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International Petroleum Corporation

***Audited Consolidated
Financial Statements***

For the years ended December 31, 2017 and 2016



**International
Petroleum
Corp.**

International Petroleum Corporation

Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

AUDITED

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International Petroleum Corp.

Company No BC1103721

Suite 2000, 885 West Georgia Street
Vancouver, BC V6C 3E8
Canada

International Petroleum Corporation

Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

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REPORT OF MANAGEMENT

The accompanying consolidated financial statements of International Petroleum Corporation ("IPC" or the "Corporation" and, together with its subsidiaries, the "Group") and other information contained in the management's discussion and analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as outlined in Part 1 of the Handbook of the Chartered Professional Accountants of Canada, and include some amounts that are based on management's estimates and judgment.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, which is comprised solely of independent directors. The Audit Committee reviews the Group's annual consolidated financial statements and recommends its approval to the Board of Directors. The Corporation's auditors have full access to the Audit Committee, with and without management being present. These consolidated financial statements have been audited by PricewaterhouseCoopers AG, Chartered Professional Accountants, Licensed Public Accountants.

(Signed) Mike Nicholson
Director, President and Chief Executive Officer

(Signed) Christophe Nerguararian
Chief Financial Officer

Vancouver, Canada
February 26, 2018



February 26, 2018

**Independent Auditor's Report
To the Shareholders of International Petroleum Corporation**

We have audited the accompanying consolidated financial statements of International Petroleum Corporation, which comprise the Consolidated Balance Sheet as at December 31, 2017 and December 31, 2016 and the Consolidated Statement of Operations, Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flow and Consolidated Statement of Changes in Equity for the years ended December 31, 2017 and December 31, 2016, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated balance sheet of International Petroleum Corporation as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years ended December 31, 2017 and December 31, 2016 in accordance with International Financial Reporting Standards.

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PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

Emphasis of Matter

We draw attention to the fact that, as described in Note 2 “Basis of Preparation and Significant Accounting Policies” to the financial statements, for the period from January 1, 2016 through April 24, 2017, the oil and gas assets spun off to International Petroleum Corporation were not operated as a separate entity as they formed part of Lundin Petroleum AB. The amounts included in these financial statements related to the period prior to Spin Off are, therefore, not necessarily indicative of results that would have occurred if the oil and gas assets of Lundin Petroleum AB spun off to International Petroleum Corporation had been a separate stand-alone entity during this period. Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers AG



Stephen Johnson



Colin Johnson

International Petroleum Corporation

Consolidated Statement of Operations

For the years ended December 31, 2017 and 2016

AUDITED

USD Thousands	Note	2017	2016
Revenue	4	203,001	209,880
Cost of sales			
Production costs	5	(64,437)	(59,155)
Depletion and decommissioning costs		(54,555)	(85,187)
Depreciation of other assets		(31,629)	(31,073)
Exploration and business development costs		(3,786)	(14,141)
Impairment costs		164	(125,963)
Gross profit/(loss)	6	48,758	(105,639)
Other income	7	–	4,804
Sale of assets	8	–	(3,452)
General, administration and depreciation expenses		(10,400)	(1,931)
Profit/(loss) before financial items		38,358	(106,218)
Finance income	9	94	19,132
Finance costs	10	(15,001)	(3,747)
Net financial items		(14,907)	15,385
Profit/(loss) before tax		23,451	(90,833)
Income tax	11	(728)	(4,887)
Net result		22,723	(95,720)
Net result attributable to:			
Shareholders of the Parent Company		22,718	(95,728)
Non-controlling interest		5	8
		22,723	(95,720)
Earnings per share – USD ¹	19	0.23	(0.84)
Earnings per share fully diluted – USD ¹	19	0.23	(0.84)

¹ Based on net result attributable to shareholders of the Parent Company.

See accompanying notes to the consolidated financial statements.

International Petroleum Corporation

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2017 and 2016

AUDITED

USD Thousands	2017	2016
Net result	22,723	(95,720)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Cash flow hedges	1,292	–
Currency translation adjustments ¹	(3,374)	–
Total comprehensive income/(loss)	20,641	(95,720)
Total comprehensive income/(loss) attributable to:		
Shareholders of the Parent Company	20,620	(95,728)
Non-controlling interest	21	8
	20,641	(95,720)

¹ Currency translation adjustments recognized from Spin-Off date.

See accompanying notes to the consolidated financial statements.

International Petroleum Corporation

Consolidated Balance Sheet

For the years ended December 31, 2017 and 2016

AUDITED

USD Thousands	Note	December 31, 2017	December 31, 2016
ASSETS			
Non-current assets			
Exploration and evaluation assets	12	7,380	2,904
Property, plant and equipment, net	13	312,401	317,808
Other tangible fixed assets, net	14	123,051	152,157
Financial assets		5	5
Deferred tax assets	11	12,398	12,049
Total non-current assets		455,235	484,923
Current assets			
Inventories	15	24,611	25,067
Trade and other receivables	16	74,794	48,226
Derivative instruments	22	1,372	–
Current tax	11	20	406
Cash and cash equivalents	17	33,679	13,410
Total current assets		134,476	87,109
TOTAL ASSETS		589,711	572,032
EQUITY AND LIABILITIES			
Shareholders' equity		307,166	405,348
Non-controlling interest		(224)	(252)
Net shareholders equity / Net parent company investment		306,942	405,096
Non-current liabilities			
Financial liabilities	21	59,267	–
Provisions	23	105,887	93,581
Deferred tax liabilities	11	53,943	46,616
Total non-current liabilities		219,097	140,197
Current liabilities			
Trade and other payables	24	57,388	22,924
Provisions	23	6,025	3,815
Current tax liabilities	11	259	–
Total current liabilities		63,672	26,739
TOTAL EQUITY AND LIABILITIES		589,711	572,032

Approved by the Board of Directors

(Signed) C. Ashley Heppenstall
Director

(Signed) Mike Nicholson
Director

See accompanying notes to the consolidated financial statements.

