



# Q3

**International Petroleum Corporation**

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***Management's Discussion  
and Analysis***

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



**International  
Petroleum  
Corp.**

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### Non-IFRS Measures

References are made in this MD&A to “operating cash flow” (OCF), “free cash flow” (FCF), “Earnings Before Interest, Tax, Depreciation and Amortization” (EBITDA), “operating costs” and “net debt” which are not generally accepted accounting measures under International Financial Reporting Standards (IFRS) and do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable with definitions of similar measures presented by other public companies. The Corporation uses non-IFRS measures to provide investors with supplemental measures to assess the cash generated by and the financial performance and position of the Corporation. Non-IFRS measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The definition and reconciliation of each non-IFRS measure is presented in this MD&A. See “Non-IFRS Measures” on page 22.

### Forward-Looking Statements

Certain statements contained in this MD&A constitute “forward-looking statements” or “forward-looking information” (within the meaning of applicable securities legislation). Such statements and information (together, “forward-looking statements”) relate to future events, including the Corporation’s future performance, business prospects or opportunities. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, forecasts, guidance, budgets, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “forecast”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe”, “budget” and similar expressions) are not statements of historical fact and may be “forward-looking statements”. Although IPC believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because IPC can give no assurances that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. For additional information underlying forward-looking statements, refer to the “Cautionary Statement Regarding Forward-Looking Information” on page 27.

Reserves estimates, contingent resource estimates and estimates of future net revenue in respect of IPC’s oil and gas assets in Canada (including oil and gas assets acquired in the acquisition of Granite Oil Corp.) are effective as of December 31, 2019 and are included in the reports prepared by Sproule Associates Limited (Sproule), an independent qualified reserves evaluator, in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* (NI 51-101) and the Canadian Oil and Gas Evaluation Handbook (the COGE Handbook) and using Sproule’s December 31, 2019 price forecasts.

Reserve estimates, contingent resource estimates and estimates of future net revenue in respect of IPC’s oil and gas assets in France and Malaysia are effective as of December 31, 2019, and are included in the report prepared by ERC Equipoise Ltd. (ERCE), an independent qualified reserves auditor, in accordance with NI 51-101 and the COGE Handbook, and using Sproule’s December 31, 2019 price forecasts.

Certain abbreviations and technical terms used in this MD&A are defined or described under the heading “Other Supplementary Information”.

The Covid-19 virus and the restrictions and disruptions related to it, as well as the actions of certain oil and gas producing nations, had a drastic adverse effect in 2020 on the world demand for, and prices of, oil and gas as well as the market price of the shares of oil and gas companies generally, including the Corporation’s common shares. Commodity prices in Q3 2020 improved although such prices are still below recent historical levels and there can be no assurance that commodity prices will not decrease or remain volatile in the future. These factors are beyond the control of the Corporation and it is difficult to assess how these, and other factors, will continue to affect the Corporation and the market price of IPC’s common shares. In light of the current situation, as at the date of this MD&A, the Corporation continues to review and assess its business plans and assumptions regarding the business environment, as well as its estimates of future production, cash flows, operating costs and capital expenditures. See “Risks and Uncertainties”.

# Management's Discussion and Analysis

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

### INTRODUCTION

This management's discussion and analysis ("MD&A") for International Petroleum Corporation ("IPC" or the "Corporation" and, together with its subsidiaries, the "Group") is dated November 3, 2020, and is intended to provide an overview of the Group's operations, financial performance and current and future business opportunities. This MD&A should be read in conjunction with IPC's unaudited interim condensed consolidated financial statements and accompanying notes for the three and nine months ended September 30, 2020 ("Financial Statements").

#### Formation of and changes in the Group

In April 2017, Lundin Energy AB (then known as Lundin Petroleum AB) spun-off its oil and gas assets in Malaysia, France and the Netherlands into a newly formed company called International Petroleum Corporation and distributed the IPC shares, on a pro-rata basis, to Lundin Petroleum shareholders.

On April 24, 2017, 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.

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

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

On December 14, 2018, IPC completed the acquisition of all of the issued and outstanding shares of BlackPearl Resources Inc. ("BlackPearl") by way of a plan of arrangement under the Canada Business Corporation Act (the "BlackPearl Acquisition").

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").

The main business of IPC is exploring for, developing and producing oil and gas. IPC holds a portfolio of oil and gas production assets and development projects in Canada, Malaysia and France with exposure to growth opportunities.

#### Basis of Preparation

The MD&A and the Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Financial information is presented in United States Dollars ("USD"). However, as the Group operates in France and in Canada, certain financial information prepared by subsidiaries has been reported in Euros ("EUR") and in Canadian Dollars ("CAD"). In addition, certain costs relating to the operations in Malaysia, which are reported in USD, are incurred in Malaysian Ringgit ("MYR").

Exchange rates for the relevant currencies of the Group with respect to the US Dollar are as follows:

	September 30, 2020		September 30, 2019		December 31, 2019	
	Average	Period end	Average	Period end	Average	Year end
1 EUR equals USD	1.1241	1.1708	1.1237	1.0889	1.1196	1.1234
1 USD equals CAD	1.3538	1.3389	1.3293	1.3248	1.3270	1.2994
1 USD equals MYR	4.2346	4.1555	4.1349	4.1870	4.1422	4.0905

# Management's Discussion and Analysis

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

### Q3 2020 HIGHLIGHTS

#### Business Update

- Forecast 2020 net average production revised upwards to over 41,000 barrels of oil equivalent per day (boepd) from the prior guidance of 37,000 to 40,000 boepd.
- Capital and decommissioning expenditure guidance forecast for full year 2020 unchanged at MUSD 80.
- Continued financial flexibility with access to more than MUSD 100 of spare financial headroom as at the end of Q3 2020.
- First IPC Sustainability Report published.

#### Operational Highlights

- Average net production of approximately 41,800 boepd for Q3 2020 (39% heavy crude oil, 21% light and medium crude oil and 40% natural gas).
- Strong production performance with a faster than forecast production ramp up and good reservoir performance at the major oil assets in Canada. Full year net average daily production now expected to exceed the high end of Q2 guidance.
- Operating costs<sup>1</sup> of USD 12.4 per boe for Q3 2020, in line with Q2 2020 guidance. Full year forecast expected at lower end of the range of USD 12 to 13 per boe.

<sup>1</sup> See definition on page 22 under "Non-IFRS measures"

#### Financial Highlights

USD Thousands	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Revenue	95,346	131,437	220,811	408,214
Gross profit / (loss)	5,557	23,487	(23,416)	109,659
Net result	8,850	6,330	(32,691)	65,216
Operating cash flow <sup>1</sup>	37,181	69,504	73,404	229,056
Free cash flow <sup>1</sup>	22,766	9,989	(19,229)	84,809
EBITDA <sup>1</sup>	34,251	68,885	65,447	225,160
Net Debt <sup>1</sup>	322,092	207,778	322,092	207,778

<sup>1</sup> See definition on page 22 under "Non-IFRS measures"

- Operating cash flow<sup>1</sup> and free cash flow generation<sup>1</sup> for the third quarter 2020 amounted to MUSD 37.2 and MUSD 22.8 as a result of stronger oil prices and increased production compared to the second quarter 2020.
- Free cash flow yield<sup>1</sup> for Q3 2020 greater than 8%, calculated as the USD 22.8 million free cash flow for Q3 2020 as a percentage of IPC's USD 280 million market capitalization as at September 30, 2020.
- Net debt<sup>1</sup> decreased from MUSD 341.4 as at June 30, 2020 to MUSD 322.1 as at September 30, 2020.
- At the beginning of Q3 2020, the refinancing of IPC's RBL credit facilities was successfully concluded. The International RBL facility size was increased to MUSD 140 and the maturity extended to the end of 2024. The Canadian RBL facility was refinanced at MCAD 350 and extended until end May 2022. In addition, in Q2 2020, a MEUR 13 credit facility was secured in France.

# Management's Discussion and Analysis

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

### OPERATIONS REVIEW

#### Business Overview

During the third quarter of 2020, we began to see some positive results from the production curtailments implemented by OPEC+ and other oil producers in response to the collapse in oil demand driven by the Covid-19 pandemic. Those actions managed to flatten the curve of inventory builds towards the end of the second quarter. This in turn led to the oil market moving into deficit during the third quarter with a draw down in inventory levels as the rebalancing process commenced. As a result of the market tightening, average Brent oil prices increased from second quarter levels of around USD 30 per barrel to above USD 40 per barrel during the third quarter.

Clearly though, uncertainties remain with the onset of a second wave of Covid-19 infections. The full impact of new localized confinement measures being introduced creates a degree of uncertainty with respect to the pace and magnitude of the recovery in oil demand. For a sustained recovery in oil prices, discipline and compliance on the supply side measures announced by OPEC+ will be essential, particularly when considering the timing of easing of the supply curtailments.

As a result, we believe it is prudent to exercise caution with respect to future capital expenditure and growth plans, and we have no plans to increase our reset 2020 expenditure program. We expect to set a budget for 2021 with a focus on free cash flow generation and debt reduction. We do not expect to see a return to production growth until we see stronger evidence of a more balanced market.

That being said, the massive collapse in investment combined with the redirection of future capital investment away from upstream oil and gas in favor of renewable energy by the majors, coupled with the dramatic reductions in US shale drilling activity, could set the scene for brighter times ahead as we move into 2021.

We expect to continue with our opportunistic approach with respect to further M&A. Given the turmoil the sector has been through, we anticipate that activity levels in the M&A market are likely to increase in the months ahead.

