
Currency translation adjustments	(711)	(176)	(887)
June 30, 2018	**206,889**	**7,749**	**214,638**
Accumulated depreciation			
January 1, 2018	(86,387)	(5,995)	(92,382)
Depreciation charge for the period	(15,749)	(281)	(16,030)
Disposals	–	480	480
Currency translation adjustments	–	111	111
June 30, 2018	**(102,136)**	**(5,685)**	**(107,821)**
Net book value June 30, 2018	**104,753**	**2,064**	**106,817**

The FPSO 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.

10. INVENTORIES

USD Thousands	June 30, 2018	December 31, 2017
Hydrocarbon stocks	10,208	10,640
Well supplies and operational spares	11,113	13,971
	21,321	24,611

11. TRADE AND OTHER RECEIVABLES

USD Thousands	June 30, 2018	December 31, 2017
Trade receivables	43,403	24,764
Underlift	1,236	1,102
Joint operations debtors	11,624	10,173
Prepaid expenses and accrued income	4,568	2,934
Other	5,169	35,821
	66,000	74,794

As at December 31, 2017, other items include a deposit of CAD 40 million in relation to the acquisition of the Suffield Assets (see Note 8).

12. CASH AND CASH EQUIVALENTS

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

13. 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) for approximately USD 90.6 million and, as part of a subsequent internal reorganization, these shares were subsequently cancelled. The Corporation has authorized share capital consisting of an unlimited number of common shares of which 87,921,846 are issued and outstanding at June 30, 2018. In June 2018, the shares of IPC ceased trading on Nasdaq First North and commenced trading on the Nasdaq Stockholm.

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 and do not carry the right to vote on matters to be decided by the holders of IPC's common shares.

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

	Share capital		
	Number of shares	Par value CAD Thousands	Par value USD Thousands
Share issuance at spin-off date	113,462,148	113,462	86,342
Cancellation of shares	(25,540,302)	(25,540)	(19,436)
Balance at December 31, 2017 and June 30, 2018	**87,921,846**	**87,922**	**66,906**

14. 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. For comparative purposes, the Corporation's common shares issued under the Spin-Off and reduced by the share purchase offer, have been assumed to be outstanding as of the beginning of each period prior to the Spin-Off.

	Three months ended June 30		Six months ended June 30	
USD Thousands	**2018**	2017	**2018**	2017
Net result attributable to shareholders of the Parent Company, USD	21,491,422	7,112,671	47,796,553	11,569,112
Weighted average number of shares for the period	87,921,846	105,516,276	87,921,846	109,489,212
Earnings per share, USD	**0.24**	0.07	**0.54**	0.11
Weighted average diluted number of shares for the period	90,047,415	105,902,552	90,047,415	109,875,487
Earnings per share fully diluted, USD	**0.23**	0.07	**0.53**	0.11

15. SHARE-BASED PAYMENTS

The Group has the following share-based compensation plans: (a) a stock option plan ("Stock Option Plan"); (b) a one-time transitional performance and restricted share plan, under which awards have been made in performance shares ("IPC transitional PSP) or in restricted shares ("IPC transitional RSP") in connection with the Spin-Off; and (c) a Performance and Restricted Share Plan approved in July 2018.

Stock Option Plan

The Stock Option Plan was approved by the Board and provides for the grant of stock option awards to employees, consultants and directors. The plan gives the participants a right to buy common shares of IPC at an exercise price equal to the market value at the date of grant. The Board granted stock options under the Stock Option Plan on February 21, 2017 with a three year vesting period and a four year term, whereby the stock options vest equally in three tranches: one third after one year, one third after two years and the final third after three years. The plan is effective from February 21, 2017 and the total outstanding number of stock options at June 30, 2018 is 1,846,600. Each original stock-option was fair valued at the date of grant at CAD 2.01 using a Black-Scholes option pricing model. The assumptions used in the calculation were a risk free rate of 1.02%, expected volatility of 53.70%, dividend yield rate of 0%, and an exercise price of CAD 4.77.

