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International Petroleum Corporation

Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2019

International
Petroleum
Corp.

Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2019 and 2018
UNAUDITED

Contents

Interim Condensed Consolidated Statement of Operations

For the three and six months ended June 30, 2019 and 2018

UNAUDITED

		Three months ended June 30		Six months ended June 30	
USD Thousands	Note	2019	2018	2019	2018
Revenue	2	129,357	120,637	276,777	235,799
Cost of sales					
Production costs	3	(52,396)	(42,936)	(115,169)	(89,234)
Depletion and decommissioning costs		(29,697)	(24,118)	(59,558)	(47,280)
Depreciation of other assets	10	(7,789)	(7,789)	(15,578)	(15,749)
Exploration and business development costs		(188)	126	(300)	(43)
Gross profit	2	39,287	45,920	86,172	83,493
General, administration and depreciation expenses		(2,714)	(3,343)	(6,025)	(7,077)
Profit before financial items		36,573	42,577	80,147	76,416
Finance income	4	5,107	828	9,060	843
Finance costs	5	(11,271)	(15,876)	(19,291)	(25,044)
Net financial items		(6,164)	(15,048)	(10,231)	(24,201)
Profit before tax		30,409	27,529	69,916	52,215
Income tax	6	(4,665)	(6,031)	(11,030)	(4,404)
Net result		25,744	21,498	58,886	47,811
Net result attributable to:					
Shareholders of the Parent Company		25,743	21,492	58,880	47,797
Non-controlling interest		1	6	6	14
		25,744	21,498	58,886	47,811
Earnings per share – USD[1]	16	0.16	0.24	0.36	0.54
Earnings per share fully diluted – USD[1]	16	0.15	0.23	0.35	0.53

[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, 2019 and 2018

UNAUDITED

	Three months ended June 30		Six months ended June 30	
USD Thousands	2019	2018	2019	2018
Net result	25,744	21,498	58,886	47,811
Other comprehensive income:				
Items that may be reclassified to profit or loss, net of tax:				
Cash flow hedges gain / (loss)	2,940	1,033	(848)	(374)
Currency translation adjustments	7,286	(3,184)	11,529	(1,669)
Total comprehensive income	35,970	19,347	69,567	45,768
Total comprehensive income attributable to:				
Shareholders of the Parent Company	35,967	19,350	69,562	45,758
Non-controlling interest	3	(3)	5	10
	35,970	19,347	69,567	45,768

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheet

As at June 30, 2019 and December 31, 2018

UNAUDITED

USD Thousands	Note	June 30, 2019	December 31, 2018
ASSETS			
Non-current assets			
Exploration and evaluation assets	7	23,439	9,444
Property, plant and equipment, net	8	1,038,542	1,005,424
Other tangible fixed assets, net	10	76,595	92,149
Right-of-use assets	1	2,770	–
Deferred tax assets	6	71,442	75,093
Other assets	11	18,286	15,873
Derivative instruments	20	–	2,052
Total non-current assets		**1,231,074**	1,200,035
Current assets			
Inventories	12	24,507	20,636
Trade and other receivables	13	62,603	46,061
Derivative instruments	20	1,057	14,360
Current tax receivables		6,335	7,216
Cash and cash equivalents	14	9,226	10,626
Total current assets		**103,728**	98,899
TOTAL ASSETS		**1,334,802**	1,298,934
LIABILITIES			
Non-current liabilities			
Financial liabilities	17	245,480	283,728
Lease liabilities	1	2,121	–
Provisions	18	176,972	167,325
Deferred tax liabilities	6	57,075	55,286
Derivative instruments	20	40	493
Total non-current liabilities		**481,688**	506,832
Current liabilities			
Trade and other payables	19	71,246	77,615
Current tax liabilities		916	2,635
Lease liabilities	1	668	–
Provisions	18	11,643	12,897
Derivative instruments	20	1,503	3,168
Total current liabilities		**85,976**	96,315
EQUITY			
Shareholders' equity		766,947	695,572
Non-controlling interest		191	215
Net shareholders' equity		**767,138**	695,787
TOTAL EQUITY AND LIABILITIES		**1,334,802**	1,298,934