International Petroleum Corporation

Consolidated Statement of Cash Flow

For the years ended December 31, 2017 and 2016

AUDITED

USD Thousands	2017	2016
Cash flow from operating activities		
Net result	22,723	(95,720)
Adjustments for non-cash related items:		
Depletion, depreciation and amortization	87,162	117,510
Exploration costs	917	14,141
Impairment costs	(164)	125,963
Current tax	196	(2,199)
Deferred tax	532	7,086
Capitalized financing fees	700	–
Foreign currency exchange	8,922	(19,070)
Interest expense	1,378	8
Result on sale of the Singa field, Indonesia (see Note 8)	–	3,452
Changes in estimates	3,674	3,571
Share-based costs (see Note 20)	3,224	–
Other	(1,058)	1,608
Cash flow generated from operations (before working capital adjustments and income taxes)	128,206	156,350
Changes in working capital	20,344	(51,790)
Income taxes paid	476	4,880
Net cash flow from operating activities	149,026	109,440
Cash flow used in investing activities		
Investment in oil and gas properties	(23,077)	(34,905)
Investment in other fixed assets	(546)	1,724
Deposit for business acquisition (see Note 16)	(32,632)	–
Decommissioning costs paid	(5,169)	(9,710)
Disposal of fixed assets	–	23,770
Other payments	–	(206)
Net cash (outflow) from investing activities	(61,424)	(19,327)
Cash flow from financing activities		
Borrowings	120,000	–
Repayments of borrowings	(60,000)	–
Paid financing fees	(1,391)	–
Cash funded from / (to) Lundin Petroleum	(31,394)	(102,774)
Share purchase	(90,632)	–
Net cash (outflow) from financing activities	(63,417)	(102,774)
Change in cash and cash equivalents	24,185	(12,661)
Cash and cash equivalents at the beginning of the period	13,410	29,488
Currency exchange difference in cash and cash equivalents	(3,916)	(3,417)
Cash and cash equivalents at the end of the period	33,679	13,410

See accompanying notes to the consolidated financial statements.

International Petroleum Corporation

Consolidated Statement of Changes in Equity

For the years ended December 31, 2017 and 2016

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USD Thousands	Parental investment	Share capital	Share premium	Retained earnings	Non-controlling interest	IFRS 2 reserve	MTM reserve	CTA	Total
Balance at January 1, 2016	603,850	–	–	–	(260)	–	–	–	603,590
Parent Company net investment/(proceeds)	(102,774)	–	–	–	–	–	–	–	(102,774)
Net result prior to Spin-Off	(95,728)	–	–	–	8	–	–	–	(95,720)
Balance at December 31, 2016	405,348	–	–	–	(252)	–	–	–	405,096
Parent Company net investment/(proceeds)	(31,394)	–	–	–	7	–	–	–	(31,387)
Net result prior to Spin-Off	(3,362)	–	–	–	9	–	–	–	(3,353)
Balance at Spin-Off date	370,592	–	–	–	(236)	–	–	–	370,356
Formation of the Corporation	(410,000)	86,342	323,658	–	–	–	–	–	–
Valuation adjustments ¹	39,408	–	(39,408)	–	–	–	–	–	–
Net result after formation of the Corporation	–	–	–	26,080	(4)	–	–	–	26,076
Cash flow hedge	–	–	–	–	–	–	1,292	–	1,292
Other comprehension income	–	–	–	–	16	231	80	(3,701)	(3,374)
Purchase and cancellation of common shares	–	(19,436)	(71,196)	–	–	–	–	–	(90,632)
Share based payments ²	–	–	–	–	–	3,224	–	–	3,224
Balance at December 31, 2017	–	66,906	213,054	26,080	(224)	3,455	1,372	(3,701)	306,942

¹ Arises due to the use of the predecessor basis method of accounting.

² See Note 20.

International Petroleum Corporation

Notes to the Consolidated Financial Statements

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1. CORPORATE INFORMATION

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

IPC acquired the Malaysian, French and Dutch assets through a series of reorganization transactions completed on April 7, 2017. On April 24, 2017, the Spin-Off was completed and IPC's shares commenced trading on the Toronto Stock Exchange and Nasdaq First North under the ticker symbol "IPCO".

The Corporation is incorporated and domiciled in British Columbia, Canada under the Business Corporations Act. The address of its registered office is Suite 2600, Three Bentall Centre, 595 Burrard Street, P.O. Box 49314, Vancouver, BC V7X 1L3, Canada.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements include the accounts of the Group from the Spin-Off date of April 24, 2017 and also incorporate the carve-out combined financial statements of IPC as if it had operated as a stand-alone entity prior to this date – see section 'Basis of Preparation Prior to the Spin-Off date' below.

These consolidated financial statements are presented in United States Dollars (USD), which is the Group's presentation and functional currency. The consolidated financial statements have been prepared on a historical cost basis, except for items that are required to be accounted for at fair value as detailed in the Group's accounting policies. Intercompany transactions and balances have been eliminated.