#### Update of 2020 Business Plan

Given that IPC operates the majority of our assets, during the first half of 2020 we had the financial and operational flexibility to react swiftly to the situation and to positively position IPC to navigate through this period of low commodity prices. We reduced all remaining discretionary 2020 expenditures. In addition, during the second quarter of 2020, we took the decision to temporarily curtail oil production from those fields that were not expected to generate positive cash flows at the low pricing levels we were experiencing.

With the improvement in our business outlook, and in particular the strengthening of Canadian crude oil prices, we took the decision in late Q2 2020, to progressively bring back on stream our oil production from our Suffield Oil asset and our Onion Lake Thermal asset. In addition, production from our Paris Basin assets in France had returned to pre-curtailment levels by June 2020.

In our latest Q2 2020 guidance, we increased our 2020 net average production forecast to be in the range of 37,000 to 40,000 boepd. IPC's estimated 2020 capital and decommissioning expenditures were more than halved to USD 80 million and IPC's forecast 2020 unit operating costs were maintained at USD 12 to 13 per boe. Continued delivery on our cost reduction program means that our full year position is expected to be towards the lower end of this revised range of USD 12 to 13 per boe.

Our average third quarter net production of 41,800 boepd was above our Q2 2020 guidance which gives us average net production of 41,200 boepd for the first nine months of 2020. This robust performance was predominantly driven by a faster than forecast ramp up of our oil production from our Suffield and Onion Lake Thermal assets as well as an exceptional uptime performance of our Bertam FPSO at close to 100%. As a result of this strong recovery in production, we now expect IPC's full year 2020 average net production to be above 41,000 boepd.

#### Third Quarter Performance

During the third quarter of 2020, our assets delivered average net production of 41,800 boepd, above our Q2 2020 guidance and 17% up from Q2 2020 production levels. Our operating costs per boe for the third quarter of 2020 was USD 12.4, in line with our 2020 guidance.

Operating cash flow generation for the third quarter amounted to USD 37.2 million, ahead of our Q2 2020 forecast as a result of stronger oil prices and higher than forecast production. Moreover, as a result of our spending reductions, operational choices and hedging program, IPC generated approximately USD 23 million of free cash flow during the third quarter of 2020, yielding greater than 8%.

Capital and decommissioning expenditures during the third quarter of 2020 of USD 7.5 million were in line with forecast and reflect the implementation of our expenditure reduction program previously announced.

Net debt was reduced during the third quarter of 2020 by USD 19.3 million to USD 322.1 million.

# Management's Discussion and Analysis

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

### Maximizing Financial Flexibility

In our Q2 2020 financial release, we were pleased to report that we had successfully concluded our discussions with our Canadian and international banking partners in early Q3 2020. Maturities of our credit facilities were extended and in total we were able to increase the size of these available credit facilities by more than USD 10 million whilst removing any leverage ratio covenants. This demonstrated the strong support we have been able to maintain from our banking partners.

At that time, we guided that we expected spare liquidity headroom of in excess of USD 100 million by the year end assuming average second half 2020 Brent oil prices of USD 35 per barrel and WCS oil prices of USD 22 per barrel. The strong free cash flow generated in the third quarter was applied to debt reduction, and we are pleased to report that we already had headroom in excess of USD 100 million under our existing credit facilities by the end of the third quarter. In addition, based upon current forward pricing, we expect to be free cash flow positive during the fourth quarter.

### HSE Performance

Health, Safety & Environmental performance (HSE) remains a priority for all operational assets. Our objective is to reduce risk and eliminate hazards to prevent the occurrence of accidents, ill health and environmental damage, as these are essential to the success of our operations. During the third quarter of 2020, IPC recorded no material safety or environmental incidents.

In response to the Covid-19 outbreak, we remain focused on protecting the health and safety of our employees, contractors and other stakeholders, while also working to ensure business continuity. In the third quarter of 2020, IPC continued the health and safety protocols implemented throughout the organization.

### Sustainability Reporting

Responsible operatorship and ensuring that we adhere to the highest principles of business conduct have been an integral part of how we do business since the creation of IPC in 2017. Over the past three years, IPC has rapidly grown our business with the completion of three acquisitions in Canada as well as significant investments in our French and Malaysian businesses.

In parallel, we have made a concerted effort to further develop and improve our sustainability strategy. An important part of this journey involves the measurement and transparent reporting of a broad range of environmental, social, and governance ("ESG") metrics. Alongside the publication of our third quarter report, we are very pleased that IPC is today presenting to our stakeholders for the first time, our inaugural Sustainability Report.

The Sustainability Report 2019 details the Corporation's ESG performance. The Sustainability Report 2019 advances the Corporation's non-financial disclosures and provides stakeholders with relevant operational and sustainability context in which IPC operates, as well as the Corporation's management approach and performance with respect to these areas. The report is available on IPC's website at [www.international-petroleum.com](http://www.international-petroleum.com).

Highlights of IPC's sustainability performance for 2019 include:

- Greenhouse gas ("GHG") emissions stewardship with enhance energy efficiency at IPC's onshore and offshore facilities avoiding the release of 150,000 t CO<sub>2</sub>e annually. IPC also restates our target announced at our Capital Markets Day in February 2020 to reduce our net GHG emissions intensity to the global average by the end of 2025, which will represent a 50% reduction relative to the Corporation's 2019 baseline.
- Workforce drawn 98% from local hiring and composed of 29% women.
- 30% of the workforce at the Onion Lake asset are hired from the First Nations community and USD 14.3 million was spent with First Nation businesses.

In Q3 2020, IPC joined the United Nations Global Compact, a leading global initiative for good corporate citizenship. We support and are committed to upholding the 10 Principles of the UN Global Compact on human rights, labour, environment and anti-corruption, and will report on progress on an annual basis.

We encourage everyone to read the Sustainability Report and see first-hand the good work that is being done within our company.

# Management's Discussion and Analysis

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

### Operations Overview

#### Reserves and Resources

The 2P reserves attributable to IPC oil and gas assets are 300 MMboe as at December 31, 2019 (including the 2P reserves attributable to the oil and gas assets acquired in the Granite Acquisition), as certified by independent third party reserves auditors. The reserves life index (RLI) as at December 31, 2019 (including the 2P reserves attributable to the oil and gas assets acquired in the Granite Acquisition) was approximately 17 years. Best estimate contingent resources as at December 31, 2019, are 1,089 MMboe (unrisked and including the contingent resources attributable to the oil and gas assets acquired in the Granite Acquisition). Product types of 2P reserves and contingent resources are disclosed in the Corporation's Annual Information Form for the year ended December 31, 2019.

In response to stronger commodity pricing through Q3 2020 compared to the prior quarter, production ramp up has continued and is slightly ahead of our forecast. IPC continues to review all deferred operational and development activities to identify and prioritise those which generate positive returns at the current pricing levels.

#### Production

The average net production during Q3 2020 was ahead of Q2 guidance at 41,800 boepd with performance predominantly driven by a faster than forecast oil production resumption from the Suffield and Onion Lake Thermal assets in Canada, as well as continued exceptional operational performance and facility uptime at Bertam field in Malaysia.

As a result of the strong production performance in Q3 2020, we now forecast our full year 2020 net average production to be above the previous guidance range at over 41,000 boepd.

IPC's production during Q3 2020 was as follows:

Production in Mboepd	Three months ended September 30		Nine months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
<b>Crude oil</b>					
Canada – Northern Assets	9.8	13.0	10.1	12.7	13.1
Canada – Southern Assets	7.2	6.5	6.7	6.5	6.4
Malaysia	4.4	5.1	4.5	5.9	5.8
France	3.1	2.5	2.8	2.3	2.5
<b>Total crude oil production</b>	<b>24.5</b>	<b>27.1</b>	<b>24.1</b>	<b>27.4</b>	27.8
<b>Gas</b>					
Canada - Northern Assets	0.1	0.1	0.1	0.1	0.1
Canada - Southern Assets	17.2	18.3	17.0	17.8	17.9
<b>Total gas production</b>	<b>17.3</b>	<b>18.4</b>	<b>17.1</b>	<b>17.9</b>	18.0
<b>Total production</b>	<b>41.8</b>	<b>45.5</b>	<b>41.2</b>	<b>45.3</b>	45.8
<b>Quantity in MMboe</b>	<b>3.84</b>	<b>4.18</b>	<b>11.29</b>	<b>12.37</b>	16.72

# Management's Discussion and Analysis

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

### CANADA

Production in Mboepd	WI	Three months ended September 30		Nine months ended September 30		Year ended December 31
		2020	2019	2020	2019	2019
- Oil Onion Lake Thermal	100%	9.1	10.0	9.1	9.8	10.2
- Oil Suffield	100%	6.0	6.5	5.4	6.5	6.4
- Oil Ferguson	100%	1.2	–	1.3	–	–
- Oil Other	50 - 100%	0.7	3.0	1.0	2.9	2.9
- Gas	99.7% <sup>1</sup>	17.3	18.4	17.1	17.9	18.0
Canada		<b>34.3</b>	37.9	<b>33.9</b>	37.1	37.5

<sup>1</sup> On a well count basis.

#### Production

Net production from IPC's oil and gas assets in Canada during Q3 2020 was ahead of Q2 guidance at 34,300 boepd with strong production performance at all major producing assets.

During Q3 2020, IPC continued the progressive production ramp up at the Suffield Oil and Onion Lake Thermal assets. Reservoir performance exceeded expectations leading to higher than forecast production.

#### Organic Growth and Capital Projects

In Canada, IPC originally forecasted a comprehensive capital expenditure program including drilling, optimisation and project work as part of the operational and capital budgets for 2020. As of the end of Q3 2020, as part of the response to the extremely low pricing environment and the global Covid-19 outbreak, non-committed and discretionary capital expenditure in Canada remains restricted, deferred or cancelled.

