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International Petroleum Corporation

Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2018

International Petroleum Corp.

Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2018
UNAUDITED

Contents

Interim Condensed Consolidated Statement of Operations

For the three and nine months ended September 30, 2018

UNAUDITED

USD Thousands	Note	Three months ended September 30 2018	Three months ended September 30 2017	Nine months ended September 30 2018	Nine months ended September 30 2017
Revenue	*2*	**106,746**	47,926	**342,545**	148,354
Cost of sales					
Production costs	*3*	(37,812)	(19,162)	**(127,046)**	(47,063)
Depletion and decommissioning costs		(23,726)	(12,101)	**(71,006)**	(40,549)
Depreciation of other assets		(7,789)	(8,047)	**(23,538)**	(23,713)
Exploration and business development costs		(359)	(1,360)	**(402)**	(1,906)
Impairment costs		–	–	**–**	164
Gross profit/(loss)	*2*	**37,060**	7,256	**120,553**	35,287
General, administration and depreciation expenses		(2,835)	(2,545)	**(9,912)**	(6,325)
Profit/(loss) before financial items		**34,225**	4,711	**110,641**	28,962
Finance income		46	9	**889**	79
Finance costs	*4*	(3,337)	(1,272)	**(28,381)**	(12,795)
Net financial items		**(3,291)**	(1,263)	**(27,492)**	(12,716)
Profit/(loss) before tax		**30,934**	3,448	**83,149**	16,246
Income tax	*5*	(4,447)	(1,276)	**(8,851)**	(2,500)
Net result		**26,487**	2,172	**74,298**	13,746
Net result attributable to:					
Shareholders of the Parent Company		26,480	2,172	**74,277**	13,741
Non-controlling interest		7	0	**21**	5
		26,487	2,172	**74,298**	13,746
Earnings per share – USD[1]	*14*	**0.30**	0.02	**0.84**	0.13
Earnings per share fully diluted – USD[1]	*14*	**0.29**	0.02	**0.83**	0.13

[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 nine months ended September 30, 2018

UNAUDITED

USD Thousands	Three months ended September 30 2018	Three months ended September 30 2017	Nine months ended September 30 2018	Nine months ended September 30 2017
Net result	**26,487**	2,172	**74,298**	13,746
Other comprehensive income/(loss):				
Items that may be reclassified to profit or loss, net of tax:				
Cash flow hedges	(1,312)	–	(1,686)	–
Currency translation adjustments[1]	(788)	3,079	(2,457)	(5,116)
Total comprehensive income/(loss)	**24,387**	5,251	**70,155**	8,630
Total comprehensive income/(loss) attributable to:				
Shareholders of the Parent Company	24,380	5,254	70,138	8,611
Non-controlling interest	7	(3)	17	19
	24,387	5,251	**70,155**	8,630

[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 September 30, 2018

UNAUDITED

USD Thousands	Note	September 30, 2018	December 31, 2017
ASSETS			
Non-current assets			
Exploration and evaluation assets	*6*	9,151	7,380
Property, plant and equipment, net	*7 - 8*	690,709	312,401
Other tangible fixed assets, net	*9*	99,044	123,051
Financial assets		3	5
Deferred tax assets		2,796	12,398
Total non-current assets		**801,703**	455,235
Current assets			
Inventories	*10*	27,644	24,611
Trade and other receivables	*11*	74,440	74,794
Derivative instruments	*19*	28	1,372
Current tax receivables		7,182	20
Cash and cash equivalents	*12*	8,135	33,679
Total current assets		**117,429**	134,476
TOTAL ASSETS		**919,132**	589,711
LIABILITIES			
Non-current liabilities			
Financial liabilities	*16*	216,891	59,267
Provisions	*17*	174,501	105,887
Deferred tax liabilities		58,799	53,943
Total non-current liabilities		**450,191**	219,097
Current liabilities			
Trade and other payables	*18*	76,185	57,388
Provisions	*17*	13,640	6,025
Derivative instruments	*19*	460	–
Current tax liabilities		2,203	259
Total current liabilities		**92,488**	63,672
EQUITY			
Shareholders’ equity		376,660	307,166
Non-controlling interest		(207)	(224)
Net shareholders’ equity		**376,453**	306,942
TOTAL EQUITY AND LIABILITIES		**919,132**	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.

