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International Petroleum Corporation

Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2020

International
Petroleum
Corp.

Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019
UNAUDITED

Contents

Interim Condensed Consolidated Statement of Operations

For the three and nine months ended September 30, 2020 and 2019

UNAUDITED

		Three months ended September 30		Nine months ended September 30	
USD Thousands	Note	2020	2019	2020	2019
Revenue	2	**95,346**	131,437	**220,811**	408,214
Cost of sales					
Production costs	3	(58,190)	(60,280)	(147,406)	(175,449)
Depletion and decommissioning costs	8	(28,531)	(29,643)	(82,103)	(89,201)
Depreciation of other assets	10	(2,906)	(3,637)	(8,930)	(19,215)
Exploration and business development costs		(162)	(14,390)	(5,788)	(14,690)
Gross profit / (loss)	2	**5,557**	23,487	**(23,416)**	109,659
General, administration and depreciation expenses		(3,333)	(2,699)	(9,238)	(8,724)
Profit / (loss) before financial items		**2,224**	20,788	**(32,654)**	100,935
Finance income	4	7,877	58	69	4,356
Finance costs	5	(6,844)	(11,282)	(21,787)	(25,811)
Net financial items		**1,033**	(11,224)	**(21,718)**	(21,455)
Profit / (loss) before tax		**3,257**	9,564	**(54,372)**	79,480
Income tax	6	5,593	(3,234)	21,681	(14,264)
Net result		**8,850**	6,330	**(32,691)**	65,216
Net result attributable to:					
Shareholders of the Parent Company		8,851	6,326	(32,679)	65,206
Non-controlling interest		(1)	4	(12)	10
		8,850	6,330	**(32,691)**	65,216
Earnings per share – USD[1]	16	**0.06**	0.04	**(0.21)**	0.40
Earnings per share fully diluted – USD[1]	16	**0.06**	0.04	**(0.21)**	0.40

[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, 2020 and 2019

UNAUDITED

	Three months ended September 30		Nine months ended September 30	
USD Thousands	2020	2019	2020	2019
Net result	8,850	6,330	(32,691)	65,216
Other comprehensive income / (loss):				
Items that may be reclassified to profit or loss, net of tax:				
Hedging gains / (losses) reclassified to profit or loss	(2,551)	(488)	3,750	(2,868)
Cash flow hedges gain / (loss)	546	2,001	(6,450)	3,533
Currency translation adjustments	10,689	(7,740)	(9,942)	3,789
Total comprehensive income / (loss)	17,534	103	(45,333)	69,670
Total comprehensive income/ (loss) attributable to:				
Shareholders of the Parent Company	17,529	106	(45,326)	69,668
Non-controlling interest	5	(3)	(7)	2
	17,534	103	(45,333)	69,670

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheet

As at September 30, 2020 and December 31, 2019

UNAUDITED

USD Thousands	Note	September 30, 2020	December 31, 2019
ASSETS			
Non-current assets			
Exploration and evaluation assets	*7*	19,809	27,614
Property, plant and equipment, net	*8*	1,099,988	1,077,881
Other tangible fixed assets, net	*10*	60,688	69,015
Right-of-use assets		2,194	2,700
Deferred tax assets	*6*	90,468	57,523
Other assets	*11*	19,584	17,867
Total non-current assets		1,292,731	1,252,600
Current assets			
Inventories	*12*	17,572	17,220
Trade and other receivables	*13*	56,134	77,834
Derivative instruments	*20*	310	420
Current tax receivables	*6*	1,084	996
Cash and cash equivalents	*14*	10,212	15,571
Total current assets		85,312	112,041
TOTAL ASSETS		1,378,043	1,364,641
LIABILITIES			
Non-current liabilities			
Financial liabilities	*17*	301,386	244,732
Lease liabilities		1,649	1,906
Provisions	*18*	190,064	179,997
Deferred tax liabilities	*6*	44,059	47,565
Total non-current liabilities		537,158	474,200
Current liabilities			
Trade and other payables	*19*	68,809	85,826
Financial liabilities	*17*	26,970	–
Current tax liabilities		139	2,706
Lease liabilities		564	844
Provisions	*18*	9,554	9,840
Derivative instruments	*20*	3,992	416
Total current liabilities		110,028	99,632
EQUITY			
Shareholders’ equity		730,657	790,602
Non-controlling interest		200	207
Net shareholders’ equity		730,857	790,809
TOTAL EQUITY AND LIABILITIES		1,378,043	1,364,641

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 nine months ended September 30, 2020 and 2019