At Onion Lake Thermal, during Q3 2020, the final four Pad D' injector wells were drilled. As of the end of Q3 2020, all five production wells and fourteen production supporting steam injection wells have been drilled. Facility upgrades and tie-in works are likely to be completed in 2021.

During Q3 2020, following an extensive production well steam conformance optimisation period, the third well pair at the Blackrod SAGD pilot project was converted to production and successfully brought online. Steam conformance optimisation, production ramp up and well performance testing is scheduled to continue through Q4 2020.

### MALAYSIA

Production in Mboepd	WI	Three months ended September 30		Nine months ended September 30		Year ended December 31
		2020	2019	2020	2019	2019
Bertam	75%	<b>4.4</b>	5.1	<b>4.5</b>	5.9	5.8

#### Production

Net production from the Bertam field on Block PM307 during Q3 2020 was ahead of Q2 guidance at 4,400 boepd with excellent operational performance and facility uptime close to 100% at FPSO Bertam.

#### Organic Growth and Capital Projects

At the end of Q3 2020, in response to the current commodity price environment and the global Covid-19 outbreak, all development activity in Malaysia remains suspended.

# Management's Discussion and Analysis

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

### FRANCE

Production in Mboepd	WI	Three months ended September 30		Nine months ended September 30		Year ended December 31
		2020	2019	2020	2019	2019
France						
- Paris Basin	100% <sup>1</sup>	2.7	2.0	2.3	1.8	2.0
- Aquitaine	50%	0.4	0.5	0.5	0.5	0.5
		<b>3.1</b>	2.5	<b>2.8</b>	2.3	2.5

<sup>1</sup> Except for the working interest in the Dommartin Lettree field of 43%.

### Production

Net production in France during Q3 2020 was in line with Q2 guidance at 3,100 boepd with steady production performance at all producing fields.

IPC currently delivers oil production from its Paris Basin assets for sale at the Total-operated Grandpuits refinery under a contract with Total until December 31, 2021. In Q3 2020, Total announced plans to discontinue crude oil refining in the first quarter of 2021 and storage of petroleum products in late 2023 at the Grandpuits refinery. IPC has successfully put in place alternative transportation and marketing solutions during previous periods of refinery downtime and is proactively engaged in putting in place alternative short and long term solutions that will maximize the value of Paris Basin crude production.

### Organic Growth

At the end of Q3 2020, in response to the current commodity price environment and the global Covid-19 outbreak, all further development activity in France remains suspended.

# Management's Discussion and Analysis

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

### FINANCIAL REVIEW

#### Financial Results

##### *Selected Interim Financial Information*

Selected interim condensed consolidated statement of operations is as follows:

USD Thousands	Q3 2020	Q2 2020	Q1 2020	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18
Revenue	<b>95,346</b>	44,929	80,536	145,535	131,437	129,357	147,420	111,898
Gross profit / (loss)	<b>5,557</b>	(16,537)	(12,436)	43,245	23,487	39,287	46,885	26,311
Net result	<b>8,850</b>	(1,472)	(40,069)	38,372	6,330	25,744	33,142	29,346
Earnings per share – USD	<b>0.06</b>	(0.01)	(0.25)	0.23	0.04	0.16	0.20	0.29
Earnings per share fully diluted – USD	<b>0.06</b>	(0.01)	(0.25)	0.23	0.04	0.15	0.20	0.29
Operating cash flow <sup>1</sup>	<b>37,181</b>	14,742	21,481	78,888	69,504	76,496	83,056	58,322
EBITDA <sup>1</sup>	<b>34,251</b>	12,187	19,009	77,353	68,885	74,600	81,675	58,032
Net debt at period end <sup>1</sup>	<b>322,092</b>	341,367	302,473	231,503	207,778	239,322	256,962	276,761

<sup>1</sup> See definition on page 22 under "Non-IFRS measures".

Summarized consolidated balance sheet information is as follows:

USD Thousands	September 30, 2020	December 31, 2019
Non-current assets	1,292,731	1,252,600
Current assets	85,312	112,041
<b>Total assets</b>	<b>1,378,043</b>	1,364,641
Total non-current liabilities	537,158	474,200
Current liabilities	110,028	99,632
<b>Total liabilities</b>	<b>647,186</b>	573,832
<b>Net assets</b>	<b>730,857</b>	790,809
<b>Working capital (including cash)</b>	<b>(24,716)</b>	12,409

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2020

### Segment Information

The Group operates within several geographical areas. Operating segments are reported at a country level, with Canada being further analyzed by main areas: (i) Canada – Northern Assets (comprising mainly of the Onion Lake Thermal asset) and (ii) Canada – Southern Assets (comprising of the Suffield Assets and the Ferguson asset). This is consistent with the internal reporting provided to IPC management. The following tables present certain segment information.

USD Thousands	Three months ended – September 30, 2020					Total
	Canada – Northern Assets	Canada – Southern Assets	Malaysia <sup>1</sup>	France	Other	
Crude oil	29,249	24,222	17,961	10,682	–	82,114
NGLs	–	54	–	–	–	54
Gas	86	14,367	–	–	–	14,453
<b>Net sales of oil and gas</b>	<b>29,335</b>	<b>38,643</b>	<b>17,961</b>	<b>10,682</b>	<b>–</b>	<b>96,621</b>
Change in under/over lift position	–	–	–	1,004	–	1,004
Royalties	(2,433)	(1,592)	–	–	–	(4,025)
Hedging settlement	(947)	(1,604)	–	–	–	(2,551)
Other operating revenue	–	–	3,910	327	60	4,297
<b>Revenue</b>	<b>25,955</b>	<b>35,447</b>	<b>21,871</b>	<b>12,013</b>	<b>60</b>	<b>95,346</b>
Production costs (including inventory movements)	(18,799)	(21,238)	(10,189)	(7,964)	–	(58,190)
Depletion	(6,283)	(10,532)	(6,902)	(4,814)	–	(28,531)
Depreciation of other assets	–	–	(2,906)	–	–	(2,906)
Exploration and business development costs	46	–	20	(136)	(92)	(162)
<b>Gross profit/(loss)</b>	<b>919</b>	<b>6,677</b>	<b>1,894</b>	<b>(901)</b>	<b>(32)</b>	<b>5,557</b>

USD Thousands	Three months ended – September 30, 2019					Total
	Canada – Northern Assets	Canada – Southern Assets	Malaysia <sup>1</sup>	France	Other	
Crude oil	44,224	29,824	28,680	20,117	–	122,845
NGLs	–	87	–	–	–	87
Gas	28	16,119	–	–	–	16,147
<b>Net sales of oil and gas</b>	<b>44,252</b>	<b>46,030</b>	<b>28,680</b>	<b>20,117</b>	<b>–</b>	<b>139,079</b>
Change in under/over lift position	–	–	–	(4,509)	–	(4,509)
Royalties	(5,165)	(1,889)	–	–	–	(7,054)
Hedging settlement	(488)	–	–	–	–	(488)
Other operating revenue	–	–	3,910	241	258	4,409
<b>Revenue</b>	<b>38,599</b>	<b>44,141</b>	<b>32,590</b>	<b>15,849</b>	<b>258</b>	<b>131,437</b>
Production costs (including inventory movements)	(16,423)	(25,453)	(9,627)	(8,777)	–	(60,280)
Depletion	(6,750)	(12,672)	(6,726)	(3,495)	–	(29,643)
Depreciation of other assets	–	–	(3,637)	–	–	(3,637)
Exploration and business development costs	–	–	(13,433)	–	(957)	(14,390)
<b>Gross profit</b>	<b>15,426</b>	<b>6,016</b>	<b>(833)</b>	<b>3,577</b>	<b>(699)</b>	<b>23,487</b>

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2020

Nine months ended – September 30, 2020

USD Thousands	Canada – Northern Assets	Canada – Southern Assets	Malaysia <sup>1</sup>	France	Other	Total
Crude oil	57,371	49,794	41,896	25,367	–	174,428
NGLs	–	142	–	–	–	142
Gas	237	41,088	–	–	–	41,325
<b>Net sales of oil and gas</b>	<b>57,608</b>	<b>91,024</b>	<b>41,896</b>	<b>25,367</b>	<b>–</b>	<b>215,895</b>
Change in under/over lift position	–	–	–	(3,060)	–	(3,060)
Royalties	(5,248)	(3,266)	–	–	–	(8,514)
Hedging settlement	3,218	532	–	–	–	3,750
Other operating revenue	–	–	11,645	780	315	12,740
<b>Revenue</b>	<b>55,578</b>	<b>88,290</b>	<b>53,541</b>	<b>23,087</b>	<b>315</b>	<b>220,811</b>
Production costs (including inventory movements)	(48,034)	(64,653)	(15,990)	(18,729)	–	(147,406)
Depletion	(18,874)	(29,293)	(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)
<b>Gross profit/(loss)</b>	<b>(14,317)</b>	<b>(5,656)</b>	<b>7,503</b>	<b>(10,728)</b>	<b>(218)</b>	<b>(23,416)</b>

Nine months ended – September 30, 2019

USD Thousands	Canada – Northern Assets	Canada – Southern Assets	Malaysia <sup>1</sup>	France	Other	Total
Crude oil	132,476	95,993	93,171	39,065	–	360,705
NGLs	–	252	–	–	–	252
Gas	155	57,718	–	–	–	57,873
<b>Net sales of oil and gas</b>	<b>132,631</b>	<b>153,963</b>	<b>93,171</b>	<b>39,065</b>	<b>–</b>	<b>418,830</b>
Change in under/over lift position	–	–	–	787	–	787
Royalties	(15,545)	(5,759)	–	–	–	(21,304)
Hedging settlement	(2,494)	(374)	–	–	–	(2,868)
Other operating revenue	–	–	11,603	704	462	12,769
<b>Revenue</b>	<b>114,592</b>	<b>147,830</b>	<b>104,774</b>	<b>40,556</b>	<b>462</b>	<b>408,214</b>
Production costs (including inventory movements)	(50,971)	(82,081)	(21,092)	(21,305)	–	(175,449)
Depletion	(20,158)	(36,676)	(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)
<b>Gross profit</b>	<b>43,419</b>	<b>29,073</b>	<b>27,989</b>	<b>9,927</b>	<b>(749)</b>	<b>109,659</b>

<sup>1</sup> 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.