USD Thousands	Three months ended September 30 2018	2017	Nine months ended September 30 2018	2017
Cash flow from operating activities				
Net result	26,487	2,172	74,298	13,746
Adjustments for non-cash related items:				
Depletion, depreciation and amortization	31,656	20,370	94,966	65,172
Exploration costs	163	(516)	206	30
Impairment costs	–	–	–	(164)
Current tax	985	(129)	(5,197)	79
Deferred tax	3,462	1,405	14,048	2,421
Capitalized financing fees	755	269	2,525	405
Foreign currency exchange	(3,438)	(536)	7,715	8,719
Interest expense	3,447	461	11,820	720
Unwinding of asset retirement obligation discount	2,306	914	7,035	2,641
Decommissioning costs paid	(1,159)	(426)	(5,976)	(4,251)
Share-based costs	826	1,036	2,799	2,150
Other	143	(336)	444	(613)
Cash flow generated from operations (before working capital adjustments and income taxes)	**65,633**	24,684	**204,683**	91,055
Changes in working capital	(9,824)	2,131	22,767	18,828
Income taxes paid	–	469	–	469
Interest paid	(3,587)	–	(11,843)	–
Net cash flow from operating activities	**52,222**	27,284	**215,607**	110,352
Cash flow used in investing activities				
Investment in oil and gas properties	(4,840)	(5,027)	(22,677)	(11,077)
Investment in other fixed assets	(318)	(128)	(936)	(123)
Deposit	–	(32,632)	–	(32,632)
Acquisition of the Suffield Assets (see Note 8)	(1,155)	–	(373,375)	–
Other payments	(620)	–	(620)	–
Net cash (outflow) from investing activities	**(6,933)**	(37,787)	**(397,608)**	(43,832)
Cash flow from financing activities				
Borrowings / (repayments)	(46,087)	15,000	162,513	65,000
Paid financing fees	(249)	(241)	(6,425)	(1,329)
Bank interest and charges	–	–	–	–
Cash funded from / (to) Lundin Petroleum	–	–	–	(31,394)
Share purchase offer	–	–	–	(90,632)
Net cash (outflow) from financing activities	**(46,336)**	14,759	**156,088**	(58,355)
Change in cash and cash equivalents	**(1,047)**	4,256	**(25,913)**	8,165
Cash and cash equivalents at the beginning of the period	8,962	14,652	33,679	13,410
Currency exchange difference in cash and cash equivalents	220	(1,149)	369	(3,816)
Cash and cash equivalents at the end of the period	**8,135**	17,759	**8,135**	17,759

See accompanying notes to the interim condensed consolidated financial statements.

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	–	–	–	17,103	–	–	–	**17,103**	(4)	**17,099**
Currency translation difference	–	–	–	–	(5,301)	171	–	**(5,130)**	14	**(5,116)**
Purchase and cancellation of common shares	–	(19,436)	(71,196)	–	–	–	–	**(90,632)**	–	**(90,632)**
Share based payments	–	–	–	–	–	2,150	–	**2,150**	–	**2,150**
Balance at September 30, 2017	**–**	**66,906**	**213,054**	**17,103**	**(5,301)**	**2,321**	–	**294,083**	**(226)**	**293,857**

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, 2018	**–**	**66,906**	**213,054**	**26,080**	**(3,701)**	**3,455**	**1,372**	**307,166**	**(224)**	**306,942**
Net result	–	–	–	74,277	–	–	–	**74,277**	21	**74,298**
Cash flow hedge	–	–	–	–	–	–	(1,686)	**(1,686)**	–	**(1,686)**
Currency translation difference	–	–	–	–	(2,463)	11	(1)	**(2,453)**	(4)	**(2,457)**
Total comprehensive income	**–**	**–**	**–**	**74,277**	**(2,463)**	**11**	**(1,687)**	**70,138**	**17**	**70,155**
Share based payments	–	–	(1,487)	–	–	843	–	**(644)**	–	**(644)**
Balance at September 30, 2018	**–**	**66,906**	**211,567**	**100,357**	**(6,164)**	**4,309**	**(315)**	**376,660**	**(207)**	**376,453**