UNAUDITED

	Three months ended September 30		Nine months ended September 30	
USD Thousands	2020	2019	2020	2019
Cash flow from operating activities				
Net result	8,850	6,330	(32,691)	65,216
Adjustments for non-cash related items:				
Depletion, depreciation and amortization	31,865	33,706	92,313	109,535
Exploration costs	70	13,433	5,255	13,479
Income tax	(5,593)	3,234	(21,681)	14,264
Capitalized financing fees	588	429	1,347	1,589
Foreign currency exchange	(7,876)	4,677	1,616	(4,182)
Interest expense	3,100	2,988	9,450	14,559
Unwinding of asset retirement obligation discount	2,747	2,668	8,036	7,985
Share-based costs	1,552	840	3,696	2,909
Other	260	60	1,399	248
Cash flow generated from operations (before working capital adjustments and income taxes)	***35,563***	*68,365*	***68,740***	*225,602*
Changes in working capital	4,356	11,044	2,742	(1,969)
Decommissioning costs paid	(101)	(516)	(2,828)	(4,641)
Other payments	(1,141)	(603)	(1,756)	(1,822)
Income taxes paid	(125)	5,522	(2,492)	1,772
Interest paid	(3,188)	(3,074)	(9,538)	(14,299)
Net cash flow from operating activities	**35,364**	80,738	**54,868**	204,643
Cash flow used in investing activities				
Investment in oil and gas properties	(7,315)	(52,674)	(69,927)	(114,116)
Investment in other fixed assets	(82)	(124)	(219)	(528)
Acquisition of the Suffield Assets	–	(144)	–	(888)
Acquisition of Granite (see Note 9)	–	–	(27,709)	–
Net cash (outflow) from investing activities	**(7,397)**	(52,942)	**(97,855)**	(115,532)
Cash flow from financing activities				
Borrowings / (repayments)	(26,887)	(23,071)	59,545	(70,567)
Paid financing fees	(1,018)	(9)	(2,926)	(460)
Purchase of own shares	–	–	(17,602)	–
Lease payment	(206)	(210)	(664)	(635)
Cash funded from / (to) Lundin Petroleum	–	–	–	(14,243)
Other payments	–	–	–	(29)
Net cash (outflow) from financing activities	**(28,111)**	(23,290)	**38,353**	(85,934)
Change in cash and cash equivalents	**(144)**	4,506	**(4,634)**	3,177
Cash and cash equivalents at the beginning of the period	11,018	9,226	15,571	10,626
Currency exchange difference in cash and cash equivalents	(662)	79	(725)	8
Cash and cash equivalents at the end of the period	**10,212**	13,811	**10,212**	13,811

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2020 and 2019

UNAUDITED

USD Thousands	Share capital and premium	Retained earnings	CTA	IFRS 2 reserve	MTM reserve	Total	Non-controlling interest	Total equity
Balance at January 1, 2019	567,116	129,697	(6,495)	4,958	296	695,572	215	695,787
Pension liability adjustment[1]	–	(3,223)	–	–	–	(3,223)	–	(3,223)
Net result	–	65,206	–	–	–	65,206	10	65,216
Acquisition of BlackPearl[2]	–	–	–	–	9,013	9,013	–	9,013
Cash flow hedge	–	–	–	–	(8,348)	(8,348)	–	(8,348)
Currency translation difference	–	–	3,594	(36)	239	3,797	(8)	3,789
Total comprehensive income	–	65,206	3,594	(36)	904	69,668	2	69,670
Dividend distribution	–	–	–	–	–	–	(27)	(27)
Share based payments	(867)	–	–	40	–	(827)	–	(827)
Balance at September 30, 2019	566,249	191,680	(2,901)	4,962	1,200	761,190	190	761,380

[1] *For comparative purposes, the pension liability was restated in Q1 2019.*

[2] *The acquisition of BlackPearl Resources Inc. ("BlackPearl") was completed in December 2018 and the preliminary purchase price allocation was recognized in December 2018. A further adjustment was recognized in Q1 2019.*

USD Thousands	Share capital and premium	Retained earnings	CTA	IFRS 2 reserve	MTM reserve	Pension reserve	Total	Non-controlling interest	Total equity
Balance at January 1, 2020	549,311	230,038	6,052	6,249	3	(1,051)	790,602	207	790,809
Net result	–	(32,679)	–	–	–	–	(32,679)	(12)	(32,691)
Acquisition of Granite[1]	–	–	–	–	1,311	–	1,311	–	1,311
Cash flow hedge	–	–	–	–	(4,011)	–	(4,011)	–	(4,011)
Currency translation difference	–	–	(9,701)	(203)	(43)	–	(9,947)	5	(9,942)
Total comprehensive income / (loss)	–	(32,679)	(9,701)	(203)	(2,743)	–	(45,326)	(7)	(45,333)
Purchase of own shares	(17,602)	–	–	–	–	–	(17,602)	–	(17,602)
Share based payments	670	–	–	2,313	–	–	2,983	–	2,983
Balance at September 30, 2020	532,379	197,359	(3,649)	8,359	(2,740)	(1,051)	730,657	200	730,857

[1] *See Note 9*

See accompanying notes to the interim condensed consolidated financial statements.