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, 2019 and 2018

UNAUDITED

	Three months ended June 30		Six months ended June 30	
USD Thousands	2019	2018	2019	2018
Cash flow from operating activities				
Net result	25,744	21,498	58,886	47,811
Adjustments for non-cash related items:				
Depletion, depreciation and amortization	37,839	32,027	75,829	63,310
Exploration costs	15	(126)	45	43
Current tax	465	1,014	2,056	(6,182)
Deferred tax	4,200	5,017	8,974	10,586
Capitalized financing fees	556	1,062	1,160	1,770
Foreign currency exchange	(4,960)	8,121	(8,859)	11,153
Interest expense	7,277	3,939	11,571	8,373
Unwinding of asset retirement obligation discount	2,651	2,341	5,317	4,729
Share-based costs	960	943	2,069	1,973
Other	(558)	235	(1,030)	301
Cash flow generated from operations (before working capital adjustments and income taxes)	*74,189*	*76,071*	*156,018*	*143,867*
Changes in working capital	17,147	2,006	(13,013)	32,591
Decommissioning costs paid	(3,301)	(4,330)	(4,125)	(4,817)
Income taxes paid	(3,831)	–	(3,750)	–
Interest paid	(7,129)	(4,144)	(11,225)	(8,256)
Net cash flow from operating activities	**77,075**	69,603	**123,905**	163,385
Cash flow used in investing activities				
Investment in oil and gas properties	(39,556)	(2,896)	(61,442)	(17,837)
Investment in other fixed assets	(261)	(77)	(404)	(618)
Acquisition of the Suffield Assets	(566)	(9,976)	(744)	(372,220)
Net cash (outflow) from investing activities	**(40,383)**	(12,949)	**(62,590)**	(390,675)
Cash flow from financing activities				
Borrowings / (repayments)	(21,461)	(76,221)	(47,496)	208,600
Paid financing fees	(451)	(8)	(451)	(6,176)
Lease payment	(213)	–	(425)	–
Cash funded from / (to) Lundin Petroleum	(14,243)	–	(14,243)	–
Other payments	(29)	–	(29)	–
Net cash (outflow) from financing activities	**(36,397)**	(76,229)	**(62,644)**	202,424
Change in cash and cash equivalents	**295**	(19,575)	**(1,329)**	(24,866)
Cash and cash equivalents at the beginning of the period	8,967	28,174	10,626	33,679
Currency exchange difference in cash and cash equivalents	(36)	363	(71)	149
Cash and cash equivalents at the end of the period	**9,226**	8,962	**9,226**	8,962

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, 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	–	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	279,960	73,877	(5,672)	4,794	974	353,933	213	354,146

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	–	58,880	–	–	–	58,880	6	58,886
Acquisition of BlackPearl[2]	–	–	–	–	9,013	9,013	–	9,013
Cash flow hedge	–	–	–	–	(9,861)	(9,861)	–	(9,861)
Currency translation difference	–	–	11,213	120	197	11,530	(1)	11,529
Total comprehensive income	–	58,880	11,213	120	(651)	69,562	5	69,567
Dividend distribution	–	–	–	–	–	–	(29)	(29)
Share based payments	–	–	–	1,813	–	1,813	–	1,813
Balance at June 30, 2019	567,116	188,577	4,718	6,891	(355)	766,947	191	767,138

[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. 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). Effective as of June 1, 2019, IPC Alberta Ltd. (which held the Suffield Assets) and BlackPearl amalgamated into IPC Canada Ltd., which is a wholly-owned subsidiary of IPC.

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 August 6, 2019.

These unaudited 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 unaudited interim condensed consolidated financial statements for the six months ended June 30, 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 – June 30, 2019				
USD Thousands	Canada	Malaysia	France	Other	Total
Crude oil	81,207	28,079	7,235	–	**116,521**
NGLs	80	–	–	–	**80**
Gas	17,775	–	–	–	**17,775**
Net sales of oil and gas	**99,062**	**28,079**	**7,235**	**–**	**134,376**
Change in under/over lift position	–	–	2,026	–	**2,026**
Royalties	(8,330)	–	–	–	**(8,330)**
Hedging settlement	(2,879)	–	–	–	**(2,879)**
Other operating revenue	–	3,868	177	119	**4,164**
Revenue	**87,853**	**31,947**	**9,438**	**119**	**129,357**
Production costs	(45,572)	(1,416)	(5,408)	–	**(52,396)**
Depletion	(19,036)	(8,043)	(2,618)	–	**(29,697)**
Depreciation of other assets	–	(7,789)	–	–	**(7,789)**
Exploration and business development costs	(14)	(2)	–	(172)	**(188)**
Gross profit	**23,231**	**14,697**	**1,412**	**(53)**	**39,287**

	Three months ended – June 30, 2018					
USD Thousands	Canada	Malaysia	France	Netherlands[1]	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