## Management's Discussion and Analysis

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

#### Three and nine months ended September 30, 2020 Review

##### Revenue

Total revenue amounted to USD 95,346 thousand for Q3 2020 compared to USD 131,437 thousand for Q3 2019 and USD 220,811 thousand for the first nine months of 2020 compared to USD 408,214 thousand for the first nine months of 2019 and is analyzed as follows:

USD Thousands	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Crude oil sales	82,114	122,845	174,428	360,705
Gas and NGL sales	14,507	16,234	41,467	58,125
Change in under/overlift position	1,004	(4,509)	(3,060)	787
Royalties	(4,025)	(7,054)	(8,514)	(21,304)
Hedging settlement	(2,551)	(488)	3,750	(2,868)
Other operating revenue	4,297	4,409	12,740	12,769
<b>Total revenue</b>	<b>95,346</b>	<b>131,437</b>	<b>220,811</b>	<b>408,214</b>

The components of total revenue for the three and nine months ended September 30, 2020 and September 30, 2019, respectively are detailed below.

##### Crude oil sales

	Three months ended – September 30, 2020				Total
	Canada – Northern Assets	Canada – Southern Assets	Malaysia	France	
<b>Crude oil sales</b>					
- Revenue in USD thousands	29,249	24,222	17,961	10,682	<b>82,114</b>
- Quantity sold in bbls	1,019,326	755,941	394,291	265,552	<b>2,435,110</b>
- Average price realized USD per bbl	28.69	32.04	45.55	40.23	<b>33.72</b>

	Three months ended – September 30, 2019				Total
	Canada – Northern Assets	Canada – Southern Assets	Malaysia	France	
<b>Crude oil sales</b>					
- Revenue in USD thousands	44,224	29,824	28,680	20,117	122,845
- Quantity sold in bbls	1,154,994	669,577	415,350	329,911	2,569,832
- Average price realized USD per bbl	38.29	44.54	69.05	60.98	47.80

Crude oil revenue was 33% lower for Q3 2020 compared to Q3 2019 mainly due to lower oil prices resulting from a drop in global oil demand triggered by the impact of the global Covid-19 outbreak. Crude oil prices started to recover towards the end of Q2 2020 from the low seen in April 2020 and the Group commenced the progressive resumption of Canadian oil production and entered into additional oil price hedges in relation to a proportion of the Canadian oil production for the second half of the year.

The Suffield Assets crude oil in Canada is blended with purchased condensate diluent volumes to meet pipeline specifications. As a result of the blended volumes, actual sales volumes are higher than produced volumes for Canada. The Canadian realized sales price is based on the Western Canadian Select ("WCS") price which trades at a discount to West Texas Intermediate ("WTI"). For Q3 2020, WTI averaged USD 41 per bbl compared to USD 56 per bbl for Q3 2019 and the average discount from WTI to WCS used in our pricing formula was USD 9 per bbl (USD 12 per bbl for Q3 2019).

## Management's Discussion and Analysis

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

Onion Lake Thermal and other Canadian assets production is heavier than the WCS quality and trades at a discount to WCS prices. Part of the Onion Lake production is being blended from July 2020 to meet pipeline specifications and is sold at a higher price than non-blended crude.

The realized sales price for Malaysia and France is based on Dated Brent crude oil prices with revenue in France based on one month forward Brent prices. There were two cargo liftings in Malaysia during Q3 2020 with one lifting in August and one lifting in September. The average Dated Brent crude oil price was USD 43 per bbl for Q3 2020 compared to USD 62 per bbl for Q3 2019.

	Nine months ended – September 30, 2020				
	Canada – Northern Assets	Canada – Southern Assets	Malaysia	France	Total
<b>Crude oil sales</b>					
- Revenue in USD thousands	57,371	49,794	41,896	25,367	<b>174,428</b>
- Quantity sold in bbls	2,887,350	1,960,998	962,853	772,726	<b>6,583,927</b>
- Average price realized USD per bbl	19.87	25.39	43.51	32.83	<b>26.49</b>

	Nine months ended – September 30, 2019				
	Canada – Northern Assets	Canada – Southern Assets	Malaysia	France	Total
<b>Crude oil sales</b>					
- Revenue in USD thousands	132,476	95,993	93,171	39,065	360,705
- Quantity sold in bbls	3,363,892	2,032,061	1,335,497	617,478	7,348,928
- Average price realized USD per bbl	39.38	47.24	69.76	63.26	49.08

Crude oil sales revenue were 52% lower for the first nine months of 2020 compared to the first nine months of 2019 mainly due to a 46% reduction in achieved oil prices as a result of the drop in global oil demand triggered by the impact of the Covid-19 outbreak.

The Canadian realized sales price is based on the WCS price which trades at a discount to WTI. WTI averaged USD 39 per bbl and the average discount from WTI to WCS was approximately USD 14 per bbl for the first nine months of 2020, compared to an average WTI of USD 57 per bbl and an average discount from WTI to WCS of USD 12 per bbl for the comparative period in 2019.

The realized sales price for Malaysia and France is based on Brent crude oil prices and the average market Brent crude oil price was USD 41 per bbl in the first nine months of 2020 compared to USD 65 per bbl for the comparative period.

## Management's Discussion and Analysis

For the three and nine months ended September 30, 2020

### Gas and NGL sales

	Three months ended – September 30, 2020		
	Canada – Southern Assets	Canada – Northern Assets	Total
<b>Gas and NGL sales</b>			
- Revenue in USD thousands	14,421	86	<b>14,507</b>
- Quantity sold in Mcf	8,864,394	56,982	<b>8,921,376</b>
- Average price realized USD per Mcf	1.63	1.51	<b>1.63</b>

	Three months ended – September 30, 2019		
	Canada – Southern Assets	Canada – Northern Assets	Total
<b>Gas and NGL sales</b>			
- Revenue in USD thousands	16,206	28	16,234
- Quantity sold in Mcf	9,511,929	53,403	9,565,332
- Average price realized USD per Mcf	1.70	0.53	1.70

Gas and NGL sales revenue was 11% lower for Q3 2020 compared to Q3 2019. Approximately 98% of the Suffield gas production was sold on the Alberta/Saskatchewan border at Empress with the remainder being delivered in Alberta based on AECO pricing.

	Nine months ended – September 30, 2020		
	Canada – Southern Assets	Canada – Northern Assets	Total
<b>Gas and NGL sales</b>			
- Revenue in USD thousands	41,230	237	<b>41,467</b>
- Quantity sold in Mcf	26,191,218	170,180	<b>26,361,398</b>
- Average price realized USD per Mcf	1.57	1.39	<b>1.57</b>

	Nine months ended – September 30, 2019		
	Canada – Southern Assets	Canada – Northern Assets	Total
<b>Gas and NGL sales</b>			
- Revenue in USD thousands	57,970	155	58,125
- Quantity sold in Mcf	27,471,424	158,952	27,630,376
- Average price realized USD per Mcf	2.11	0.98	2.10

In Canada, gas and NGL sales revenue was 29% lower for the first nine months of 2020 compared to the first nine months of 2019 mainly due to the lower achieved gas price. For the first nine months of 2020, IPC realized an average price of CAD 2.12 per Mcf compared to CAD 2.79 per Mcf for the first nine months of 2019.

## Management's Discussion and Analysis

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

#### Hedging settlement

IPC enters into risk management contracts in order to ensure a certain level of cashflow and to comply with covenants of its financing facilities. It focuses mainly on oil price swaps and collars to limit pricing exposure. IPC also uses natural gas at the Onion Lake Thermal project and the Blackrod SAGD pilot project to generate steam and manages the pricing risk by entering into fixed price swaps. The oil and gas pricing contracts are not entered into for speculative purposes. Also see the Financial Position and Liquidity and the Financial Risk Management sections below.

The realized hedging settlements for Q3 2020 amounted to a loss of USD 2,551 thousand and for the first nine months of 2020, amounted to a gain of USD 3,750 thousand, consisting of USD 392 thousand on the gas contracts and USD 3,358 thousand on the oil contracts. Also see the Financial Position and Liquidity and the Financial Risk Management sections below.

#### Other operating revenue

Other operating revenue amounted to USD 4,297 thousand for Q3 2020 compared to USD 4,409 thousand for Q3 2019 and USD 12,740 thousand for the first nine months of 2020 compared to USD 12,769 thousand for the first nine months of 2019. Other operating revenue consists of lease fee income, tariff income and fees for strategic storage of inventory in France. The significant part of other operating revenue is third party lease fee income received by the Group for the leasing of the owned FPSO Bertam to the Bertam field in Malaysia.