[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 November 6, 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 nine months ended September 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 – September 30, 2018					
USD Thousands	Canada	Malaysia	France	Netherlands	Other	Total
Crude oil	31,194	38,710	14,105	9	–	**84,018**
NGLs	112	–	–	71	–	**183**
Gas	16,899	–	–	3,091	–	**19,990**
Net sales of oil and gas	**48,205**	**38,710**	**14,105**	**3,171**	**–**	**104,191**
Change in under/over lift position	–	–	215	(1)	–	**214**
Royalties	(2,392)	–	–	–	–	**(2,392)**
Other operating revenue	–	3,910	309	429	85	**4,733**
Revenue	**45,813**	**42,620**	**14,629**	**3,599**	**85**	**106,746**
Production costs	(28,276)	(2,408)	(5,426)	(1,702)	**–**	**(37,812)**
Depletion	(11,316)	(8,355)	(3,435)	(620)	**–**	**(23,726)**
Depreciation of other assets	–	(7,789)	–	–	**–**	**(7,789)**
Exploration and business development costs	–	(191)	–	–	(168)	**(359)**
Gross profit/(loss)	**6,221**	**23,877**	**5,768**	**1,277**	**(83)**	**37,060**

	Three months ended – September 30, 2017				
USD Thousands	Malaysia	France	Netherlands	Other	Total
Crude oil	29,847	9,765	10	–	39,622
NGLs	–	–	86	–	86
Gas	–	–	3,482	–	3,482
Net sales of oil and gas	29,847	9,765	3,578	–	43,190
Change in under/over lift position	–	291	(178)	–	113
Other operating revenue	3,910	266	386	61	4,623
Revenue	33,757	10,322	3,786	61	47,926
Production costs	(11,902)	(4,955)	(2,305)	–	(19,162)
Depletion	(7,289)	(3,508)	(1,304)	–	(12,101)
Depreciation of other assets	(8,047)	–	–	–	(8,047)
Exploration and business development costs	(64)	(1)	–	(1,295)	(1,360)
Gross profit/(loss)	6,455	1,858	177	(1,234)	7,256

	Nine months ended – September 30, 2018					
USD Thousands	Canada	Malaysia	France	Netherlands	Other	Total
Crude oil	92,691	133,079	49,338	55	–	**275,163**
NGLs	284	–	–	279	–	**563**
Gas	48,788	–	–	9,158	–	**57,946**
Net sales of oil and gas	**141,763**	**133,079**	**49,338**	**9,492**	**–**	**333,672**
Change in under/over lift position	–	–	386	11	–	**397**
Royalties	(5,737)	–	–	–	–	**(5,737)**
Other operating revenue	136	11,603	889	1,273	312	**14,213**
Revenue	**136,162**	**144,682**	**50,613**	**10,776**	**312**	**342,545**
Production costs	(85,399)	(14,242)	(22,329)	(5,076)	–	**(127,046)**
Depletion	(32,214)	(26,429)	(10,387)	(1,976)	–	**(71,006)**
Depreciation of other assets	–	(23,538)	–	–	–	**(23,538)**
Exploration and business development costs	–	(206)	–	–	(196)	**(402)**
Gross profit/(loss)	**18,549**	**80,267**	**17,897**	**3,724**	**116**	**120,553**

	Nine months ended – September 30, 2017				
USD Thousands	Malaysia	France	Netherlands	Other	Total
Crude oil	88,180	35,509	48	–	123,737
NGLs	–	–	284	–	284
Gas	–	–	11,249	–	11,249
Net sales of oil and gas	88,180	35,509	11,581	–	135,270
Change in under/over lift position	–	89	(571)	–	(482)
Other operating revenue	11,603	805	937	221	13,566
Revenue	99,783	36,403	11,947	221	148,354
Production costs	(22,544)	(18,749)	(5,770)	–	(47,063)
Depletion	(25,794)	(10,879)	(3,876)	–	(40,549)
Depreciation of other assets	(23,713)	–	–	–	(23,713)
Exploration and business development costs	(6)	(25)	–	(1,875)	(1,906)
Impairment costs	164	–	–	–	164
Gross profit/(loss)	27,890	6,750	2,301	(1,654)	35,287

3. PRODUCTION COSTS

USD Thousands	Three months ended September 30 2018	2017	Nine months ended September 30 2018	2017
Cost of operations	32,982	14,219	95,089	37,348
Tariff and transportation expenses	3,666	841	12,397	2,735
Direct production taxes	2,294	802	6,206	2,397
Operating costs	**38,942**	15,862	**113,692**	42,480
Cost of blending[1]	5,689	–	19,834	–
Change in inventory position	(6,819)	3,300	(6,480)	4,583
Total production costs	**37,812**	19,162	**127,046**	47,063