1. CORPORATE INFORMATION

A. The Group

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.

On March 5, 2020, IPC completed the acquisition of all of the issued and outstanding shares of Granite Oil Corp. ("Granite") by way of a plan of arrangement under the Business Corporations Act (Alberta) (the "Granite Acquisition").

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, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

The 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.

The unaudited interim condensed consolidated financial statements have been approved by the Board of Directors of IPC and authorized for issuance on November 3, 2020.

The 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, 2019.

C. Going concern

The Group's unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2020, 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

During the nine months ended September 30, 2020, the Group did not adopt any new standards and interpretations or amendments thereto applicable for financial periods beginning on or after January 1, 2020.

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 business development costs 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 – September 30, 2020				
USD Thousands	Canada	Malaysia[1]	France	Other	Total
Crude oil	53,471	17,961	10,682	–	**82,114**
NGLs	54	–	–	–	**54**
Gas	14,453	–	–	–	**14,453**
Net sales of oil and gas	**67,978**	**17,961**	**10,682**	**–**	**96,621**
Change in under/over lift position	–	–	1,004	–	**1,004**
Royalties	(4,025)	–	–	–	**(4,025)**
Hedging settlement	(2,551)	–	–	–	**(2,551)**
Other operating revenue	–	3,910	327	60	**4,297**
Revenue	**61,402**	**21,871**	**12,013**	**60**	**95,346**
Production costs (including inventory movements)	(40,037)	(10,189)	(7,964)	–	**(58,190)**
Depletion	(16,815)	(6,902)	(4,814)	–	**(28,531)**
Depreciation of other assets	–	(2,906)	–	–	**(2,906)**
Exploration and business development costs	46	20	(136)	(92)	**(162)**
Gross profit / (loss)	**4,596**	**1,894**	**(901)**	**(32)**	**5,557**

	Three months ended – September 30, 2019				
USD Thousands	Canada	Malaysia[1]	France	Other	Total
Crude oil	74,048	28,680	20,117	–	122,845
NGLs	87	–	–	–	87
Gas	16,147	–	–	–	16,147
Net sales of oil and gas	90,282	28,680	20,117	–	139,079
Change in under/over lift position	–	–	(4,509)	–	(4,509)
Royalties	(7,054)	–	–	–	(7,054)
Hedging settlement	(488)	–	–	–	(488)
Other operating revenue	–	3,910	241	258	4,409
Revenue	82,740	32,590	15,849	258	131,437
Production costs (including inventory movements)	(41,876)	(9,627)	(8,777)	–	(60,280)
Depletion	(19,422)	(6,726)	(3,495)	–	(29,643)
Depreciation of other assets	–	(3,637)	–	–	(3,637)
Exploration and business development costs	–	(13,433)	–	(957)	(14,390)
Gross profit	21,442	(833)	3,577	(699)	23,487

USD Thousands	Nine months ended – September 30, 2020 Canada	Malaysia[1]	France	Other	Total
Crude oil	107,165	41,896	25,367	–	174,428
NGLs	142	–	–	–	142
Gas	41,325	–	–	–	41,325
Net sales of oil and gas	**148,632**	**41,896**	**25,367**	**–**	**215,895**
Change in under/over lift position	–	–	(3,060)	–	(3,060)
Royalties	(8,514)	–	–	–	(8,514)
Hedging settlement	3,750	–	–	–	3,750
Other operating revenue	–	11,645	780	315	12,740
Revenue	**143,868**	**53,541**	**23,087**	**315**	**220,811**
Production costs (including inventory movements)	(112,687)	(15,990)	(18,729)	–	**(147,406)**
Depletion	(48,167)	(21,206)	(12,730)	–	**(82,103)**
Depreciation of other assets	–	(8,930)	–	–	**(8,930)**
Exploration and business development costs	(2,987)	88	(2,356)	(533)	**(5,788)**
Gross profit / (loss)	**(19,973)**	**7,503**	**(10,728)**	**(218)**	**(23,416)**