#### Production costs

Production costs including inventory movements amounted to USD 58,190 thousand for Q3 2020 compared to USD 60,280 thousand for Q3 2019 and USD 147,406 thousand for the first nine months of 2020 compared to USD 175,449 thousand for the first nine months of 2019 and is analyzed as follows:

#### Three months ended – September 30, 2020

USD Thousands	Canada – Southern Assets	Canada – Northern Assets	Malaysia	France	Other <sup>3</sup>	Total
Operating costs <sup>1</sup>	17,640	14,205	20,280	7,132	(11,730)	47,527
USD/boe <sup>2</sup>	7.86	15.63	50.28	24.93	n/a	12.36
Cost of blending	3,488	4,251	–	–	–	7,739
Change in inventory position	110	343	1,639	832	–	2,924
<b>Production costs</b>	<b>21,238</b>	<b>18,799</b>	<b>21,919</b>	<b>7,964</b>	<b>(11,730)</b>	<b>58,190</b>

#### Three months ended – September 30, 2019

USD Thousands	Canada – Southern Assets	Canada – Northern Assets	Malaysia	France	Other <sup>3</sup>	Total
Operating costs <sup>1</sup>	20,888	16,423	21,420	7,500	(11,730)	54,501
USD/boe <sup>2</sup>	9.18	13.67	45.42	32.63	n/a	13.05
Cost of blending	5,088	–	–	–	–	5,088
Change in inventory position	(523)	–	(63)	1,277	–	691
<b>Production costs</b>	<b>25,453</b>	<b>16,423</b>	<b>21,357</b>	<b>8,777</b>	<b>(11,730)</b>	<b>60,280</b>

# Management's Discussion and Analysis

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

Nine months ended – September 30, 2020

USD Thousands	Canada – Southern Assets	Canada – Northern Assets	Malaysia	France	Other <sup>3</sup>	Total
Operating costs <sup>1</sup>	54,687	43,440	53,531	18,042	(34,935)	134,765
USD/boe <sup>2</sup>	8.43	15.48	43.19	23.89	n/a	11.94
Cost of blending	9,657	4,251	–	–	–	13,908
Change in inventory position	309	343	(2,606)	687	–	(1,267)
<b>Production costs</b>	<b>64,653</b>	<b>48,034</b>	<b>50,925</b>	<b>18,729</b>	<b>(34,955)</b>	<b>147,406</b>

Nine months ended – September 30, 2019

USD Thousands	Canada – Southern Assets	Canada – Northern Assets	Malaysia	France	Other <sup>3</sup>	Total
Operating costs <sup>1</sup>	65,803	50,971	57,282	21,005	(34,808)	160,253
USD/boe <sup>2</sup>	9.93	14.56	35.45	33.60	n/a	12.96
Cost of blending	16,850	–	–	–	–	16,850
Change in inventory position	(572)	–	(1,382)	300	–	(1,654)
<b>Production costs</b>	<b>82,081</b>	<b>50,971</b>	<b>55,900</b>	<b>21,305</b>	<b>(34,808)</b>	<b>175,449</b>

<sup>1</sup> See definition on page 22 under "Non-IFRS measures".

<sup>2</sup> USD/boe in the tables above is calculated by dividing the cost by the production volume for each country for the period.

<sup>3</sup> Included in the Malaysia operating costs is the lease cost for the FPSO Bertam which is owned by the Group. Other represents the FPSO Bertam lease fee self-to-self payment elimination. Netting the self-to-self elimination against the operating costs in Malaysia reduces the operating cost per boe for Malaysia to USD 21.20 and USD 20.55 for Q3 2020 and Q3 2019 respectively and USD 15.00 and USD 13.91 for the nine months ended September 30, 2020 and September 30, 2019 respectively.

### Operating costs

Operating costs amounted to USD 47,527 thousand for Q3 2020 compared to USD 54,501 thousand for Q3 2019 and USD 134,765 thousand for the first nine months of 2020 compared to USD 160,253 thousand for the first nine months of 2019. Operating costs per boe amounted to USD 12.36 per boe in Q3 2020 compared with USD 13.05 per boe in Q3 2019 and USD 11.94 per boe for the nine months ended September 30, 2020 compared with USD 12.96 per boe for the nine months ended September 30, 2019. Full year 2020 operating costs are expected to be towards the lower end of our USD 12 to 13 per boe guidance range.

### Cost of blending

For the Suffield Assets in Canada, oil production is blended with purchased condensate diluent to meet pipeline specifications. From July 2020, a portion of Onion Lake oil production is also blended and exported by pipeline. The cost of the diluent net of proceeds from the sale of surplus diluent amounted to USD 7,739 thousand for Q3 2020, including USD 4,251 relating to Onion Lake, compared to USD 5,088 thousand for Q3 2019 and USD 13,908 thousand for the first nine months of 2020 compared to USD 16,850 thousand for the first nine months of 2019. The cost of blending is correlated to the WTI oil price.

As a result of the blending, actual sales volumes are higher than produced barrels. A cost of USD 537 thousand and USD 691 thousand were recognized relating to the difference between the cost and the sale proceeds of the surplus diluent for Q3 2020 and Q3 2019, respectively. A cost of USD 1,269 thousand and USD 1,844 thousand were recognized for the nine months ended September 30, 2020 and September 30, 2019, respectively.

### Change in inventory position

The Bertam field in Malaysia is located offshore and production is lifted and sold from the FPSO Bertam when a cargo parcel size is reached. Accordingly, the timing of a lifting varies based on the inventory level on the FPSO facility and the change in inventory position varies, both positively and negatively, from period to period. Inventories are valued at the lower of cost, including depletion, and market value, and the difference in the valuation between period ends is reflected in the change in inventory position in the statement of operations.

## Management's Discussion and Analysis

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

#### Depletion and decommissioning costs

The total depletion and decommissioning costs amounted to USD 28,531 thousand for Q3 2020 compared to USD 29,643 thousand for Q3 2019 and USD 82,103 thousand for the first nine months of 2020 compared to USD 89,201 thousand for the first nine months of 2019. The depletion charge is analyzed in the following tables:

#### Three months ended – September 30, 2020

	Canada – Southern Assets	Canada – Northern Assets	Malaysia	France	Total
Depletion cost in USD thousands	10,532	6,283	6,902	4,814	28,531
USD per boe	4.69	6.91	17.11	16.83	7.42

#### Three months ended – September 30, 2019

	Canada – Southern Assets	Canada – Northern Assets	Malaysia	France	Total
Depletion cost in USD thousands	12,672	6,750	6,726	3,495	29,643
USD per boe	5.57	5.62	14.26	15.21	7.10

#### Nine months ended – September 30, 2020

	Canada – Southern Assets	Canada – Northern Assets	Malaysia	France	Total
Depletion cost in USD thousands	29,293	18,874	21,206	12,730	82,103
USD per boe	4.52	6.73	17.11	16.85	7.27

#### Nine months ended – September 30, 2019

	Canada – Southern Assets	Canada – Northern Assets	Malaysia	France	Total
Depletion cost in USD thousands	36,676	20,158	23,043	9,324	89,201
USD per boe	5.54	5.76	14.26	14.91	7.21

The depletion charge is derived by applying the depletion rate per boe to the volumes produced in the period by each field.

#### Depreciation of other assets

The total depreciation of other assets amounted to USD 2,906 thousand for Q3 2020 compared to USD 3,637 thousand for Q3 2019 and USD 8,930 thousand for the first nine months of 2020 compared to USD 19,215 thousand for the first nine months of 2019. This related to the depreciation of the FPSO Bertam, which is being depreciated on a unit of production basis from July 2019 based on the Bertam field 2P reserves. Prior to this date the Bertam FPSO was being depreciated on a straight line basis over the six year lease period on the Bertam field from April 2015.

#### Exploration and business development costs

The total exploration and business developments costs amounted to USD 162 thousand for Q3 2020.

#### General, administrative and depreciation expenses

General, administrative and depreciation expenses amounted to USD 3,333 thousand for Q3 2020 compared to USD 2,699 thousand for Q3 2019 and USD 9,238 thousand for the first nine months of 2020 compared to USD 8,724 thousand for the first nine months of 2019.

## Management's Discussion and Analysis

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

#### Net financial items

Net financial items for Q3 2020 amounted to a credit of USD 1,033 thousand compared to a charge of USD 11,224 thousand for Q3 2019 and a charge of USD 21,718 thousand for the first nine months of 2020 compared to a charge of USD 21,455 thousand for the first nine months of 2019 and include largely non-cash net foreign exchange movements mainly resulting from the revaluation of intra-group loan funding balances.

Excluding foreign exchange movements, the net financial items amounted to a charge of USD 6,843 thousand for Q3 2020, compared to a charge of USD 6,547 thousand for Q3 2019 and a charge of USD 20,102 thousand for the first nine months of 2020 compared to a charge of USD 25,637 thousand for the first nine months of 2019.

The interest expense for Q3 2020 amounted to USD 3,100 thousand compared to USD 2,988 thousand for Q3 2019 and USD 9,450 thousand for the first nine months of 2020 compared to USD 14,559 thousand for the first nine months of 2019. The comparative interest expense in 2019 includes interest on senior notes acquired on the BlackPearl acquisition and the make whole provision costs when repaying these in Q2 2019.

The unwinding of the asset retirement obligation discount rate amounted to USD 2,747 thousand for Q3 2020 compared to USD 2,668 thousand for Q3 2019 and USD 8,036 thousand for the first nine months of 2020 compared to USD 7,985 thousand for the first nine months of 2019.

#### Income tax

The corporate income tax for Q3 2020 amounted a credit of USD 5,593 thousand compared to a charge of USD 3,234 thousand for Q3 2019 and a credit of USD 21,681 thousand for the first nine months of 2020 compared to a charge of USD 14,264 thousand for the first nine months of 2019. The income tax movements in the first nine months of 2020 relate to deferred taxes with minimal cash taxes reflected.