Basis of preparation prior to the Spin-Off date

Prior to the Spin-Off date, separate financial statements were not prepared for the assets that were spun-off as they were not operated as a single business by Lundin Petroleum AB and accordingly, the results up until the Spin-Off date have been carved out from the historical consolidated financial statements of Lundin Petroleum AB. The carve-out combined financial statements for 2016 and the operating results for 2017 prior to the Spin-Off date have been derived from the accounting records of Lundin Petroleum on a carve-out basis and should be read in conjunction with Lundin Petroleum's annual consolidated financial statements and the notes thereto for the year ended December 31, 2016 and Lundin Petroleum's subsequently published quarterly reports for 2017.

As the carve-out combined financial statements for 2016 and the 2017 results up to the Spin-Off date represent portions of Lundin Petroleum's business, which were not previously organized into a single legal entity, the net assets of IPC have been reflected as a Parent Company net investment up to the Spin-Off date.

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

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

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

The preparation of financial statements requires management to make certain estimates and assumptions, either at the balance sheet date or during the year that affect the reported amounts of assets or liabilities as well as expenses. Actual outcomes and results could differ from those estimates and assumptions. In particular due to the fact that the presented historical combined financial information for 2016 and operating results for 2017 up to the Spin-Off date have been extracted from Lundin Petroleum's financial information the following has to be considered:

- In the past, the business of IPC did not form a separate legal company. Therefore it is not possible to provide an analysis of share capital and reserves. The Corporation's invested capital in these combined financial statements represents the excess of total assets over total liabilities. Net parent company investment primarily represents the contributions from Lundin Petroleum prior to the Spin-Off. The net assets of the Group are represented by the cumulative investment of Lundin Petroleum prior to the Spin-Off in the business (presented as "net parent company investment").
- Prior to the Spin-Off, all funding of the Group came from Lundin Petroleum. These historical funding costs of Lundin Petroleum are not allocated to the operations and have therefore not been reflected in the combined income statement or combined balance sheet.

B. Going concern

The Group's consolidated financial statements for the year ended December 31, 2017 have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business as they become due in the foreseeable future.

C. Changes in accounting policies and disclosures

There are no IFRS or interpretations that have been issued effective for financial years beginning on or after January 1, 2017, that would have a material impact on the Group's consolidated financial statements.

D. Future accounting changes

Accounting standards that have been previously issued by the International Accounting Standards Board ("IASB") but are not yet effective, and have not been applied by the Corporation, include International Financial Reporting Standards ("IFRS") 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases".

IFRS 9 "Financial Instruments"

IFRS 9 will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces a revised model for classification and measurement, a forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Group plans to adopt the standard beginning January 1, 2018. The Group has reviewed its financial assets and liabilities and has made the following conclusions from the adoption of the new standard on January 1, 2018:

- There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.
- The new hedge accounting rules will align the accounting for hedging instruments more closely with risk management practices. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.
- The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at Fair Value through other comprehensive income (FVOCI), contract assets under IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects an immaterial increase in the loss allowance for trade debtors. A preliminary assessment has been made and it is anticipated that there will be no material change as a result of adopting this new standard.

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IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 provides guidance on the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effective date of the standard is January 1, 2018, with earlier adoption permitted. The Group plans to adopt the standard beginning January 1, 2018. The Group has reviewed its revenue contracts and has made a preliminary assessment and does not expect any material effect on the financial statements with respect to the application of IFRS 15.

IFRS 16 “Leases”

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

E. Basis of Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control and are consolidated. The Corporation controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The non-controlling interest in a subsidiary represents the portion of the subsidiary not owned by Group companies. The equity of the subsidiary relating to the non-controlling shareholders is shown as a separate item within changes in net equity.

Inter-company transactions, balances, income and expenses on transactions between companies are eliminated. Profits and losses resulting from intercompany transactions that are recognized in assets are also eliminated.

F. Joint Arrangements

Oil and gas operations of the Group are conducted as co-licencees in unincorporated joint ventures with other companies and are classified as joint operations. The consolidated financial statements reflect the relevant proportions of production, capital costs, operating costs and current assets and liabilities of the joint operation applicable to the Corporations’ interests.

G. Foreign Currency Translation

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date and foreign exchange currency differences are recognized in the consolidated statement of operations. Transactions in foreign currencies are translated at exchange rates prevailing at the transaction date. Foreign exchange gains and losses are presented within finance income and costs in the consolidated statement of operations.

Functional and presentation currency

Items included in the financial statements of each of the operational entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of the Corporation’s operational entities are the EUR and USD. The consolidated financial statements are presented in USD which is the Corporation’s presentation currency. The balance sheets and income statements of foreign companies are translated using the current rate method. All assets and liabilities are translated at the balance sheet date rates of exchange, whereas the income statements are translated at average rates of exchange for the year, except for transactions where it is more relevant to use the rate of the day of the transaction. The translation differences which arise are recorded directly in net assets.

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For the preparation of the financial statements, the following currency exchange rates have been used.

	December 31, 2017		December 31, 2016	
	Average	Period end	Average	Period end
1 EUR equals USD	1.1293	1.1993	1.1066	1.0541
1 USD equals CAD	1.2982	1.2540	1.3256	1.3460
1 USD equals MYR	4.2994	4.0470	4.1455	4.4860

H. Classification of assets and liabilities

Non-current assets, long-term liabilities and provisions consist of amounts that are expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and current liabilities consist solely of amounts that are expected to be recovered or paid within twelve months after the balance sheet date.