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

	Six months ended – June 30, 2019				
USD Thousands	Canada	Malaysia	France	Other	Total
Crude oil	154,421	64,491	18,948	–	237,860
NGLs	165	–	–	–	165
Gas	41,726	–	–	–	41,726
Net sales of oil and gas	**196,312**	**64,491**	**18,948**	**–**	**279,751**
Change in under/over lift position	–	–	5,296	–	5,296
Royalties	(14,250)	–	–	–	(14,250)
Hedging settlement	(2,380)	–	–	–	(2,380)
Other operating revenue	–	7,693	463	204	8,360
Revenue	**179,682**	**72,184**	**24,707**	**204**	**276,777**
Production costs	(91,176)	(11,465)	(12,528)	–	**(115,169)**
Depletion	(37,412)	(16,317)	(5,829)	–	**(59,558)**
Depreciation of other assets	–	(15,578)	–	–	**(15,578)**
Exploration and business development costs	(44)	(2)	–	(254)	**(300)**
Gross profit	**51,050**	**28,822**	**6,350**	**(50)**	**86,172**

	Six months ended – June 30, 2018					
USD Thousands	Canada	Malaysia	France	Netherlands[1]	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

[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 June 30		Six months ended June 30	
USD Thousands	2019	2018	2019	2018
Cost of operations	45,008	32,262	90,075	62,107
Tariff and transportation expenses	6,440	3,813	12,320	8,731
Direct production taxes	1,488	1,901	3,357	3,912
Operating costs	**52,936**	37,976	**105,752**	74,750
Cost of blending[1]	6,090	7,238	11,762	14,145
Change in inventory position	(6,630)	(2,278)	(2,345)	339
Total production costs	**52,396**	42,936	**115,169**	89,234

[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 746 thousand and USD 134 thousand was recognized relating to the difference between the cost and sale proceeds of the surplus diluent for Q2 2019 and Q2 2018 respectively (USD 1,153 thousand and USD 766 for the first 6 months of 2019 and 2018 respectively).*

4. FINANCE INCOME

	Three months ended June 30		Six months ended June 30	
USD Thousands	2019	2018	2019	2018
Foreign exchange gain/(loss), net	4,960	–	8,859	–
Interest income	52	24	106	39
Other	95	804	95	804
	5,107	828	9,060	843

5. FINANCE COSTS

	Three months ended June 30		Six months ended June 30	
USD Thousands	2019	2018	2019	2018
Foreign exchange gain/(loss), net	–	(8,175)	–	(9,594)
Interest expense	(7,277)	(3,939)	(11,571)	(8,373)
Unwinding of asset retirement obligation discount	(2,651)	(2,341)	(5,317)	(4,729)
Amortization of loan fees	(556)	(1,062)	(1,160)	(1,770)
Loan commitment fees	(494)	(223)	(838)	(346)
Other financial costs	(293)	(136)	(405)	(232)
	(11,271)	(15,876)	(19,291)	(25,044)

6. INCOME TAX

	Three months ended June 30		Six months ended June 30	
USD Thousands	2019	2018	2019	2018
Current tax	(465)	(1,014)	(2,056)	6,182
Deferred tax	(4,200)	(5,017)	(8,974)	(10,586)
Total tax	(4,665)	(6,031)	(11,030)	(4,404)

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

The current tax for the first six months of 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	June 30, 2019	December 31, 2018
Unused tax loss carry forward	92,506	92,995
Other	1,565	1,092
Deferred tax assets	**94,071**	94,087
Accelerated allowances	79,704	74,070
Other	–	210
Deferred tax liabilities	**79,704**	74,280
Deferred taxes, net	**14,367**	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	7,761	6,082	78	13,921
Write-off	(30)	(2)	–	(32)
Currency translation adjustments	148	–	(42)	106
Net book value June 30, 2019	**7,879**	**8,924**	**6,636**	**23,439**

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	32,895	4,197	10,429	47,521
Change in estimates	–	2,457	–	2,457
Currency translation adjustments	33,797	–	(2,050)	31,747
June 30, 2019	**867,917**	**455,630**	**360,151**	**1,683,698**
Accumulated depletion				
January 1, 2019	(41,257)	(362,071)	(180,875)	(584,203)
Depletion charge for the period	(37,410)	(16,318)	(5,829)	(59,557)
Write-off	(13)	–	–	(13)
Currency translation adjustments	(2,420)	–	1,037	(1,383)
June 30, 2019	**(81,100)**	**(378,389)**	**(185,667)**	**(645,156)**
Net book value June 30, 2019	786,817	77,241	174,484	1,038,542