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

4. FINANCE COSTS

USD Thousands	Three months ended September 30 2018	2017	Nine months ended September 30 2018	2017
Foreign exchange gain/(loss), net	3,418	536	(6,176)	(8,719)
Interest expense	(3,447)	(461)	(11,820)	(720)
Unwinding of asset retirement obligation discount	(2,306)	(914)	(7,035)	(2,641)
Amortization of loan fees	(755)	(269)	(2,525)	(405)
Loan commitment fees	(237)	(143)	(583)	(283)
Other financial costs	(10)	(21)	(242)	(27)
	(3,337)	(1,272)	**(28,381)**	(12,795)

5. INCOME TAX

USD Thousands	Three months ended September 30 2018	2017	Nine months ended September 30 2018	2017
Current tax	(985)	129	5,197	(79)
Deferred tax	(3,462)	(1,405)	(14,048)	(2,421)
Total tax	**(4,447)**	(1,276)	**(8,851)**	(2,500)

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

The current tax for the nine months ended September 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	–	1,550	541	153	2,244
Expensed exploration and evaluation costs	–	(205)	–	–	(205)
Currency translation adjustments	–	–	(231)	(37)	(268)
Net book value September 30, 2018	–	**1,599**	**6,496**	**1,056**	**9,151**

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	4,019	12,659	3,140	615	20,433
Change in estimates	–	2,675	–	–	2,675
Currency translation adjustments	(20,940)	–	(12,604)	(4,951)	(38,495)
September 30, 2018	**436,709**	**450,964**	**354,294**	**142,200**	**1,384,167**
Accumulated depletion					
January 1, 2018	–	(327,583)	(175,457)	(130,483)	(633,523)
Depletion charge for the period	(32,214)	(26,429)	(10,387)	(1,976)	(71,006)
Currency translation adjustments	353	–	6,282	4,436	11,071
September 30, 2018	**(31,861)**	**(354,012)**	**(179,562)**	**(128,023)**	**(693,458)**
Net book value September 30, 2018	**404,848**	**96,952**	**174,732**	**14,177**	**690,709**

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, Q2 and Q3 2018	2,330
Consideration paid as at September 30, 2018	**373,375**
Estimated contingent consideration to be paid before December 2019	4,920
Subsequent statement of adjustments	(2,607)
Currency impact on contingent payment	174
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 revenue and gross profit of USD 136,162 thousand and USD 18,549 thousand respectively for the period from January 5, 2018 to September 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 3,000 thousand for January to August 2018 during the first nine months of 2018 as contingent consideration related to the price of oil. For September 2018, the Group accrued an amount of CAD 375 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	–	936	936
Disposals	–	(526)	(526)
Currency translation adjustments	(875)	(197)	(1,072)
September 30, 2018	**206,725**	**8,046**	**214,771**
Accumulated depreciation			
January 1, 2018	(86,387)	(5,995)	(92,382)
Depreciation charge for the period	(23,538)	(422)	(23,960)
Disposals	–	480	480
Currency translation adjustments	–	135	135
September 30, 2018	**(109,925)**	**(5,802)**	**(115,727)**
Net book value September 30, 2018	**96,800**	**2,244**	**99,044**

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	September 30, 2018	December 31, 2017
Hydrocarbon stocks	16,953	10,640
Well supplies and operational spares	10,691	13,971
	27,644	24,611

11. TRADE AND OTHER RECEIVABLES

USD Thousands	September 30, 2018	December 31, 2017
Trade receivables	52,395	24,764
Underlift	1,437	1,102
Joint operations debtors	12,465	10,173
Prepaid expenses and accrued income	4,056	2,934
Other	4,087	35,821
	74,440	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 September 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 September 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 September 30		Nine months ended September 30	
USD Thousands	**2018**	2017	**2018**	2017
Net result attributable to shareholders of the Parent Company, USD	26,480,178	2,171,892	74,276,731	13,741,004
Weighted average number of shares for the period	87,921,846	87,921,846	87,921,846	102,194,368
Earnings per share, USD	**0.30**	0.02	**0.84**	0.13
Weighted average diluted number of shares for the period	89,906,748	88,838,529	89,906,748	103,111,051
Earnings per share fully diluted, USD	**0.29**	0.02	**0.83**	0.13

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 September 30, 2018 is 1,818,100. 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 September 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	(38,500)
Exercised during the period	–
Outstanding at September 30, 2018	**1,818,100**
Vesting date	
February 21, 2018	606,030
February 21, 2019	606,030
February 21, 2020	606,040
Outstanding at September 30, 2018	**1,818,100**

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 and vested on June 30, 2018 at a price of CAD 8.67 per award.