I. Oil and gas properties

Oil and gas properties are recorded at historical cost less depletion. All costs for acquiring concessions, licences or interests in production sharing contracts and for the survey, drilling and development of such interests are capitalized on a field area cost centre basis.

Costs directly associated with an exploration well are capitalized until the determination of reserves is evaluated. If it is determined that a commercial discovery has not been achieved, these exploration costs are charged to the income statement. During the exploration and development phases, no depletion is charged. The field will be transferred from the non-producing assets to the producing assets within oil and gas properties once production commences, and accounted for as a producing asset. Routine maintenance and repair costs for producing assets are expensed to the income statement when they occur.

Net capitalized costs to reporting date, together with anticipated future capital costs for the development of the proved and probable reserves determined at the balance sheet date price levels, are depleted based on the year's production in relation to estimated total proved and probable reserves of oil and gas in accordance with the unit of production method. Depletion of a field area is charged to the income statement through cost of sales once production commences.

Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and governmental regulations. Proved reserves can be categorised as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimates.

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

Proceeds from the sale or farm-out of oil and gas concessions in the exploration stage are offset against the related capitalized costs of each cost centre with any excess of net proceeds over all costs capitalized included in the income statement. In the event of a sale in the exploration stage, any deficit is included in the income statement.

Impairment tests are performed annually or when there are facts and circumstances that suggest that the net book value of capitalized costs within each field area cost centre less any provision for asset retirement obligation costs, royalties and deferred production or revenue related taxes is higher than the anticipated future net cash flow from oil and gas reserves attributable to the Corporation's interest in the related field areas. Capitalized costs cannot be carried unless those costs can be supported by future cash flows from that asset. Provision is made for any impairment, where the net carrying value, according to the above, exceeds the recoverable amount, which is the higher of value in use and fair value less costs of disposal, determined through estimated future discounted net cash flows using prices and cost levels used by management in their internal forecasting. If there is no decision to continue with a field specific exploration program, the costs will be expensed at the time the decision is made.

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J. Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation. The cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is based on cost and is calculated on a straight line basis over the estimated economic life of 3 to 5 years for office equipment and other assets. The Floating Production Storage and Offloading ("FPSO") located on the Bertam field, Malaysia, is being depreciated over the committed contract term.

Additional costs to existing assets are included in the assets' net book value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The net book value of any replaced parts is written off. Other additional expenses are deemed to be repair and maintenance costs and are charged to the income statement when they are incurred.

The net book value is written down immediately to its recoverable amount when the net book value is higher. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

K. Impairment of Assets

At each balance sheet date, an assessment is made as to whether there is an indication that an asset may be impaired. Where an indicator of impairment exists or when impairment testing for an asset is required, the formal assessment of the recoverable amount is made. Where the carrying value of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In determining fair value less costs of disposal, recent market transactions are considered, if available. In the absence of such transactions, an appropriate valuation model is used. Value in use is calculated by discounting estimated future cash flows to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. When the recoverable amount is less than the carrying value an impairment loss is recognized with the expensed charge to the income statement. If indications exist that previously recognized impairment losses no longer exist or are decreased, the recoverable amount is estimated. When a previously recognized impairment loss is reversed the carrying amount of the asset is increased to the estimated recoverable amount but the increased carrying amount may not exceed the carrying amount after depreciation that would have been determined had no impairment loss been recognized for the asset in prior years. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the asset is tested as part of a CGU, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An impairment loss is the amount by which the carrying amount of the individual asset or CGU exceeds its recoverable amount.

L. Financial Instruments

Financial instruments are recognized on the consolidated balance sheet on the trade date, the date on which a Group company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be classified and measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument. The Group classifies its financial instruments in the following categories:

Loans and receivables

Loans and receivables are carried at amortized cost using the effective interest method less provision for impairment. Translation differences are reported in the income statement except for the translation differences arising from long-term loans to subsidiaries, used for financing exploration activities and for which no fixed terms of repayment exists, which are recorded directly in other comprehensive income.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest method. Bank debt and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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M. Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction, hedges of the fair value of recognized assets and liabilities or a firm commitment, or hedges of a net investment in a foreign operation.

The Group documents at the inception of the transaction the relationship between hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 22. Movements on the hedging reserve in other comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately within finance income or costs. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit or loss. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognized in profit or loss as finance income or costs.

N. Inventories

Inventories of consumable well supplies are stated at the lower of cost and net realisable value, cost being determined on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories of hydrocarbons are stated at the lower of cost and net realisable value. Under or overlifted positions of hydrocarbons are valued at market prices prevailing at the balance sheet date. An underlift of production from a field is included in the current receivables and valued at the reporting date spot price or prevailing contract price and an overlift of production from a field is included in the current liabilities and valued at the reporting date spot price or prevailing contract price. A change in the over or underlift position is reflected in the income statement as revenue.

O. Cash and cash equivalents

Cash and cash equivalents include cash at bank and cash in hand.

P. Provisions

A provision is reported when the Group has a legal or constructive obligation as a consequence of an event and when it is more likely than not that an outflow of resources is required to settle the obligation and a reliable estimate can be made of the amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as financial expense.