USD Thousands	Nine months ended – September 30, 2019 Canada	Malaysia[1]	France	Other	Total
Crude oil	228,469	93,171	39,065	–	360,705
NGLs	252	–	–	–	252
Gas	57,873	–	–	–	57,873
Net sales of oil and gas	286,594	93,171	39,065	–	418,830
Change in under/over lift position	–	–	787	–	787
Royalties	(21,304)	–	–	–	(21,304)
Hedging settlement	(2,868)	–	–	–	(2,868)
Other operating revenue	–	11,603	704	462	12,769
Revenue	262,422	104,774	40,556	462	408,214
Production costs (including inventory movements)	(133,052)	(21,092)	(21,305)	–	(175,449)
Depletion	(56,834)	(23,043)	(9,324)	–	(89,201)
Depreciation of other assets	–	(19,215)	–	–	(19,215)
Exploration and business development costs	(44)	(13,435)	–	(1,211)	(14,690)
Gross profit	72,492	27,989	9,927	(749)	109,659

[1] *The segment Malaysia includes the FPSO Bertam which is owned by the Group. The self-to-self payment of the lease fee for the FPSO Bertam has been eliminated from the revenue and the production costs.*

3. PRODUCTION COSTS

	Three months ended September 30		Nine months ended September 30	
USD Thousands	2020	2019	2020	2019
Cost of operations	39,466	45,464	113,809	135,539
Tariff and transportation expenses	5,503	7,095	15,341	19,415
Direct production taxes	2,558	1,942	5,615	5,299
Operating costs	**47,527**	54,501	**134,765**	160,253
Cost of blending[1]	7,739	5,088	13,908	16,850
Change in inventory position	2,924	691	(1,267)	(1,654)
Total production costs	**58,190**	60,280	**147,406**	175,449

[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 537 thousand and USD 691 thousand was recognized relating to the difference between the cost and sale proceeds of the surplus diluent for Q3 2020 and Q3 2019 respectively (USD 1,269 thousand and USD 1,844 for the first 9 months of 2020 and 2019 respectively).

4. FINANCE INCOME

	Three months ended September 30		Nine months ended September 30	
USD Thousands	2020	2019	2020	2019
Foreign exchange gain, net	7,876	–	–	4,182
Interest income	1	58	69	164
Other	–	–	–	10
	7,877	58	**69**	4,356

5. FINANCE COSTS

	Three months ended September 30		Nine months ended September 30	
USD Thousands	2020	2019	2020	2019
Foreign exchange loss, net	–	(4,677)	(1,616)	–
Interest expense	(3,100)	(2,988)	(9,450)	(14,559)
Unwinding of asset retirement obligation discount	(2,747)	(2,668)	(8,036)	(7,985)
Amortization of loan fees	(588)	(429)	(1,347)	(1,589)
Loan commitment fees	(372)	(387)	(913)	(1,225)
Other financial costs	(37)	(133)	(425)	(453)
	(6,844)	(11,282)	**(21,787)**	(25,811)

6. INCOME TAX

	Three months ended September 30		Nine months ended September 30	
USD Thousands	2020	2019	2020	2019
Current tax	25	(1,653)	(1)	(3,709)
Deferred tax	5,568	(1,581)	21,682	(10,555)
Total tax	**5,593**	(3,234)	**21,681**	(14,264)

The deferred tax amount arises primarily where there is a difference in depletion for tax and accounting purposes. The deferred tax credit in the income statement in Q3 2020 mainly relates to the increased tax losses incurred during Q3 2020.

Specification of deferred tax assets and tax liabilities[1]

USD Thousands	September 30, 2020	December 31, 2019
Unused tax loss carry forward	135,224	92,855
Other	2,590	1,020
Deferred tax assets	**137,814**	93,875
Accelerated allowances	91,329	83,811
Other	76	106
Deferred tax liabilities	**91,405**	83,917
Deferred taxes, net	**46,409**	9,958

[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 acquisition of BlackPearl in December 2018 and to the Granite Acquisition (see Note 9).

7. EXPLORATION AND EVALUATION ASSETS

USD Thousands	Canada	Malaysia	France	Total
Cost				
January 1, 2020	13,899	6,761	6,954	27,614
Additions	3,399	296	517	4,212
Expensed exploration and evaluation costs	(2,987)	88	(2,356)	(5,255)
Reclassification[1]	(84)	(6,436)	(51)	(6,571)
Currency translation adjustments	(405)	–	214	(191)
Net book value September 30, 2020	**13,822**	**709**	**5,278**	**19,809**

[1] The reclassification to the property, plant and equipment producing pool relates to the successful appraisal drilling in Malaysia.