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. Effective as of June 1, 2019, IPC Alberta Ltd. and BlackPearl amalgamated into IPC Canada Ltd., which is 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 during the first six months of 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	–	404	404
Disposal	–	(807)	(807)
Currency translation adjustments	(140)	60	(80)
June 30, 2019	**206,281**	**8,860**	**215,141**
Accumulated depreciation			
January 1, 2019	(117,715)	(5,760)	(123,475)
Depreciation charge for the period	(15,578)	(310)	(15,888)
Disposal	–	807	807
Currency translation adjustments	–	10	10
June 30, 2019	**(133,293)**	**(5,253)**	**(138,546)**
Net book value June 30, 2019	**72,988**	**3,607**	**76,595**

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. OTHER ASSETS

USD Thousands	June 30, 2019	December 31, 2018
Long-term receivables	18,264	15,851
Financial assets	22	22
	18,286	15,873

Long-term receivables represent cash payments made to an asset retirement obligation fund in respect of the Bertam asset, Malaysia.

12. INVENTORIES

USD Thousands	June 30, 2019	December 31, 2018
Hydrocarbon stocks	13,430	10,887
Well supplies and operational spares	11,077	9,749
	24,507	20,636

13. TRADE AND OTHER RECEIVABLES

USD Thousands	June 30, 2019	December 31, 2018
Trade receivables	43,559	32,559
Underlift	6,773	1,447
Joint operations debtors	2,263	2,671
Prepaid expenses and accrued income	7,195	4,121
Other	2,813	5,263
	62,603	46,061

14. CASH AND CASH EQUIVALENTS

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

15. SHARE CAPITAL

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 June 30, 2019	**163,720,065**

The common shares of IPC trade on both the Toronto Stock Exchange and the Nasdaq Stockholm. As at January 1, 2018, the total number of common shares issued and outstanding in IPC was 87,921,846.

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 August 6, 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.

16. 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 June 30		Six months ended June 30	
	2019	2018	2019	2018
Net result attributable to shareholders of the Parent Company, USD	25,742,421	21,491,422	58,879,469	47,796,553
Weighted average number of shares for the period	163,720,065	87,921,846	163,720,065	87,921,846
Earnings per share, USD	**0.16**	0.24	**0.36**	0.54
Weighted average diluted number of shares for the period	166,567,604	90,047,415	166,567,604	90,047,415
Earnings per share fully diluted, USD	**0.15**	0.23	**0.35**	0.53

17. FINANCIAL LIABILITIES

USD Thousands	June 30, 2019	December 31, 2018
Bank loans	248,548	232,357
Senior secured notes	–	55,030
Capitalized financing fees	(3,068)	(3,659)
	245,480	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 in December 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 in January 2018. The CAD 60 million second lien facility was repaid and cancelled in August 2018. In December 2018, the CAD 250 million reserve-based lending credit facility was reduced to CAD 200 million, and the maturity was extended by one year to January 2021.

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 and senior secured notes outstanding of CAD 75 million. The reserve-based lending credit facility had a maturity in May 2021 and the senior secured notes had a maturity date in June 2020.

Effective as of June 1, 2019, IPC Alberta Ltd. and BlackPearl amalgamated into IPC Canada Ltd., which is a wholly-owned subsidiary of IPC. At the same time, the reserve-based lending credit facilities of IPC Alberta and BlackPearl were combined into one reserve-based lending credit facility of IPC Canada in the amount of CAD 375 million. The IPC Canada reserve-based lending credit facility has a maturity date at end May 2021. The senior secured notes of BlackPearl of CAD 75 million were fully repaid in June 2019 via a drawdown under the new CAD 375 million credit facility.

As at June 30, 2019, the USD 200 million reserve-based lending credit facility was drawn to USD 43 million and the IPC Canada reserve-based lending credit facility was drawn to CAD 269 million. No facility repayment schedule results in mandatory repayment within the next twelve months. As such, the loans outstanding as at June 30, 2019, are classified as non-current.

The Group is in compliance with the covenants under the credit facility agreements as at June 30, 2019.

18. PROVISIONS

USD Thousands	Asset retirement obligation	Farm in obligation	Other[2]	Total
January 1, 2019[1]	168,537	6,047	5,638	180,222
Additions	–	–	162	162
Unwinding of asset retirement obligation discount	5,317	–	–	5,317
Changes in estimates	–	2,457	–	2,457
Payments	(4,125)	(1,219)	(779)	(6,123)
Reclassification	2,413	–	–	2,413
Currency translation adjustments	4,031	(37)	173	4,167
June 30, 2019	**176,173**	**7,248**	**5,194**	**188,615**
Non-current	169,626	4,832	2,514	**176,972**
Current	6,547	2,416	2,680	**11,643**
Total	**176,173**	**7,248**	**5,194**	**188,615**

[1] For comparative purposes, the asset retirement obligation has been restated to appropriately reflect the asset retirement obligation on a gross basis in Malaysia. The impact of this adjustment was not considered material to the current or comparative periods (see Note 11).