## Management's Discussion and Analysis

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

#### Capital Expenditure

Development and exploration and evaluation expenditure incurred in the first nine months of 2020, was as follows:

USD Thousands	Canada – Southern Assets	Canada – Northern Assets	Malaysia	France	Total
Development	13,244	23,225	20,421	8,825	65,715
Exploration and evaluation	–	3,399	296	517	4,212
	13,244	26,624	20,717	9,342	69,927

Capital expenditure of USD 69,927 thousand was mainly spent on drilling on the Suffield Assets, the development of the Pad D' on Onion Lake Thermal and the continued drilling campaign in Malaysia. USD 56,190 thousand of the capital expenditure was spent in Q1 2020, with discretionary capital spend reduced thereafter when oil prices collapsed. The capital expenditure forecast for 2020 including abandonment costs remains unchanged at USD 80 million.

#### Other tangible fixed assets

Other tangible fixed assets amounted to USD 60,688 thousand as at September 30, 2020, which included USD 57,272 thousand in respect of the FPSO Bertam. The FPSO Bertam is being depreciated on a unit of production basis from July 2019 based on the Bertam field 2P reserves.

#### 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)
Long-term debt	(27,649)
MTM reserve in equity	(1,311)
<b>Total Consideration</b>	<b>27,709</b>
Settled by:	
<b>Cash payment for 39,061,575 common shares of Granite</b>	<b>27,709</b>

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 for the first nine months of 2020.

# Management's Discussion and Analysis

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

### Financial Position and Liquidity

#### Financing

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. The credit facility has an initial term of 12 months and is extendable by the Group for up to a further five years at IPC's discretion. The facility amount was fully drawn as at June 30, 2020 and as at the date of this MD&A.

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 CAD 10 million 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 drawn 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. As at November 3, 2020, IPC is in discussions with the Granite Facility lenders to seek to refinance and extend the maturity of the Granite Facility.

Total net debt as at September 30, 2020, amounted to USD 322.1 million.

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.

Cash and cash equivalents held amounted to USD 10,212 thousand as at September 30, 2020. The Corporation holds cash to meet imminent operational funding requirements in the different countries.

#### Working Capital

As at September 30, 2020, the Group had a net working capital balance including cash of USD (24,716) thousand compared to USD 12,409 thousand as at December 31, 2019. The difference as at September 30, 2020 from December 31, 2019 is mainly as a result of lower trade receivables due to the lower oil price and the reclassification of the Granite Facility outstanding amount to current liabilities from non-current during the year. The outstanding amount under the Granite Facility as at September 30, 2020 was USD 26,970 thousand and is included in the net debt balance of USD 322.1 million as at September 30, 2020.

# Management's Discussion and Analysis

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

### Non-IFRS Measures

In addition to using financial measures prescribed under IFRS, references are made in this MD&A to "operating cash flow", "free cash flow", "EBITDA", "operating costs" and "net debt", which are non-IFRS measures. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other public companies. Non-IFRS measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

The Corporation uses non-IFRS measures to provide investors with supplemental measures to assess cash generated by and the financial performance and condition of the Corporation. Management also uses non-IFRS measures internally in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess the Group's ability to meet its future capital expenditure and working capital requirements. Management believes these non-IFRS measures are important supplemental measures of operating performance because they highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management believes such measures allow for assessment of the Group's operating performance and financial condition on a basis that is more consistent and comparable between reporting periods. The Corporation also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of public companies. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes.

"Operating cash flow" is calculated as revenue less production costs less current tax. Operating cash flow is used to analyze the amount of cash that is being generated available for capital investment and servicing debt.

"Free cash flow" is calculated as operating cash flow less capital expenditures less abandonment and farm-in expenditures less general, administration and depreciation expenses before depreciation and less cash financial items. Free cash flow is used to analyze the amount of cash that is being generated by the business and that is available for such purposes as repaying debt, funding acquisitions and returning capital to shareholders.

"EBITDA" is calculated as net result before financial items, taxes, depletion of oil and gas properties, exploration costs, impairment costs and depreciation and adjusted for non-recurring profit/loss on sale of assets and other income.

"Operating cost" is calculated as production costs excluding any change in the inventory position and the cost of blending and is used to analyze the cash cost of producing the oil and gas volumes.

"Net debt" is calculated as bank loans less cash and cash equivalents.

### Reconciliation of Non-IFRS Measures

#### Operating cash flow

The following table sets out how operating cash flow is calculated from figures shown in the Financial Statements:

USD Thousands	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Revenue	95,346	131,437	220,811	408,214
Production costs	(58,190)	(60,280)	(147,406)	(175,449)
Current tax	25	(1,653)	(1)	(3,709)
Operating cash flow	<b>37,181</b>	69,504	<b>73,404</b>	229,056

## Management's Discussion and Analysis

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

#### Free cash flow

The following table sets out how free cash flow is calculated from figures shown in the Financial Statements:

USD Thousands	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Operating cash flow - see above	37,181	69,504	73,404	229,056
Capital expenditures	(7,315)	(52,674)	(69,927)	(114,116)
Abandonment and farm-in expenditures <sup>1</sup>	(687)	(1,119)	(4,029)	(6,463)
General, administration and depreciation expenses before depreciation <sup>2</sup>	(2,905)	(2,272)	(7,958)	(7,605)
Cash financial items <sup>3</sup>	(3,508)	(3,450)	(10,719)	(16,063)
Free cash flow	<b>22,766</b>	7,751	<b>(19,229)</b>	84,809

<sup>1</sup> See note 18 to the Financial Statements

<sup>2</sup> Depreciation is not specifically disclosed in the Financial Statements

<sup>3</sup> See notes 4 and 5 to the Financial Statements.

Free cash flow yield for Q3 2020 is calculated as free cash flow for Q3 2020 being USD 22,766 thousand divided by the market capitalization of IPC as at September 30, 2020 being approximately USD 280 million.

#### EBITDA

The following table sets out the reconciliation from net result from the consolidated statement of operations to EBITDA:

USD Thousands	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Net result	8,850	6,330	(32,691)	65,216
Net financial items	(1,033)	11,224	21,718	21,455
Income tax	(5,593)	3,234	(21,681)	14,264
Depletion	28,531	29,643	82,103	89,201
Depreciation of other assets	2,906	3,637	8,930	19,215
Exploration and business development costs	162	14,390	5,788	14,690
Depreciation included in general, administration and depreciation expenses <sup>1</sup>	428	427	1,280	1,119
EBITDA	<b>34,251</b>	68,885	<b>65,447</b>	225,160

<sup>1</sup> Item is not shown in the Financial Statements

#### Operating costs

The following table sets out how operating costs is calculated:

USD Thousands	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Production costs	58,190	60,280	147,406	175,449
Cost of blending <sup>1</sup>	(7,739)	(5,088)	(13,908)	(16,850)
Change in inventory position	(2,924)	(691)	1,267	1,654
Operating costs	<b>47,527</b>	54,501	<b>134,765</b>	160,253

<sup>1</sup> Item is not shown in the Financial Statements. See production costs section above.

# Management's Discussion and Analysis

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

### Net debt

The following table sets out how net debt is calculated from figures shown in the Financial Statements:

USD Thousands	September 30, 2020	December 31, 2019
Bank loans	332,304	247,074
Cash and cash equivalents	(10,212)	(15,571)
	<b>322,092</b>	<b>231,503</b>

### Off-Balance Sheet Arrangements

IPC, through its subsidiary IPC Canada Ltd, has issued a letter of credit for an amount of CAD 4 million in respect of its obligations to purchase diluent. This letter of credit is outstanding until December 2020.

IPC has also guaranteed the obligations of its subsidiary, IPC Canada Ltd, in respect of its pipeline gathering and transportation of crude oil for a maximum amount of CAD 3.6 million.

In connection with the Granite Acquisition, IPC, through its subsidiary Granite Oil Corp., has issued a letter of credit for an amount of CAD 500,000 in respect of its obligations related to the Ferguson asset. This letter of credit increases by CAD 100,000 annually, to a maximum of CAD 1,000,000.

### Outstanding Share Data

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.

Nemesia S.à.r.l. and Zebra Holdings and Investments S.à.r.l., investment companies wholly owned by a Lundin family trust, own 40,697,533 common shares in IPC, representing 26.20% of the outstanding common shares as at November 3, 2020.

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.

IPC has 1,808,566 stock options and 3,727,804 IPC Performance and Restricted Share Plan awards (566,652 awards granted in July 2018, 186,472 awards granted in March 2019, 1,191,550 awards granted in July 2019, 25,349 awards granted in January 2020, 1,732,446 awards granted in March 2020 and 25,335 awards granted in July 2020) outstanding as at November 3, 2020.

### 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 Provisions of the Financial Statements.

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.

# Management's Discussion and Analysis

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

### Critical Accounting Policies and Estimates

In connection with the preparation of the Corporation's consolidated financial statements, management has made assumptions and estimates about future events and applied judgments that affect the reported values of assets, liabilities, revenues, expenses and related disclosures. These assumptions, estimates and judgments are based on historical experience, current trends and other factors that they believe to be relevant at the time the financial statements are prepared. The management reviews the accounting policies, assumptions, estimates and judgments to ensure that the financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results could differ from these assumptions and estimates, and such differences could be material.

### Transactions with 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.

### Financial Risk Management

As an international oil and gas exploration and production company, IPC is exposed to financial risks such as interest rate risk, currency risk, credit risk, liquidity risks as well as the risk related to the fluctuation in the oil price. The Group seeks to control these risks through sound management practice and the use of internationally accepted financial instruments, such as oil and gas price, interest rate or foreign exchange hedges as the case may be. Financial instruments will be solely used for the purpose of managing risks in the business. As at September 30, 2020, the Corporation had entered into oil and gas price hedges – see below.