USD Thousands	Canada	Malaysia	France	Total
Cost				
January 1, 2019	–	2,844	6,600	9,444
Additions	13,654	17,330	477	31,461
Expensed exploration and evaluation costs	(44)	(13,413)	–	(13,457)
Currency translation adjustments	289	–	(123)	166
Net book value December 31, 2019	13,899	6,761	6,954	27,614

8. PROPERTY, PLANT AND EQUIPMENT, NET

USD Thousands	Canada	Malaysia	France	Total
Cost				
January 1, 2020	905,394	493,231	385,775	1,784,400
Granite Acquisition (see Note 9)	47,076	–	–	47,076
Additions	36,469	20,421	8,825	65,715
Reclassification	84	6,436	51	6,571
Currency translation adjustments	(26,288)	–	16,473	(9,815)
September 30, 2020	**962,735**	**520,088**	**411,124**	**1,893,947**
Accumulated depletion				
January 1, 2020	(122,595)	(392,432)	(191,492)	(706,519)
Depletion charge for the period	(48,167)	(21,206)	(12,730)	(82,103)
Currency translation adjustments	3,098	–	(8,435)	(5,337)
September 30, 2020	**(167,664)**	**(413,638)**	**(212,657)**	**(793,959)**
Net book value September 30, 2020	**795,071**	**106,450**	**198,467**	**1,099,988**

USD Thousands	Canada	Malaysia	France	Total
Cost				
January 1, 2019	788,879	448,976	351,772	1,589,627
Acquisition of BlackPearl	12,346	–	–	12,346
Additions	72,719	36,714	39,693	149,126
Change in estimates	(9,204)	7,541	734	(929)
Currency translation adjustments	40,654	–	(6,424)	34,230
December 31, 2019	905,394	493,231	385,775	1,784,400
Accumulated depletion				
January 1, 2019	(41,257)	(362,071)	(180,875)	(584,203)
Depletion charge for the period	(77,677)	(30,077)	(13,905)	(121,659)
Write-off	–	(284)	–	(284)
Currency translation adjustments	(3,661)	–	3,288	(373)
December 31, 2019	(122,595)	(392,432)	(191,492)	(706,519)
Net book value December 31, 2019	782,799	100,799	194,283	1,077,881

Impairment test

The Group updated its impairment testing as at September 30, 2020 in response to the continuing volatility in commodity prices during the third quarter of 2020 and following the announcement by Total on September 24 to discontinue Paris Basin crude oil refining at the Grandpuits refinery in 2021. The Group used appropriate oil or natural gas price curves based on forward forecasts as at September 30, 2020, a future cost inflation factor of 2% per annum, production and cost profiles based on proved and probable reserves (2P reserves) as at December 31, 2019 and a discount rate of 8.5% (8% at December 31, 2019) to calculate the estimated future post-tax cash flows. Incremental transportation costs were incorporated for the Paris Basin assets as a result of the refinery closure announcement. IPC is continuing to assess the alternatives and cost impacts for the transportation and sales of the production from Paris Basin. As a result of the testing, the Group determined that no impairment of the recorded book value of the Group's oil and gas properties was required as at September 30, 2020. A USD 2/bbl decrease in the oil price curve would result in a Group impairment charge of approximately USD 19 million post tax. A similar Group impairment charge of approximately USD 21 million post tax would result from using a discount rate of 10%.

The following prices were used in the impairment testing as at September 30, 2020:

Price Decks	2020	2021	2022	2023	2024	Average annual increase thereafter
Dated Brent (USD/bbl)	43.33	48.25	53.35	56.88	58.81	2%
West Texas Intermediate (USD/bbl)	40.69	45.48	51.20	55.63	57.36	2%
Western Canadian Select (USD/bbl)	29.03	32.46	37.16	41.39	42.83	2%
Empress Gas (CAD/MMbtu)	2.35	3.07	2.93	2.92	2.96	2%

9. GRANITE ACQUISITION

On March 5, 2020, IPC completed the acquisition of all of the issued and outstanding shares of Granite. At such date, Granite became a wholly-owned subsidiary of IPC.

The Granite Acquisition has been accounted for as a business combination in accordance with IFRS 3, with IPC being the acquirer.

Total consideration provided, after preliminary closing adjustments, amounted to USD 27.7 million (CAD 37.1 million).

The amounts recognized in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

USD Thousands	
Trade and other receivables	1,620
Prepaid expenses and deposits	599
Fair value of risk management assets	1,748
Deferred tax assets	16,730
Property, plant and equipment	47,076
Other fixed assets	85
Accounts payable and accrued liabilities	(6,691)
Decommissioning liabilities	(4,498)
Short-term debt	(27,649)
MTM reserve in equity	(1,311)
Total Consideration	**27,709**
Settled by:	
Cash payment for 39,061,575 common shares of Granite	**27,709**

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 Granite Acquisition, further adjustments may be made to the fair values assigned to the identifiable assets acquired and liabilities assumed.

Acquisition-related costs of approximately USD 0.5 million have been recognized in the income statement during the first nine months of 2020.