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 September 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 September 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	(421,262)	–	(421,262)
Outstanding at September 30, 2018	–	**733,307**	**733,307**
Vesting date			
June 30, 2019	–	733,307	733,307
Outstanding at September 30, 2018	–	**733,307**	**733,307**

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 September 30, 2018 is 58,446 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 September 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)	(9,271)	(10,785)
Exercised during the period	(33,574)	(49,985)	(83,559)
Outstanding at September 30, 2018	–	**58,446**	**58,446**
Vesting date			
May 31, 2019	–	58,446	58,446
Outstanding at September 30, 2018	–	**58,446**	**58,446**

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 were granted in the third quarter of 2018.

The 2018 IPC Performance Share Plan ("PSP") awards are subject to continued employment and to certain performance conditions being met. The total outstanding number of awards at September 30, 2018 is 501,500 which vest on June 30, 2021 from July 1, 2018. Each award was fair valued at the grant date at CAD 5.39 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 2.00%, expected volatility of 42.50%, dividend yield rate of 0%, and an exercise price of CAD 0.

IPC Performance Share Plan	2018 PSP	Total
Outstanding at January 1, 2018	–	–
Awarded during the period	501,500	501,500
Forfeited during the period	–	–
Exercised during the period	–	–
Outstanding at September 30, 2018	**501,500**	**501,500**
Vesting date		
June 30, 2021	501,500	501,500
Outstanding at September 30, 2018	**501,500**	**501,500**

The total outstanding number of awards under the 2018 IPC Restricted Share Plan ("RSP") as at September 30, 2018 is 211,878 which vest over three years from July 1, 2018 subject to continued employment. Each award was fair valued at the grant date at CAD 8.75.

IPC Restricted Share Plan	2018 RSP	Total
Outstanding at January 1, 2018	–	–
Awarded during the period	211,878	211,878
Forfeited during the period	–	–
Exercised during the period	–	–
Outstanding at September 30, 2018	**211,878**	**211,878**
Vesting date		
June 30, 2019	70,626	70,626
June 30, 2020	70,626	70,626
June 30, 2021	70,626	70,626
Outstanding at September 30, 2018	**211,878**	**211,878**

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 September 30		Nine months ended September 30	
USD Thousands	2018	2017	2018	2017
IPC Stock Option Plan	163	435	676	1,046
IPC Transitional PSP – 2015 Awards	–	250	544	478
IPC Transitional PSP – 2016 Awards	265	242	787	458
IPC Transitional RSP – 2015 Awards	–	40	138	49
IPC Transitional RSP – 2016 Awards	14	69	270	119
IPC PSP – 2018 Awards	170	–	170	–
IPC RSP – 2018 Awards	214	–	214	–
	826	1,036	**2,799**	2,150

16. FINANCIAL LIABILITIES

USD Thousands	September 30, 2018	December 31, 2017
Bank loans	221,352	60,000
Capitalized financing fees	(4,461)	(733)
	216,891	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 September 30, 2018, the USD 200 million reserve-based lending credit facility was drawn to USD 113 million and the Canadian reserve-based lending credit facility was drawn to CAD 141.0 million. The CAD 60 million second lien facility was repaid in August 2018 and the facility was cancelled. No facility repayment schedule results in mandatory repayment within the next twelve months. As such, the loans outstanding as at September 30, 2018 are classified as non-current.