On fields where there is an obligation to contribute to asset retirement obligation costs, a provision is recorded to recognize the future commitment. An asset is created, as part of the oil and gas property, to represent the discounted value of the anticipated asset retirement obligation liability and depleted over the life of the field on a unit of production basis. The corresponding accounting entry to the creation of the asset recognizes the discounted value of the future liability. The discount applied to the anticipated asset retirement obligation liability is subsequently released over the life of the field and is charged to financial expenses. Changes in asset retirement obligation costs and reserves are treated prospectively and consistent with the treatment applied upon initial recognition.

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Q. Revenue and Other Operating Revenue

Sales of oil and gas are recognized in the income statement upon delivery of products and customer acceptance or on performance of services.

Production and sales taxes directly attributable to fields, including export duties, are expensed in the income statement and classified as direct production taxes included within production costs. Production taxes payable in cash are accrued in the accounting period in which the liability arises.

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

R. Employee Benefits

Short-term employee benefits

Short-term employee benefits such as salaries, social premiums and holiday pay, are expensed when incurred.

Pension obligations

The pension obligations consist of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an expense when they are due.

Share-based payments

The Group operates an equity-settled, share-based compensation plan under which the entity receives services from employees, directors and officers as consideration for equity instruments of the Corporation. Equity-settled share-based payments are recognized in the income statement as expenses during the vesting period and as equity in the balance sheet. The option is measured at fair value at the date of the grant using an appropriate options pricing model and is charged to the income statement over the vesting period without revaluation of the value of the option.

S. Taxation

The components of tax are current and deferred. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is accounted for consistently with the related item.

Current tax is tax that is to be paid or received for the year in question and also includes adjustments of current tax attributable to previous periods.

Deferred income tax is a non-cash charge provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values. Temporary differences can occur for example where investment expenditure is capitalized for accounting purposes but the tax deduction is accelerated or where asset retirement obligation costs are provided for in the financial statements but not deductible for tax purposes until they are actually incurred. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Corporation and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets are offset against deferred tax liabilities in the balance sheet where they relate to the same jurisdiction.

T. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, which, due to the unique nature of each country's operations, commercial terms or fiscal environment, is at a country level.

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U. Business combinations

Acquisitions of businesses are accounted for using the purchase method of accounting whereby all identifiable assets and liabilities are recorded at their fair values as at the date of acquisition. Any excess purchase price over the aggregate fair value of net assets is recorded as goodwill. Goodwill is identified and allocated to cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. Goodwill is not amortized. Any excess of the aggregate fair value of net assets over the purchase price is recognized in the consolidated statement of earnings.

A CGU to which goodwill has been allocated is tested for impairment at least annually or when events or circumstances indicate that an assessment for impairment is required. For goodwill arising on an acquisition in a financial year, the CGU to which the goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the CGU is less than the carrying amount of that CGU, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to that CGU first, and then to the other assets of that CGU pro rata on the basis of the carrying amount of each asset in the CGU. Any impairment loss for goodwill is recognized directly in the consolidated statement of earnings. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In connection with the preparation of the consolidated financial statements, the Group's 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. The assumptions, estimates and judgments are based on historical experience, current trends and other factors that management believes to be relevant at the time the consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that the consolidated 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.

Management believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of the consolidated financial statements:

Estimates in oil and gas reserves

Estimates of oil and gas reserves are used in the calculations for impairment tests and accounting for depletion and asset retirement obligation. Standard recognized evaluation techniques are used to estimate the proved and probable reserves. These techniques take into account the future level of development required to produce the reserves. An independent qualified reserves auditor reviews these estimates. Changes in estimates in oil and gas reserves, resulting in different future production profiles, will affect the discounted cash flows used in impairment testing, the anticipated date of site decommissioning and restoration and the depletion charges in accordance with the unit of production method. Changes in estimates in oil and gas reserves could for example result from additional drilling, observation of long-term reservoir performance or changes in economic factors such as oil price and inflation rates.

Impairment of oil and gas properties

Key assumptions in the impairment models relate to prices and costs that are based on forward curves and the long-term corporate assumptions. Annual impairment tests are performed in conjunction with the annual reserves certification process. The calculation of the impairment requires the use of estimates. For the purpose of determining a potential impairment, the assumptions that management uses to estimate the future cash flows for value-in-use are future oil and gas prices and expected production volumes. These assumptions and judgements of management that are based on them are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates and the discount rate applied is reviewed throughout the year.

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Provision for asset retirement obligations

Amounts used in recording a provision for asset retirement obligations are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and decommissioning. Due to changes in relation to these items, the future actual cash outflows in relation to the site decommissioning and restoration can be different. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of asset retirement obligation provisions are reviewed on a regular basis.

Deferred income tax assets

The Group accounts for differences that arise between the carrying amount of assets and liabilities and their tax bases in accordance with IAS 12, Income Taxes, which requires deferred income tax assets only to be recognized to the extent that is probable that future taxable profits will be available against which the temporary differences can be utilized. Management estimates future taxable profits based on the financial models used to value its oil and gas properties. Any change to the estimates and assumptions used for the key operational and financial variables used within the business models could affect the amount of deferred income tax assets recognized.

The effects of changes in estimates do not give rise to prior year adjustments and are treated prospectively over the estimated remaining commercial reserves of each field. While the Group uses its best estimates and judgement, actual results could differ from these estimates.