[2] Other provisions mainly includes the estimated contingent consideration relating to the acquisition of the Suffield Assets (see Note 21).

USD Thousands	Asset retirement obligation	Farm in obligation	Other	Total
January 1, 2018[1]	116,547	5,557	1,722	123,826
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	3,937	–	(700)	3,237
Currency translation adjustments	(10,890)	(197)	(693)	(11,780)
December 31, 2018	168,537	6,047	5,638	180,222
Non-current	161,360	3,628	2,337	167,325
Current	7,177	2,419	3,301	12,897
Total	168,537	6,047	5,638	180,222

[1] For comparative purposes, the asset retirement obligation has been restated to appropriately reflect the asset retirement obligation on a gross basis in Malaysia. The impact of this adjustment was not considered material to the current or comparative periods (see Note 11).

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 Q2 2019 and 2018 based on a credit risk adjusted rate.

19. TRADE AND OTHER PAYABLES

USD Thousands	June 30, 2019	December 31, 2018
Trade payables	5,385	13,398
Residual working capital liability to Lundin Petroleum[1]	–	14,008
Joint operations creditors	18,562	13,506
Accrued expenses	46,048	35,142
Other	1,251	1,561
	71,246	77,615

[1] *See Note 22.*

20. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities by category

June 30, 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	2,770	2,770	–	–
Other assets	18,286	18,286	–	–
Derivative instruments	1,057	–	–	1,057
Joint operation debtors	2,263	2,263	–	–
Other current receivables[1]	59,480	52,707	6,773	–
Cash and cash equivalents	9,226	9,226	–	–
Financial assets	93,082	85,252	6,773	1,057

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

June 30, 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	247,601	247,601	–	–
Derivative instruments	1,543	–	–	1,543
Joint operation creditors	18,562	18,562	–	–
Other current liabilities	8,220	8,220	–	–
Financial liabilities	275,926	274,383	–	1,543

December 31, 2018 USD Thousands	Total	Financial assets at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Other assets	15,873	15,873	–	–
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	92,067	74,208	1,447	16,412

[1] *Prepayments are not included in other current receivables, 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:

June 30, 2019 USD Thousands	Level 1	Level 2	Level 3
Other current receivables	6,773	–	–
Derivative instruments – current	–	1,057	–
Financial assets	**6,773**	**1,057**	**–**
Derivative instruments – current	–	1,503	–
Derivative instruments – non current	–	40	–
Financial liabilities	–	**1,543**	**–**

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 purchase hedges outstanding as at June 30, 2019 which are summarized as follows:

Period	Volume (Gigajoules (GJ) per day)	Basis	Average Pricing
Gas Purchase			
July 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 sales hedges outstanding as at June 30, 2019 which are summarized as follows:

Period	Volume (barrels per day)	Weighted average Floor (WTI in USD)	Weighted average Cap (WTI in USD)
Oil Sales			
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.

21. 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. A total estimated contingent consideration of CAD 10,371 thousand (USD 8,354 thousand) has been reflected in the Financial Statements. Of this amount, the contingent consideration paid in 2018 and during the first six months of 2019 amounted to CAD 6,864 thousand (USD 5,275 thousand) in total, being CAD 4,861 thousand (USD 3,730 thousand) for oil and CAD 2,003 thousand (USD 1,545 thousand) for gas. The maximum undiscounted amount of all future payments that the Group could be required to pay from June 30, 2019 to 31 December 2019, is up to CAD 9 million (USD 7 million).

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 18).

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.

22. RELATED PARTIES

As a result of the Spin-Off, the Group had a residual liability for working capital owed to Lundin Petroleum. The final settlement of USD 14 million was paid in June 2019 and no further amounts are outstanding to Lundin Petroleum in respect of the working capital.

Lundin Petroleum has charged the Group USD 353 thousand in respect of office space rental and USD 988 thousand in respect of shared services provided during the first six months of 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.

23. SUBSEQUENT EVENTS

In August 2019, the Keruing exploration well, Malaysia, was plugged and abandoned after the reservoir was found to be water-bearing. The costs of this well will be expensed in Q3 2019.

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