The Group is in compliance with the covenants under the credit facility agreements as at September 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	–	–	564	564
Unwinding of asset retirement obligation discount	7,035	–	–	7,035
Changes in estimates	765	1,910	–	2,675
Payments	(5,976)	(620)	(2,496)	(9,092)
Reclassification[1]	–	–	(299)	(299)
Currency translation adjustments	(6,365)	(203)	(422)	(6,990)
September 30, 2018	**175,178**	**6,644**	**6,319**	**188,141**
Non-current	166,808	4,832	2,861	**174,501**
Current	8,370	1,812	3,458	**13,640**
Total	**175,178**	**6,644**	**6,319**	**188,141**

[1] *The Suffield Assets contingent consideration related to the price of oil for September 2018 has been reclassified to current liabilities for an amount of CAD 375 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	September 30, 2018	December 31, 2017
Trade payables	4,285	3,133
Residual working capital liability to Lundin Petroleum[1]	23,807	23,460
Overlift	24	37
Joint operations creditors	14,970	19,643
Accrued expenses	28,753	7,056
Other	4,346	4,059
	76,185	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:

September 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	**3**	3	–	–	–
Derivative instruments	**28**	–	–	–	28
Joint operation debtors	**12,465**	12,465	–	–	–
Other current receivables[1]	**65,101**	63,664	–	1,437	–
Cash and cash equivalents	**8,135**	8,135	–	–	–
Financial assets	**85,732**	**84,267**	**–**	**1,437**	**28**

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

September 30, 2018 USD Thousands	Total	Financial liabilities at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Financial liabilities	**216,891**	216,891	–	–
Derivative instruments	**460**	–	–	460
Joint operation creditors	**14,970**	14,970	–	–
Other current liabilities	**34,665**	34,641	24	–
Financial liabilities	**266,986**	**266,502**	**24**	**460**

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:

September 30, 2018 USD Thousands	Level 1	Level 2	Level 3
Other current receivables	1,437	–	–
Derivative instruments – current	–	28	–
Financial assets	**1,437**	**28**	**–**
Other current liabilities	24	–	–
Derivative instruments – current	–	460	–
Financial liabilities	**24**	**460**	**–**

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

	September 30, 2018		December 31, 2017	
USD Thousands	Assets	Liabilities	Assets	Liabilities
Currency hedge	–	–	1,372	–
Gas price hedge	28	460	–	–
Total	**28**	**460**	1,372	–
Non-current	–	–	–	–
Current	28	460	1,372	–
Total	**28**	**460**	1,372	–

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

Period	Volume (Gigajoules (GJ) per day)	Average Pricing
October 1, 2018 - October 31, 2018	15,000	AECO 5a + CAD 1.15/GJ
October 1, 2018 - December 31, 2018	20,000	AECO 5a + CAD 0.87/GJ
October 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
October 1, 2018 - October 31, 2018	15,000	Fixed Price @ CAD 2.91/GJ
October 1, 2018 - October 31, 2018	5,000	Fixed Price @ CAD 2.90/GJ
October 1, 2018 - October 31, 2018	10,000	Fixed Price @ CAD 2.31/GJ
October 1, 2018 - October 31, 2018	5,000	AECO + Empress - CAD 0.045/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 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 as at September 30, 2018 is up to CAD 22.5 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 3,375 thousand as contingent consideration related to the oil price for the first nine 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 a result of the Spin-Off, the Group had a residual liability for working capital owed to Lundin Petroleum of USD 23,807 thousand including accrued interest as at September 30, 2018. Instalments relating to the working capital amount bear interest at 3.5% from the date of the original repayment schedule. The amount is reflected as a current liability as it is due before the end of June 2019. Expensed interest of USD 347 thousand is included in the first nine months of 2018 related to this liability.

Lundin Petroleum has charged the Group USD 471 thousand in respect of office space rental and USD 1,793 thousand in respect of shared services provided during the first nine months of 2018. IPC has charged Lundin Petroleum USD 98 thousand in respect of consultancy fees during the first nine months of 2018.

In addition, Namdo Management Services Ltd have charged the Corporation USD 113 thousand in respect of services agreements to provide corporate administrative support and investor relations services to the Corporation.

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 October 2018, IPC announced that it has entered into an agreement with BlackPearl Resources Inc. ("BlackPearl") under which IPC will acquire all of the shares of BlackPearl based upon a share exchange ratio of 0.22 shares of IPC for each BlackPearl share. Under the agreement, IPC will issue approximately 76 million IPC shares to the holders of BlackPearl shares on a fully diluted basis, resulting in IPC having approximately 164 million IPC shares outstanding at completion of the acquisition. The acquisition remains subject to shareholder approvals of both IPC and BlackPearl and certain regulatory approvals, with completion expected in December 2018.

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