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4. REVENUE

USD Thousands	2017	2016
Crude oil	169,881	165,752
Condensate	338	447
Gas	14,963	24,517
Net sales of oil and gas	185,182	190,716
Change in under/over lift position	(613)	217
Other operating revenue	18,432	18,947
Revenue	203,001	209,880

5. PRODUCTION COSTS

USD Thousands	2017	2016
Cost of operations	53,389	52,905
Tariff and transportation expenses	3,361	3,943
Direct production taxes	3,999	3,301
Operating costs	60,749	60,149
Change in inventory position	3,688	(994)
Total production costs	64,437	59,155

6. SEGMENT INFORMATION

The Group operates within several geographical areas. Operating segments are reported at a country level which is consistent with the internal reporting provided to the CEO, who is the chief operating decision maker.

The following tables present segment information regarding: revenue, production costs, exploration and evaluation costs, impairment costs of oil and gas properties and gross profit. In addition certain identifiable asset segment information is reported in Notes 12 and 13.

	2017				
USD Thousands	Malaysia	France	Netherlands	Other	Total
Crude oil	122,595	47,238	48	–	169,881
NGLs	–	–	338	–	338
Gas	–	–	14,963	–	14,963
Net sales of oil and gas	122,595	47,238	15,349	–	185,182
Change in under/over lift position	–	66	(679)	–	(613)
Other operating revenue	15,513	1,099	1,472	348	18,432
Revenue	138,108	48,403	16,142	348	203,001
Production costs	(30,393)	(26,118)	(7,926)	–	(64,437)
Depletion and decommissioning costs	(34,228)	(13,581)	(6,746)	–	(54,555)
Depreciation of other assets	(31,629)	–	–	–	(31,629)
Exploration and business development costs	346	(1,263)	–	(2,869)	(3,786)
Impairment costs	164	–	–	–	164
Gross profit/(loss)	42,368	7,441	1,470	(2,521)	48,758

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USD Thousands	2016				
	Malaysia	France	Netherlands	Other ¹	Total
Crude oil	125,823	39,887	42	–	165,752
NGLs	–	–	447	–	447
Gas	–	–	15,248	9,269	24,517
Net sales of oil and gas	125,823	39,887	15,737	9,269	190,716
Change in under/over lift position	–	391	(174)	–	217
Other operating revenue	15,110	1,187	1,721	929	18,947
Revenue	140,933	41,465	17,284	10,198	209,880
Production costs	(27,343)	(20,507)	(9,947)	(1,358)	(59,155)
Depletion and decommissioning costs	(61,086)	(14,380)	(9,721)	–	(85,187)
Depreciation of other assets	(31,073)	–	–	–	(31,073)
Exploration and business development costs	(13,053)	(51)	(1,339)	302	(14,141)
Impairment costs ²	(125,963)	–	–	–	(125,963)
Gross profit/(loss)	(117,585)	6,527	(3,723)	9,142	(105,639)

¹ Mainly relates to the Singa field, Indonesia, which was sold in April 2016.

² Mainly relates to Malaysian exploration and appraisal activity expenditures.

USD Thousands	Assets		Liabilities	
	2017	2016	2017	2016
Malaysia	307,334	343,649	293,864	465,976
France	264,266	220,757	147,251	121,719
Netherlands	87,078	74,993	50,046	45,064
Canada	3,512	–	14,873	–
Corporate	180,196	716,908	94,069	146,395
Other	69,826	63,063	5,167	235,120
Intercompany balance elimination	(322,501)	(847,338)	(322,501)	(847,338)
Total Assets / Liabilities	589,711	572,032	282,769	166,936
Shareholders equity	N/A	N/A	307,166	405,348
Non-controlling interest	N/A	N/A	(224)	(252)
Total equity for the group	N/A	N/A	306,942	405,096
Total consolidated	589,711	572,032	589,711	572,032

7. OTHER INCOME

USD Thousands	2017	2016
Other income	–	4,804
	–	4,804

Other income relates to a final settlement of a 2007 legal dispute in France which was accrued in 2016 and received in full in January 2017.

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8. SALE OF ASSETS

USD Thousands	2017	2016
Sale of assets	–	(3,452)
	–	(3,452)

Sale of assets relates to the loss on the sale of the Singa field in Indonesia, which was sold in April 2016.

9. FINANCE INCOME

USD Thousands	2017	2016
Foreign exchange gain/(loss), net	–	19,070
Interest income	94	2
Other financial income	–	60
	94	19,132

Exchange rate variations result primarily from fluctuations in the value of the USD currency against a pool of currencies which includes, amongst others, EUR. The Corporation has USD denominated intercompany debt recorded in subsidiaries using a functional currency other than USD.

10. FINANCE COSTS

USD Thousands	2017	2016
Foreign exchange gain/(loss), net	(8,922)	–
Unwinding of asset retirement obligation discount	(3,557)	(3,571)
Interest expense	(1,378)	(8)
Amortization of loan fees	(700)	–
Loan commitment fees	(391)	–
Other financial costs	(53)	(168)
	(15,001)	(3,747)

11. INCOME TAX

USD Thousands	2017	2016
Current tax	(196)	2,199
Deferred tax	(532)	(7,086)
Total tax	(728)	(4,887)

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

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The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of Canada as follows:

USD Thousands	2017	2016
Profit/(loss) before tax	23,451	(90,833)
Tax calculated at the corporate tax rate in Canada 26%	(6,097)	23,617
Effect of foreign tax rates	(711)	(2,853)
Tax effect of expenses non-deductible for tax purposes	(580)	(15,840)
Tax effect of uplift on expenses	167	1,081
Tax effect of income not subject to tax	6,145	5,326
Tax effect of utilisation of unrecorded tax losses	555	(334)
Tax effect of creation of unrecorded tax losses	62	(17,371)
Adjustments to prior year tax assessments	(269)	1,487
Profit/(loss) before tax	(728)	(4,887)

Specification of deferred tax assets and tax liabilities¹

USD Thousands	2017	2016
Unused tax loss carry forward	15,466	13,508
Asset retirement obligation provision	2,680	2,029
Other	1,465	945
Deferred tax assets	19,611	16,482
Accelerated allowances	59,884	49,105
Other	1,272	1,944
Deferred tax liabilities	61,156	51,049
Deferred taxes, net	41,545	34,567

¹ The specification of deferred tax assets and tax liabilities does not agree to the face of the balance sheet due to the netting off of balances in the balance sheet when they relate to the same jurisdiction.