The number of awards outstanding under the Stock Option Plan at June 30, 2018 are summarized in the table below.

IPC Stock Option Plan	2018
Outstanding at January 1, 2018	1,856,600
Awarded during the period	–
Forfeited during the period	(10,000)
Exercised during the period	–
Outstanding at June 30, 2018	**1,846,600**
Vesting date	
February 21, 2018	615,533
February 21, 2019	615,533
February 21, 2020	615,534
Outstanding at June 30, 2018	**1,846,600**

In connection with the Spin-off, the Group agreed to put in place certain one-time transitional equity-based compensation plans for certain officers and employees of the Corporation. The IPC transitional PSP and IPC transitional RSP awards were made effective as of April 24, 2017 and vest subject to certain conditions.

IPC Transitional PSP Plan

The 2015 IPC transitional PSP awards are effective from April 24, 2017 subject to certain performance conditions being met. The total outstanding number of awards which vested on June 30, 2018 was 421,262. 75 percent of the awards vested and were fair valued at the grant date at CAD 4.77. The remaining 25 percent vested on a straight-line basis for the share price performance in excess of 125 percent of CAD 4.77 and were fair valued at the grant date at CAD 2.50 using an adjusted share price calculated with a hybrid valuation model based on the Monte Carlo simulation. The assumptions used in the calculation of the adjusted share price were a risk free rate of 0.76%, expected volatility of 52.80%, dividend yield rate of 0%, and an exercise price of CAD 0.

The 2016 IPC transitional PSP awards are effective from April 24, 2017 subject to certain performance conditions being met. The total outstanding number of awards at June 30, 2018 is 733,307 which vest on June 30, 2019. 75 percent of the awards will vest subject to continued employment only and have been fair valued at the grant date at CAD 4.77. The remaining 25 percent will vest subject to continued employment and on a straight-line basis for the share price performance between 100 percent and 125 percent of CAD 4.77 and have been fair valued at the grant date at CAD 2.79 using an adjusted share price calculated with a hybrid valuation model based on the Monte Carlo simulation. The assumptions used in the calculation of the adjusted share price were a risk free rate of 0.76%, expected volatility of 52.80%, dividend yield rate of 0%, and an exercise price of CAD 0.

The number of awards outstanding under the IPC Transitional PSP Plan at June 30, 2018 are summarized in the table below.

IPC Transitional PSP Plan	2015 Awards	2016 Awards	Total
Outstanding at January 1, 2018	421,262	733,307	1,154,569
Awarded during the period	–	–	–
Forfeited during the period	–	–	–
Exercised during the period	–	–	–
Outstanding at June 30, 2018	**421,262**	**733,307**	**1,154,569**
Vesting date			
June 30, 2018	421,262	–	421,262
June 30, 2019	–	733,307	733,307
Outstanding at June 30, 2018	**421,262**	**733,307**	**1,154,569**

IPC Transitional RSP Plan

The 2015 IPC transitional RSP awards was effective from April 24, 2017 and vested on May 31, 2018 at a price of CAD 8.20 per award.

The 2016 IPC transitional RSP awards are effective from April 24, 2017. The total outstanding number of awards at June 30, 2018 is 63,583 which vest on May 31, 2019, subject to continued employment. Each award was fair valued at the grant date at CAD 4.77. On May 31, 2018, 49,985 awards vested at a price of CAD 8.20 per award.

The number of awards outstanding under the IPC Transitional RSP Plan at June 30, 2018 are summarized in the table below.