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, 2020	205,989	9,420	215,409
Granite Acquisition (see Note 9)	–	85	85
Additions	–	219	219
Currency translation adjustments	948	142	1,090
September 30, 2020	**206,937**	**9,866**	**216,803**
Accumulated depreciation			
January 1, 2020	(140,735)	(5,659)	(146,394)
Depreciation charge for the period	(8,930)	(642)	(9,572)
Currency translation adjustments	–	(149)	(149)
September 30, 2020	**(149,665)**	**(6,450)**	**(156,115)**
Net book value September 30, 2020	**57,272**	**3,416**	**60,688**

USD Thousands	FPSO	Other	Total
Cost			
January 1, 2019	206,421	9,203	215,624
Additions	–	1,035	1,035
Disposal	–	(838)	(838)
Currency translation adjustments	(432)	20	(412)
December 31, 2019	205,989	9,420	215,409
Accumulated depreciation			
January 1, 2019	(117,715)	(5,760)	(123,475)
Depreciation charge for the period	(23,020)	(786)	(23,806)
Disposal	–	838	838
Currency translation adjustments	–	49	49
December 31, 2019	(140,735)	(5,659)	(146,394)
Net book value December 31, 2019	65,254	3,761	69,015

The FPSO located on the Bertam field, Malaysia, is being depreciated on a unit of production basis from July 2019 based on the Bertam field 2P reserves. 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	September 30, 2020	December 31, 2019
Long-term receivables	19,556	17,840
Financial assets	28	27
	19,584	17,867

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

12. INVENTORIES

USD Thousands	September 30, 2020	December 31, 2019
Hydrocarbon stocks	7,593	6,123
Well supplies and operational spares	9,979	11,097
	17,572	17,220

13. TRADE AND OTHER RECEIVABLES

USD Thousands	September 30, 2020	December 31, 2019
Trade receivables	43,942	59,386
Underlift	2,284	5,250
Joint operations debtors	1,571	2,412
Prepaid expenses and accrued income	6,641	4,493
Other	1,696	6,293
	56,134	77,834

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, 2019	163,720,065
Cancellation of repurchased common shares	(3,929,196)
Balance at December 31, 2019	**159,790,869**
Cancellation of repurchased common shares	(4,448,112)
Balance at September 30, 2020	**155,342,757**

The common shares of IPC trade on both the Toronto Stock Exchange and the Nasdaq Stockholm.

As at January 1, 2019, the total number of common shares issued and outstanding in IPC was 163,720,065.

In November 2019, IPC announced the commencement of a share repurchase program. During the period up to the end of Q1 2020, IPC repurchased an aggregate of 8,377,308 common shares and all of these shares were cancelled. IPC suspended further share repurchases under the program which expires in early November 2020. As at November 3, 2020, IPC had a total of 155,342,757 common shares issued and outstanding.

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 September 30		Nine months ended September 30	
	2020	2019	2020	2019
Net result attributable to shareholders of the Parent Company, USD	8,851,030	6,326,892	(32,679,147)	65,206,361
Weighted average number of shares for the period	155,342,757	163,720,065	156,809,168	163,720,065
Earnings per share, USD	**0.06**	0.04	**(0.21)**	0.40
Weighted average diluted number of shares for the period	156,924,485	164,287,364	158,390,896	164,287,364
Earnings per share fully diluted, USD	**0.06**	0.04	**(0.21)**	0.40

17. FINANCIAL LIABILITIES

USD Thousands	September 30, 2020	December 31, 2019
Bank loans	332,304	247,074
Capitalized financing fees	(3,948)	(2,342)
	328,356	244,732
Non-current	301,386	244,732
Current	26,970	–
	328,356	244,732

As at January 1, 2019, the Group had a reserve-based lending credit facility of USD 175 million (the "International RBL") with a maturity to end June 2022 in connection with its oil and gas assets in France and Malaysia. In addition, the Group had reserve-based lending credit facilities in aggregate of CAD 320 million and outstanding senior secured notes of CAD 75 million in connection with its oil and gas assets in Canada.

In June 2019, the Group combined its reserve-based lending facilities in Canada into one reserve-based lending credit facility of CAD 375 million (the "Canadian RBL") with a maturity date in May 2021. The senior secured notes of CAD 75 million were fully repaid and cancelled in June 2019, from a drawdown under the Canadian RBL.

In May 2020, IPC entered into a EUR 13 million unsecured credit facility in France under a financial assistance program instituted by the French government authorities. The credit facility has an initial term of 12 months and is extendable by the Group for up to a further five years. The facility amount was fully drawn as at September 30, 2020.