Management believes that the cash resources, other current assets and cash flow from operations are sufficient to finance the Group's operations and capital expenditures program over the next year.

### Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to meet its committed financial liabilities and work program requirements in order to create shareholder value. The Group may put in place new credit facilities, repay debt, or pursue other such restructuring activities as appropriate.

Management of the Corporation will continuously monitor and manage the Group's capital, liquidity and net debt position in order to assess the requirement for changes to the capital structure to meet the objectives and to maintain flexibility.

### Price of Oil and Gas

Prices of oil and gas are affected by the normal economic drivers of supply and demand as well as by financial investors and market uncertainty. Factors that influence these prices include operational decisions, prices of competing fuels, natural disasters, economic conditions, transportation constraints, political instability or conflicts or actions by major oil exporting countries. Price fluctuations will affect the Group's financial position.

Based on analysis of the circumstances, management assesses the benefits of forward hedging monthly sales contracts for the purpose of protecting cash flow. If management believes that a hedging contract will appropriately help manage cash flow then it may choose to enter into a commodity price hedge. In addition, see the Financial Position and Liquidity section above regarding applicable credit facility covenants to hedge future production.

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

## Management's Discussion and Analysis

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

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.

These hedges had a net fair value of USD (3,682) thousand at September 30, 2020.

#### Currency Risk

The Group's policy on currency rate hedging is, in the case of currency exposure, to consider fixing the rate of exchange. The Group will take into account the currency exposure, current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge.

#### Interest Rate Risk

Interest rate risk is the risk to earnings due to uncertain future interest rates on borrowings. The Group will take into account the level of external debt, current interest rates and market expectations in comparison to historic trends and volatility in making the decision to hedge.

#### Credit Risk

The Group may be exposed to third party credit risk through contractual arrangements with counterparties who buy the Group's hydrocarbon products. The Group's policy is to limit credit risk by only entering into oil and gas sales agreements with reputable and creditworthy oil and gas and trading companies. Where it is determined that there is a credit risk for oil and gas sales, the Group's policy is to require credit enhancement from the purchaser.

The Group's policy on joint venture parties is to rely on the provisions of the underlying joint operating agreements to take possession of the licence or the joint venture partner's share of production for non-payment of cash calls or other amounts due. In addition, cash is to be held and transacted only through major banks.

### RISK AND UNCERTAINTIES

IPC is engaged in the exploration, development and production of oil and gas and is exposed to various operational, environmental, market and financial risks and uncertainties. For further information and discussion of these risks and uncertainties, please see IPC's Annual Information Form for the year ended December 31, 2019 available on SEDAR at [www.sedar.com](http://www.sedar.com) or on IPC's website at [www.international-petroleum.com](http://www.international-petroleum.com). See also "Cautionary Statement Regarding Forward-Looking Information" and "Reserves and Resource Advisory" in this MD&A.

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 these documents 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.

# Management's Discussion and Analysis

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

The Covid-19 virus and the restrictions and disruptions related to it, as well as the actions of certain oil and gas producing nations, have had a drastic adverse effect in 2020 on the world demand for, and prices of, oil and gas as well as the market price of the shares of oil and gas companies generally, including the Corporation's common shares. Commodity prices in Q3 2020 improved although such prices are still below recent historical levels and there can be no assurance that commodity prices will not decrease or remain volatile in the future. These factors are beyond the control of the Corporation and it is difficult to assess how these, and other factors, will continue to affect the Corporation and the market price of IPC's common shares. In light of the current situation, as at November 3, 2020, the Corporation continues to review and assess its business plans and assumptions regarding the business environment, as well as its estimates of future production, cash flows, operating costs and capital expenditures.

### DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

#### Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures.

#### Internal Controls over Financial Reporting

Management is also responsible for the design of the Group's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud.

There have been no material changes to the Groups internal control over financial reporting during the nine and twelve month periods ended September 30, 2020, that have materially affected, or are reasonably likely to materially affect, the Group's internal control over financial reporting.

#### Control Framework

Management assesses the effectiveness of the Corporation's internal control over financial reporting using the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

#### Acquisition of Granite

The Granite Acquisition was completed less than 365 days from the end of the current financial period. As such, under applicable Canadian reporting requirements, the Group is not required to and is not certifying as to the operating effectiveness of disclosure controls and procedures and internal controls over financial reporting in respect of these assets.

Summary financial information related to Granite is presented above.

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains statements and information which constitute "forward-looking statements" or "forward-looking information" (within the meaning of applicable securities legislation). Such statements and information (together, "forward-looking statements") relate to future events, including the Corporation's future performance, business prospects or opportunities. Actual results may differ materially from those expressed or implied by forward-looking statements. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Forward-looking statements speak only as of the date such statements were made, unless otherwise indicated. IPC does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws.

The Covid-19 virus and the restrictions and disruptions related to it, as well as the actions of certain oil and gas producing nations, have had a drastic adverse effect in 2020 on the world demand for, and prices of, oil and gas as well as the market price of the shares of oil and gas companies generally, including the Corporation's common shares. Commodity prices in Q3 2020 improved although such prices are still below recent historical levels and there can be no assurance that commodity prices will not decrease or remain volatile in the future. These factors are beyond the control of the Corporation and it is difficult to assess how these, and other factors, will continue to affect the Corporation and the market price of IPC's common shares. In light of the current situation, as at the date of this MD&A, the Corporation continues to review and assess its business plans and assumptions regarding the business environment, as well as its estimates of future production, cash flows, operating costs and capital expenditures.

All statements other than statements of historical fact may be forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, forecasts, guidance, budgets, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "forecast", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "budget" and similar expressions) are not statements of historical fact and may be "forward-looking statements".

## Management's Discussion and Analysis

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

Forward-looking statements include, but are not limited to, statements with respect to:

- IPC's ability to maximize liquidity and financial flexibility in connection with the current and any future Covid-19 outbreaks and reductions in commodity prices;
- the expectation that recent actions will assist in reducing inventory builds and in rebalancing markets, including supply and demand for oil and gas;
- the potential for an improved economic environment in 2021 resulting from a lack of capital investment and drilling in the oil and gas industry;
- 2020 production range, operating costs and capital and decommissioning expenditure estimates;
- estimates of future production, cash flows, operating costs and capital expenditures that are based on IPC's current business plans and assumptions regarding the business environment, which are subject to change;
- IPC's ability to continue to reduce expenditures to forecast levels;
- IPC's financial and operational flexibility to continue to react to recent events and navigate the Corporation through periods of low commodity prices;
- IPC's ability to continue to reduce expenditures and to curtail production, and to continue the resumption of such production to expected levels following curtailment;
- IPC's continued access to its existing credit facilities, including current financial headroom, on terms acceptable to the Corporation;
- the ability to fully fund 2020 expenditures from cash flows and current borrowing capacity;
- IPC's flexibility to remain within existing financial headroom;
- IPC's ability to maintain operations, production and business in light of the current and any future Covid-19 outbreaks and the restrictions and disruptions related thereto, including risks related to production delays and interruptions, changes in laws and regulations and reliance on third-party operators and infrastructure;
- IPC's intention and ability to continue to implement our strategies to build long-term shareholder value;
- the ability of IPC's portfolio of assets to provide a solid foundation for organic and inorganic growth;
- the continued facility uptime and reservoir performance in IPC's areas of operation;
- future development potential of the Suffield operations, including future oil drilling and gas optimization programs;
- development of the Blackrod project in Canada;
- current and future drilling pad production and timing and success of facility upgrades and tie-in work at Onion Lake Thermal;
- the ability of IPC to achieve and maintain current and forecast production and take advantage of production growth and development upside opportunities related to the oil and gas assets acquired in the Granite Acquisition;
- the timing and success of the future development projects and other organic growth opportunities in France;
- the ability to maintain current and forecast production in France;
- the ability of IPC to identify alternative transportation and marketing options for Paris Basin production in connection with the announced closure of the Total-operated Grandpuits refinery, on terms acceptable to the Corporation;
- the ability of IPC to achieve and maintain current and forecast production in Malaysia;
- IPC's ability to implement its GHG emissions intensity and climate strategies and to achieve its net GHG emissions intensity reduction targets;
- estimates of reserves;
- estimates of contingent resources;
- the ability to generate free cash flows and use that cash to repay debt; and
- future drilling and other exploration and development activities.

Statements relating to "reserves" and "contingent resources" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated and that the reserves and resources can be profitably produced in the future. Ultimate recovery of reserves or resources is based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. See also "Reserves and Resource Advisory".

The forward-looking statements are based on certain key expectations and assumptions made by IPC, including expectations and assumptions concerning: prevailing commodity prices and currency exchange rates; applicable royalty rates and tax laws; interest rates; future well production rates and reserve and contingent resource volumes; operating costs; the timing of receipt of regulatory approvals; the performance of existing wells; the success obtained in drilling new wells; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the successful completion of acquisitions and dispositions; the benefits of acquisitions; the state of the economy and the exploration and production business in the jurisdictions in which IPC operates and globally; the availability and cost of financing, labor and services; and the ability to market crude oil, natural gas and natural gas liquids successfully.

## Management's Discussion and Analysis

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

Although IPC believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because IPC can give no assurances that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks.