The deferred tax liabilities consist of accelerated allowances, being the difference between the book and the tax value of oil and gas properties. The deferred tax liabilities will be released over the life of the oil and gas assets as the book value is depleted for accounting purposes.

Deferred tax assets in relation to tax loss carried forwards are only recognized in so far that there is a reasonable certainty as to the timing and the extent of their realization.

Unrecognized tax losses

The Corporation has Dutch tax loss carry forwards of approximately USD 171,183 thousand (USD 210,611 thousand in 2016). The tax losses can be carried forward and utilised for up to 9 years. A deferred tax asset of USD 42,796 thousand (USD 52,652 thousand in 2016) relating to the tax loss carry forwards has not been recognized as at 31 December 2017 due to the uncertainty as to the timing and the extent of the tax loss carry forward utilisation. This treatment is consistent with the comparative year's accounts.

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12. EXPLORATION AND EVALUATION ASSETS

USD Thousands	Malaysia	France	Netherlands	Total
Cost				
January 1, 2017	–	2,698	206	2,904
Additions	(92)	4,251	755	4,914
Reclassifications	–	(50)	(85)	(135)
Expensed exploration and evaluation costs	346	(1,263)	–	(917)
Currency translation adjustments	–	550	64	614
Net book value December 31, 2017	254	6,186	940	7,380

During the fourth quarter of 2017, the Corporation expensed in France an amount of USD 1,263 thousand related to pre-licensing costs incurred in France following an announcement by the French government in December 2017 that no new petroleum exploration licences will be granted. The French government also announced the intended cessation of oil and gas production activities in France from the year 2040, which is not expected to have a material impact to the Group.

USD Thousands	Malaysia	France	Netherlands	Other	Total
Cost					
January 1, 2016	121,626	2,696	–	–	124,322
Additions	14,188	283	673	(292)	14,852
Reclassifications	(517)	–	(457)	–	(974)
Expensed exploration and evaluation costs	(13,053)	(51)	–	302	(12,802)
Impairment	(122,259)	–	–	–	(122,259)
Currency translation adjustments	15	(230)	(10)	(10)	(235)
Net book value December 31, 2016	–	2,698	206	–	2,904

During the fourth quarter of 2016, the Company made the decision to focus the Malaysian business on the Bertam producing field and to exit all exploration and new venture activity in Malaysia. As a consequence, the Company impaired USD 122,259 thousand of expenditure relating to Malaysian exploration and appraisal activity in 2016.

13. PROPERTY, PLANT AND EQUIPMENT, NET

USD Thousands	Malaysia	France	Netherlands	Total
Cost				
January 1, 2017	423,919	310,481	127,861	862,261
Additions	11,708	4,696	1,759	18,163
Reclassifications	–	50	85	135
Change in estimate ¹	30	6,028	(257)	5,801
Currency translation adjustments	(27)	42,503	17,088	59,564
December 31, 2017	435,630	363,758	146,536	945,924
Accumulated depletion				
January 1, 2017	(293,355)	(142,143)	(108,955)	(544,453)
Depletion charge for the period	(34,228)	(13,464)	(6,746)	(54,438)
Currency translation adjustments	–	(19,850)	(14,782)	(34,632)
December 31, 2017	(327,583)	(175,457)	(130,483)	(633,523)
Net book value December 31, 2017	108,047	188,301	16,053	312,401

¹ Changes in the decommissioning estimate

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USD Thousands	Malaysia	France	Netherlands	Other	Total
Cost					
January 1, 2016	412,239	316,895	133,044	64,467	926,645
Additions	15,186	2,796	2,547	81	20,610
Reclassifications	517	–	457	–	974
Disposal	–	–	–	(65,548)	(64,548)
Change in estimate ¹	(4,091)	795	(3,965)	–	(7,261)
Currency translation adjustments	68	(10,005)	(4,222)	–	(14,159)
December 31, 2016	423,919	310,481	127,861	–	862,261
Accumulated depletion					
January 1, 2016	(232,269)	(132,596)	(101,497)	(46,820)	(513,182)
Depletion charge for the period	(61,086)	(14,380)	(9,721)	–	(85,187)
Disposal	–	–	–	46,820	46,820
Write off	–	–	(1,339)	–	(1,339)
Currency translation adjustments	–	4,833	3,602	–	8,435
December 31, 2016	(293,355)	(142,143)	(108,955)	–	(544,453)
Net book value December 31, 2016	130,564	168,338	18,906	–	317,808

¹ Changes in the decommissioning estimate.