In June 2020, the Group amended and extended the International RBL to a facility size of USD 125 million, with a maturity at the end of December 2024. In July 2020, the facility size was further increased to USD 140 million.

In July 2020, the Group also amended and extended the Canadian RBL to a facility size of CAD 350 million with a maturity extended by 12 months until the end of May 2022. Under the Canadian RBL, the Group is required to hedge a minimum of 30% of forecast production in Canada (other than in respect of assets acquired in the Granite Acquisition) for the period from October 1, 2020 to June 30, 2021. The Group is also restricted from incurring more than MCAD 10 of capital expenditures in Canada during the period from August to November 2020.

The borrowing base availability under the International RBL is currently USD 140 million of which USD 87 million was drawn as at September 30, 2020. The borrowing base availability under the Canadian RBL is currently CAD 350 million of which CAD 272 million was drawn as at September 30, 2020.

In March 2020, in connection with the completion of the Granite Acquisition, the Group assumed the bank debt of Granite consisting of a revolving credit facility of CAD 42.5 million (the "Granite Facility") of which CAD 36 million was outstanding at September 30, 2020. The Granite Facility has a maturity date of December 31, 2020 and is classified as current. Under the Granite Facility, IPC is required to hedge 40% of oil production from the assets acquired in the Granite Acquisition.

With the exception of the Granite Facility, no facility repayment schedule results in mandatory repayment within the next twelve months. As such, the amounts drawn under the International RBL, the unsecured credit facility in France and the Canadian RBL as at September 30, 2020, are classified as non-current.

The Group is in compliance with the covenants under the International RBL, the Canadian RBL and the Granite Facility as at September 30, 2020.

18. PROVISIONS

USD Thousands	Asset retirement obligation	Farm-in obligation	Pension obligation	Other	Total
January 1, 2020	176,305	6,720	4,413	2,399	189,837
Granite Acquisition (see Note 9)	4,498	–	–	–	4,498
Additions	–	–	–	1,362	1,362
Unwinding of asset retirement obligation discount	8,036	–	–	–	8,036
Payments	(2,828)	(1,201)	–	(555)	(4,584)
Reclassification[1]	1,967	–	–	–	1,967
Currency translation adjustments	(1,398)	(106)	–	6	(1,498)
September 30, 2020	**186,580**	**5,413**	**4,413**	**3,212**	**199,618**
Non-current	180,107	4,210	4,413	1,334	190,064
Current	6,473	1,203	–	1,878	9,554
Total	**186,580**	**5,413**	**4,413**	**3,212**	**199,618**

[1]The reclassification of the asset retirement obligation related to the 2020 payment to the asset retirement obligation fund in respect of the Bertam asset, Malaysia (see Note 11).

USD Thousands	Asset retirement obligation	Farm-in obligation	Pension obligation	Other	Total
January 1, 2019	168,537	6,047	–	5,638	180,222
Pension liability adjustment	–	–	3,223	–	3,223
Additions	–	–	697	227	924
Release of provisions	–	–	–	(2,004)	(2,004)
Unwinding of asset retirement obligation discount	10,664	–	–	–	10,664
Changes in estimates	(3,386)	2,457	959	–	30
Payments	(6,315)	(1,822)	(558)	(1,208)	(9,903)
Reclassification	2,413	–	–	(381)	2,032
Currency translation adjustments	4,392	38	92	127	4,649
December 31, 2019	176,305	6,720	4,413	2,399	189,837
Non-current	168,908	4,277	4,413	2,399	179,997
Current	7,397	2,443	–	–	9,840
Total	176,305	6,720	4,413	2,399	189,837

19. TRADE AND OTHER PAYABLES

USD Thousands	September 30, 2020	December 31, 2019
Trade payables	7,948	17,682
Joint operations creditors	19,364	24,164
Accrued expenses	39,145	40,317
Other	2,352	3,663
	68,809	85,826

20. 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, 2020 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	2,194	2,194	–	–
Other assets	19,584	19,584	–	–
Derivative instruments	310	–	–	310
Joint operation debtors	1,571	1,571	–	–
Other current receivables[1]	49,006	46,722	2,284	–
Cash and cash equivalents	10,212	10,212	–	–
Financial assets	82,877	80,283	2,284	310

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

September 30, 2020 USD Thousands	Total	Financial liabilities at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Non-current financial liabilities	303,035	303,035	–	–
Current financial liabilities	26,970	26,970	–	–
Derivative instruments	3,992	–	–	3,992
Joint operation creditors	19,364	19,364	–	–
Other current liabilities	11,004	11,004	–	–
Financial liabilities	364,365	360,373	–	3,992

December 31, 2019 USD Thousands	Total	Financial assets at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Other non-current financial assets	2,700	2,700	–	–
Other assets	17,867	17,867	–	–
Derivative instruments	420	–	–	420
Joint operation debtors	2,412	2,412	–	–
Other current receivables[1]	71,925	66,675	5,250	–
Cash and cash equivalents	15,571	15,571	–	–
Financial assets	110,895	105,225	5,250	420

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

December 31, 2019 USD Thousands	Total	Financial liabilities at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Non-current financial liabilities	246,638	246,638	–	–
Derivative instruments	416	–	–	416
Joint operation creditors	24,164	24,164	–	–
Other current liabilities	24,895	24,895	–	–
Financial liabilities	296,113	295,697	–	416

The Group has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates and/or the instruments are short-term in nature.