IPC Transitional RSP Plan	2015 Awards	2016 Awards	Total
Outstanding at January 1, 2018	35,088	117,702	152,790
Awarded during the period	–	–	–
Forfeited during the period	(1,514)	(4,134)	(5,648)
Exercised during the period	(33,574)	(49,985)	(83,559)
Outstanding at June 30, 2018	–	**63,583**	**63,583**
Vesting date			
May 31, 2019	–	**63,583**	63,583
Outstanding at June 30, 2018	–	**63,583**	**63,583**

The costs charged to the statement of operations of the Group associated with the Share-Based payments are summarized in the following table

	Three months ended June 30		Six months ended June 30	
USD Thousands	**2018**	2017	**2018**	2017
IPC Stock Option Plan	97	611	513	611
IPC Transitional PSP – 2015 Awards	274	228	544	228
IPC Transitional PSP – 2016 Awards	263	216	522	216
IPC Transitional RSP – 2015 Awards	115	9	138	9
IPC Transitional RSP – 2016 Awards	194	50	256	50
	943	1,114	**1,973**	1,114

IPC Performance and Restricted Share Plan

The shareholders of IPC approved at the Annual General Meeting held on July 10, 2018 a new Performance and Restricted Share Plan. The plan is effective from July 10, 2018 and awards under the plan will be accounted from the date of grant. Awards under the plan are expected to be granted in the third quarter of 2018.

16. FINANCIAL LIABILITIES

USD Thousands	June 30, 2018	December 31, 2017
Bank loans	263,590	60,000
Capitalized financing fees	(4,904)	(733)
	258,686	59,267

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 and a CAD 60 million second lien facility in Canada on January 5, 2018.

As at June 30, 2018, the USD 200 million reserve-based lending credit facility was drawn to USD 128 million, the Canadian reserve-based lending credit facility was drawn to CAD 164.6 million and the CAD 60 million second lien facility was drawn to CAD 15 million (see Note 22). No facility repayment schedule results in mandatory repayment within the next twelve months. As such, the loans outstanding as at June 30, 2018 are classified as non-current.

The Group is in compliance with the covenants under the credit facility agreements as at June 30, 2018.

17. PROVISIONS

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 (see Note 8)	75,086	–	7,250	82,336
Additions	–	–	346	346
Unwinding of asset retirement obligation discount	4,729	–	–	4,729
Changes in estimates	765	1,910	–	2,675
Payments	(4,817)	–	(1,252)	(6,069)
Reclassification[1]	–	–	(598)	(598)
Currency translation adjustments	(7,104)	(42)	(425)	(7,571)
June 30, 2018	**173,292**	**7,425**	**7,043**	**187,760**
Non-current	167,563	6,187	3,646	**177,396**
Current	5,729	1,238	3,397	**10,364**
Total	**173,292**	**7,425**	**7,043**	**187,760**

[1] The Suffield Assets contingent consideration related to the price of oil for May and June 2018 has been reclassified to current liabilities for an amount of CAD 750 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.

18. TRADE AND OTHER PAYABLES

USD Thousands	June 30, 2018	December 31, 2017
Trade payables	3,319	3,133
Residual working capital liability to Lundin Petroleum[1]	23,591	23,460
Overlift	24	37
Joint operations creditors	14,671	19,643
Accrued expenses	24,804	7,056
Other	3,055	4,059
	69,464	57,388

[1] See Note 20

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:

June 30, 2018 USD Thousands	Total	Financial assets at amortized cost	Assets at fair value within OCI (FVOCI)	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Other non-current financial assets	**5**	5	–	–	–
Derivative instruments	**1,354**	–	–	–	1,354
Joint operation debtors	**11,624**	11,624	–	–	–
Other current receivables[1]	**57,016**	55,780	–	1,236	–
Cash and cash equivalents	**8,962**	8,962	–	–	–
Financial assets	**78,961**	**76,371**	**–**	**1,236**	**1,354**

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

June 30, 2018 USD Thousands	Total	Financial liabilities at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Financial liabilities	**258,686**	258,686	–	–
Derivative instruments	**19**	–	–	19
Joint operation creditors	**14,671**	14,671	–	–
Other current liabilities	**31,342**	31,318	24	–
Financial liabilities	**304,718**	**304,675**	**24**	**19**