These include, but are not limited to:

- the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production;
- delays or changes in plans with respect to exploration or development projects or capital expenditures;
- the uncertainty of estimates and projections relating to reserves, resources, production, revenues, costs and expenses;
- health, safety and environmental risks;
- commodity price fluctuations, including those experienced in 2020;
- exchange rate and interest rate fluctuations;
- marketing and transportation;
- loss of markets;
- environmental risks;
- competition;
- incorrect assessment of the value of acquisitions;
- failure to complete or realize the anticipated benefits of acquisitions or dispositions;
- the ability to access sufficient capital from internal and external sources;
- failure to obtain required regulatory and other approvals; and
- changes in legislation, including but not limited to tax laws, royalties, environmental and abandonment regulations.

Readers are cautioned that the foregoing list of factors is not exhaustive.

Additional information on these and other factors that could affect IPC, or its operations or financial results, are included in the Financial Statements, the Corporation's Annual Information Form (AIF) for the year ended December 31, 2019 (See "Cautionary Statement Regarding Forward-Looking Information", "Reserves and Resources Advisory" and "Risk Factors") and other reports on file with applicable securities regulatory authorities, including previous financial reports, management's discussion and analysis and material change reports, which may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or IPC's website ([www.international-petroleum.com](http://www.international-petroleum.com)).

### RESERVES AND RESOURCE ADVISORY

This MD&A contains references to estimates of gross and net reserves and resources attributed to the Corporation's oil and gas assets. Gross reserves / resources are the working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests. Net reserves / resources are the working interest (operating or non-operating) share after deduction of royalty obligations, plus royalty interests in reserves/resources, and in respect of PSCs in Malaysia, adjusted for cost and profit oil. Unless otherwise indicated, reserves / resource volumes are presented on a gross basis.

Reserve estimates, contingent resource estimates and estimates of future net revenue in respect of IPC's oil and gas assets in Canada (including oil and gas assets acquired in the Granite Acquisition) are effective as of December 31, 2019, and are included in the reports prepared by Sproule Associates Limited (Sproule), an independent qualified reserves evaluator, in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* (NI 51-101) and the Canadian Oil and Gas Evaluation Handbook (the COGE Handbook) and using Sproule's December 31, 2019 price forecasts.

Reserve estimates, contingent resource estimates and estimates of future net revenue in respect of IPC's oil and gas assets in France and Malaysia are effective as of December 31, 2019, and are included in the report prepared by ERC Equipoise Ltd. (ERCE), an independent qualified reserves auditor, in accordance with NI 51-101 and the COGE Handbook, and using Sproule's December 31, 2019 price forecasts.

The price forecasts used in the Sproule and ERCE reports are available on the website of Sproule ([sproule.com](http://sproule.com)) and are contained in the AIF. These price forecasts are as at December 31, 2019 and may not be reflective of current and future forecast commodity prices.

2P reserves as at December 31, 2019 of 300 MMboe includes 286.2 MMboe attributable to IPC's oil and gas assets and 14.0 MMboe attributable to oil and gas assets acquired in the Granite Acquisition. Contingent resources (best estimate, unrisks) as at December 31, 2019 of 1,089 MMboe includes 1,082.5 MMboe attributable to IPC's oil and gas assets and 6.2 MMboe attributable to oil and gas assets acquired in the Granite Acquisition. The reserve life index (RLI) is calculated by dividing the 2P reserves of 300 MMboe as at December 31, 2019 (including the 2P reserves attributable to oil and gas assets acquired in the Granite Acquisition), by the mid-point of the 2020 CMD production guidance of 46,000 to 50,000 boepd.

## Management's Discussion and Analysis

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

The product types comprising the 2P reserves described in this MD&A are contained in the AIF. Light, medium and heavy crude oil reserves/resources disclosed in this MD&A include solution gas and other by-products.

"2P reserves" means proved plus probable reserves. "Proved reserves" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. "Probable reserves" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Each of the reserves categories reported (proved and probable) may be divided into developed and undeveloped categories. "Developed reserves" are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing. "Developed producing reserves" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty. "Developed non-producing reserves" are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown. "Undeveloped reserves" are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies are conditions that must be satisfied for a portion of contingent resources to be classified as reserves that are: (a) specific to the project being evaluated; and (b) expected to be resolved within a reasonable timeframe. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent resources are further classified in accordance with the level of certainty associated with the estimates and may be sub-classified based on a project maturity and/or characterized by their economic status.

There are three classifications of contingent resources: low estimate, best estimate and high estimate. Best estimate is a classification of estimated resources described in the COGE Handbook as being considered to be the best estimate of the quantity that will be actually recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the best estimate.

Contingent resources are further classified based on project maturity. The project maturity subclasses include development pending, development on hold, development unclarified and development not viable. All of the Corporation's contingent resources are classified as either development on hold or development unclarified. Development on hold is defined as a contingent resource where there is a reasonable chance of development, but there are major non-technical contingencies to be resolved that are usually beyond the control of the operator. Development unclarified is defined as a contingent resource that requires further appraisal to clarify the potential for development and has been assigned a lower chance of development until contingencies can be clearly defined. Chance of development is the probability of a project being commercially viable.

References to "unrisked" contingent resources volumes means that the reported volumes of contingent resources have not been risked (or adjusted) based on the chance of commerciality of such resources. In accordance with the COGE Handbook for contingent resources, the chance of commerciality is solely based on the chance of development based on all contingencies required for the re-classification of the contingent resources as reserves being resolved. Therefore unrisked reported volumes of contingent resources do not reflect the risking (or adjustment) of such volumes based on the chance of development of such resources.

The contingent resources reported in the MD&A are estimates only. The estimates are based upon a number of factors and assumptions each of which contains estimation error which could result in future revisions of the estimates as more technical and commercial information becomes available. The estimation factors include, but are not limited to, the mapped extent of the oil and gas accumulations, geologic characteristics of the reservoirs, and dynamic reservoir performance. There are numerous risks and uncertainties associated with recovery of such resources, including many factors beyond the Corporation's control. There is uncertainty that it will be commercially viable to produce any portion of the contingent resources referred to in the MD&A.

2P reserves and contingent resources included in the reports prepared by Sproule and ERCE in respect of IPC's oil and gas assets in Canada, France and Malaysia have been aggregated by IPC and may also be aggregated by IPC with the 2P reserves and contingent resources attributable to the oil and gas assets acquired in the Granite Acquisition included in the reports prepared by Sproule on behalf of IPC. Estimates of reserves, resources and future net revenue for individual properties may not reflect the same level of confidence as estimates of reserves, resources and future net revenue for all properties, due to aggregation. This MD&A contains estimates of the net present value of the future net revenue from IPC's reserves. The estimated values of future net revenue disclosed in this MD&A do not represent fair market value. There is no assurance that the forecast prices and cost assumptions used in the reserve evaluations will be attained and variances could be material.

## **Management's Discussion and Analysis**

### **For the three and nine months ended September 30, 2020**

References to "contingent resources" do not constitute, and should be distinguished from, references to "reserves".

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 thousand cubic feet (Mcf) per 1 barrel (bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a 6:1 conversion basis may be misleading as an indication of value.

# Management's Discussion and Analysis

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

### OTHER SUPPLEMENTARY INFORMATION

#### Abbreviations

CAD or CA\$	Canadian dollar
EUR or €	Euro
USD or US\$	US dollar
MYR	Malaysian Ringgit
FPSO	Floating Production Storage and Offloading (facility)

#### Oil related terms and measurements

AECO	The daily average benchmark price for natural gas at the AECO hub in southeast Alberta
API	An indication of the specific gravity of crude oil on the API (American Petroleum Institute) gravity scale
ASP	Alkaline surfactant polymer (an EOR process)
bbl	Barrel (1 barrel = 159 litres)
boe <sup>1</sup>	Barrels of oil equivalents
boepd	Barrels of oil equivalents per day
bopd	Barrels of oil per day
Bscf	Billion standard cubic feet
Empress	The benchmark price for natural gas at the Empress point at the Alberta/Saskatchewan border
EOR	Enhanced Oil Recovery
Mbbl	Thousand barrels
MMbbl	Million barrels
Mboe	Thousand barrels of oil equivalents
Mboepd	Thousand barrels of oil equivalents per day
Mbopd	Thousand barrels of oil per day
MMboe	Million barrels of oil equivalents
MMbtu	Million British thermal units
Mcf	Thousand cubic feet
NGL	Natural gas liquid
SAGD	Steam assisted gravity drainage (a thermal recovery process)
WTI	West Texas Intermediate (a light oil reference price)
WCS	Western Canadian Select (a heavy oil reference price)

<sup>1</sup>All volume references to boe are calculated on the basis of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) unless otherwise indicated. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boes may be misleading, particularly if used in isolation. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

# Management's Discussion and Analysis

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

### DIRECTORS

C. Ashley Heppenstall  
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London, England

Mike Nicholson  
Director, President and Chief Executive Officer  
Geneva, Switzerland

Chris Bruijnzeels  
Director  
Abcoude, The Netherlands

Donald K. Charter  
Director  
Toronto, Ontario, Canada

Torstein Sanness  
Director  
Oslo, Norway

Daniella Dimitrov  
Director  
Toronto, Ontario, Canada

Lukas (Harry) H. Lundin  
Director  
Toronto, Ontario, Canada

### OFFICERS

Christophe Nerguararian  
Chief Financial Officer  
Geneva, Switzerland

William Lundin  
Chief Operating Officer (from December 1, 2020)  
Geneva, Switzerland

Daniel Fitzgerald  
Chief Operating Officer (until December 1, 2020)  
Geneva, Switzerland

Jeffrey Fountain  
General Counsel and Corporate Secretary  
Geneva, Switzerland

Chris Hogue  
Senior Vice President Canada  
Calgary, Alberta, Canada

Ryan Adair  
Vice President Asset Management and  
Corporate Planning Canada  
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### MEDIA RELATIONS

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Stockholm Trading Symbol: IPCO

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