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, 2020 USD Thousands	Level 1	Level 2	Level 3
Other current receivables	2,284	–	–
Derivative instruments – current	–	310	–
Financial assets	**2,284**	**310**	**–**
Derivative instruments – current	–	3,992	–
Financial liabilities	**–**	**3,992**	**–**

December 31, 2019 USD Thousands	Level 1	Level 2	Level 3
Other current receivables	5,250	–	–
Derivative instruments – current	–	420	–
Financial assets	5,250	420	–
Derivative instruments – current	–	416	–
Financial liabilities	–	416	–

The Group had gas price purchase financial hedges outstanding as at September 30, 2020, which are summarized as follows:

Period	Volume (Gigajoules (GJ) per day)	Type	Average Pricing
October 1, 2020 – December 31, 2020	4,000	AECO Swap	CAD 1.50/GJ

The Group had gas price sale financial hedges outstanding as at September 30, 2020, which are summarized as follows:

Period	Volume (Gigajoules (GJ) per day)	Type	Average Pricing
January 1, 2021 – March 31, 2021	5,000	AECO Swap	CAD 3.06/GJ
April 1, 2021 – June 30, 2021	40,000	AECO Swap	CAD 2.49/GJ
July 1, 2021 – September 30, 2021	20,000	AECO Swap	CAD 2.53/GJ
October 1, 2021 – October 31, 2021	5,000	AECO Swap	CAD 2.52/GJ

The Group had oil price sale financial hedges outstanding as at September 30, 2020, which are summarized as follows:

Period	Volume (barrels per day)	Type	Average Pricing
October 1, 2020 – December 31, 2020	350	WTI Swap	CAD 71.25/bbl
October 1, 2020 – December 31, 2020	8,050	WCS Swap	USD 24.41/bbl
January 1, 2021 – March 31, 2021	2,200	WCS Swap	USD 27.28/bbl
April 1, 2021 – June 30, 2021	2,000	WCS Swap	USD 27.68/bbl
January 1, 2021 – June 30, 2021	300	WTI Collar	USD 35/bbl - 45.83/bbl

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

21. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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, with four one-year options to extend such lease beyond the initial period, up to April 2025.

22. RELATED PARTIES

Lundin Energy (previously "Lundin Petroleum") has charged the Group USD 521 thousand in respect of office space rental and USD 606 thousand in respect of shared services provided during the first nine months of 2020.

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. IMPACT OF COVID-19

During Q1 2020, crude oil prices decreased substantially due to a drop in global oil demand triggered by the impact of the Covid-19 virus on the global economy and the lack of an agreement between OPEC and non-OPEC countries regarding proposed production cuts. OPEC and other countries agreed in Q2 2020 to decrease production. These production curtailments, as well as government stimulus programs and other improvements in general economic conditions, resulted in a strengthening of commodity prices, although still below levels existing prior to March 2020.

The current and any future Covid-19 outbreaks may increase IPC's exposure to, and magnitude of, each of the risks and uncertainties identified in IPC's 2019 Annual Information Form and previous financial reports and management's discussion and analysis that result from a reduction in demand for oil and gas consumption and/or lower commodity prices and/or reliance on third parties. The extent to which Covid-19 impacts IPC's business, results of operations and financial condition will depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, the duration and spread of the current and any future Covid-19 outbreaks, their severity, the actions taken to contain such outbreaks or treat their impact, and how quickly and to what extent normal economic and operating conditions resume and their impacts to IPC's business, results of operations and financial condition which could be more significant in upcoming periods as compared with the first nine months of 2020. Even after the Covid-19 outbreaks have subsided, IPC may continue to experience materially adverse impacts to IPC's business as a result of the global economic impact.

The Group will continue to monitor this situation and IPC will work to adapting its business to further developments as determined necessary or appropriate.

24. SUBSEQUENT EVENTS

No events have occurred since September 30, 2020, that are expected to have a substantial effect on this financial report. The implications of Covid-19 which continue to impact IPC's business after September 30, 2020 are closely monitored by the Group.

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