December 31, 2017 USD Thousands	Total	Financial assets at amortized cost	Assets at fair value within OCI (FVOCI)	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Other non-current financial assets	5	5	–	–	–
Derivative instruments	1,372	–	–	–	1,372
Joint operation debtors	10,173	10,173	–	–	–
Other current receivables[1]	61,707	60,605	–	1,102	–
Cash and cash equivalents	33,679	33,679	–	–	–
Financial assets	106,936	104,462	–	1,102	1,372

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

December 31, 2017 USD Thousands	Total	Financial liabilities at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Financial liabilities	59,267	59,267	–	–
Joint operation creditors	19,643	19,643	–	–
Other current liabilities	30,948	30,911	37	–
Financial liabilities	109,858	109,821	37	–

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:

June 30, 2018 USD Thousands	Level 1	Level 2	Level 3
Other current receivables	1,236	–	–
Derivative instruments – current	–	1,354	–
Financial assets	**1,236**	**1,354**	**–**
Derivative instruments – current	–	19	–
Financial liabilities	**–**	**19**	**–**

December 31, 2017 USD Thousands	Level 1	Level 2	Level 3
Other current receivables	1,102	–	–
Derivative instruments – current	–	1,372	–
Financial assets	1,102	1,372	–

The outstanding derivative instruments can be specified as follows:

Fair value of outstanding derivative instruments in the balance sheet

	June 30, 2018		December 31, 2017	
USD Thousands	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Currency hedge	–	–	1,372	–
Gas price hedge	1,354	19	–	–
Total	**1,354**	**19**	1,372	–
Non-current	–	–	–	–
Current	1,354	19	1,372	–
Total	**1,354**	**19**	1,372	–

The Group had entered into the following forward gas price hedges as at June 30, 2018 as follows:

Period	Volume (Gigajoules (GJ) per day)	Average Pricing
July 1, 2018 - October 31, 2018	15,000	AECO 5a + CAD 1.15/GJ
July 1, 2018 - December 31, 2018	20,000	AECO 5a + CAD 0.87/GJ
July 1, 2018 - March 31, 2019	25,000	AECO 5a + CAD 0.89/GJ
November 1, 2018 - December 31, 2018	10,000	AECO 5a + CAD 0.85/GJ
July 1, 2018 - July 31, 2018	15,000	Fixed Price @ CAD 2.50/GJ
July 1, 2018 - October 31, 2018	10,000	Fixed Price @ CAD 2.31/GJ

All of the above hedges are treated as effective and changes to the fair value are reflected in other comprehensive income.

20. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As part of the acquisition of the Suffield Assets, IPC made a deferred consideration payment to Cenovus Energy Inc. of CAD 12 million in June 2018. IPC may also be 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 June 30, 2018 is up to CAD 27 million. An estimated contingent consideration of USD 7,250 thousand as at January 5, 2018 has been reflected in the Financial Statements. The Group has paid, or will pay, a total amount of CAD 2,250 thousand as contingent consideration related to the oil price for the first six months of 2018. No amounts have been paid or accrued in respect of the price of natural 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 percent) 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

Transactions with corporate entities
As at the date of the Spin-Off, the Group had a residual liability for working capital owed to Lundin Petroleum of USD 27,429 thousand which has been reduced to USD 23,591 thousand as at June 30, 2018. Instalments relating to this amount bear interest at 3.5% from the date of the original repayment schedule. This amount is reflected as a current liability as it is due before the end of June 2019. Expensed interest of USD 131 thousand is included in the first six months of 2018 related to this liability.

Lundin Petroleum has charged the Group USD 330 thousand in respect of office space rental and USD 1,325 thousand in respect of shared services provided during the first six months of 2018. IPC has charged Lundin Petroleum USD 96 thousand in respect of consultancy fees during the first six months of 2018.

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

In August 2018, the Group repaid the outstanding CAD 15 million of the Canadian CAD 60 million second lien loan facility.

Corporate Office
International Petroleum Corp
Suite 2000
885 West Georgia Street
Vancouver, BC
V6C 3E8, Canada

Tel: +1 604 689 7842
E-mail: info@international-petroleum.com
Web: international-petroleum.com