Impairment

The Group carried out its impairment testing at 31 December 2017 on an asset basis in conjunction with the annual reserves audit process. The Group used appropriate oil or natural gas price curve based on year end price forecasts, a future cost inflation factor of 2% (2016: 2%) per annum, production and cost profiles based on proved and probable reserves (2P reserves) and a discount rate of 8% (2016: 8%) to calculate the future post-tax cash flows. In 2017, as a result of the testing, no impairment of the producing assets was required. A sensitivity analysis was performed and showed that a \$5/bbl decrease in the oil price curve does not result in an impairment charge, nor does a 2% increase in the discount rate.

14. OTHER TANGIBLE FIXED ASSETS, NET

USD Thousands	FPSO	Other	Total
Cost			
January 1, 2017	204,770	8,998	213,768
Additions	(74)	620	546
Disposals	–	(2,394)	(2,394)
Currency translation adjustments	2,904	609	3,513
December 31, 2017	207,600	7,833	215,433
Accumulated depreciation			
January 1, 2017	(54,758)	(6,853)	(61,611)
Depreciation charge for the period	(31,629)	(1,095)	(32,724)
Disposals	–	2,394	2,394
Currency translation adjustments	–	(441)	(441)
December 31, 2017	(86,387)	(5,995)	(92,382)
Net book value December 31, 2017	121,213	1,838	123,051

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USD Thousands	FPSO	Other	Total
Cost			
January 1, 2016	207,183	20,427	227,610
Additions	(1,721)	174	(1,547)
Disposals	–	(11,507)	(11,507)
Currency translation adjustments	(692)	(96)	(788)
December 31, 2016	204,770	8,998	213,768
Accumulated depreciation			
January 1, 2016	(23,685)	(15,329)	(39,014)
Depreciation charge for the period	(31,073)	(1,249)	(32,322)
Disposals	–	9,654	9,654
Currency translation adjustments	–	71	71
December 31, 2016	(54,758)	(6,853)	(61,611)
Net book value December 31, 2016	150,012	2,145	152,157

The FPSO located on the Bertam field, Malaysia, is being depreciated over the committed contract term and the depreciation charge is included in the depreciation of other assets line in the income statement.

For office equipment and other assets, the depreciation charge for the year is based on cost and an estimated useful life of 3 to 5 years. The depreciation charge is included within the general, administration and depreciation expenses in the income statement.

15. INVENTORIES

USD Thousands	December 31, 2017	December 31, 2016
Hydrocarbon stocks	10,640	13,670
Well supplies and operational spares	13,971	11,397
	24,611	25,067

16. TRADE AND OTHER RECEIVABLES

USD Thousands	December 31, 2017	December 31, 2016
Trade receivables	24,764	29,299
Underlift	1,102	1,509
Joint operations debtors	10,173	10,430
Prepaid expenses and accrued income	2,934	6,007
Other	35,821	981
	74,794	48,226

As at December 31, 2017, other items include a deposit of CAD 40 million in relation to the Suffield Acquisition (see Note 21 and 29).

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17. CASH AND CASH EQUIVALENTS

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

18. SHARE CAPITAL

The common shares of IPC started trading on both the Toronto Stock Exchange and the Nasdaq First North in Stockholm on April 24, 2017 with a total of 113,462,148 common shares issued and outstanding. As part of the share purchase offer by a subsidiary of IPC announced following listing, 25,540,302 common shares were tendered (including the 22,805,892 common shares owned by Statoil) for approximately USD 90.6 million and, as part of a subsequent internal reorganization, these shares were subsequently cancelled. The Corporation has authorized share capital consisting of an unlimited number of common shares of which 87,921,846 are issued and outstanding at December 31, 2017.

In addition, IPC has 117,485,389 outstanding class A preferred shares, issued as a part of an internal corporate structuring to a wholly-owned subsidiary of IPC. Such preferred shares are not listed on any stock exchange and do not carry the right to vote on matters to be decided by the holders of IPC's common shares.

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

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

19. EARNINGS PER SHARE

Basic earnings per share are based on net result attributable to the common shareholders and is calculated based upon the weighted-average number of common shares outstanding during the periods presented. For comparative purposes, the Group's common shares issued under the Spin-Off have been assumed to be outstanding as of the beginning of each period prior to the Spin-Off.

	2017	2016
Net result attributable to shareholders of the Parent Company, USD	22,718,036	(95,728,259)
Weighted average number of shares for the year	98,587,027	113,462,148
Earnings per share, USD	0.23	(0.84)
Weighted average diluted number of shares for the year	99,138,548	113,462,148
Earnings per share fully diluted, USD	0.23	(0.84)

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20. SHARE-BASED PAYMENTS

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

Stock Option Plan

The Stock Option Plan was approved by the Board and provides for the grant of stock option awards to employees, consultants and directors. The plan gives the participants a right to buy common shares of IPC at an exercise price equal to the market value at the date of grant. The Board granted stock options under the Stock Option Plan on February 21, 2017 with a three year vesting period and a four year term, whereby the stock options vest equally in three tranches: one third after one year, one third after two years and the final third after three years. The plan is effective from February 21, 2017 and the total outstanding number of stock options at December 31, 2017 is 1,856,600. Each original stock-option was fair valued at the date of grant at CAD 2.01 using a Black-Scholes option pricing model. The assumptions used in the calculation were a risk free rate of 1.02%, expected volatility of 53.70%, dividend yield rate of 0%, and an exercise price of CAD 4.77.

The number of awards outstanding under the Stock Option Plan at December 31, 2017 are summarized in the table below.

IPC Stock Option Plan	2017
Outstanding at January 1, 2017	–
Awarded during the period	1,856,600
Forfeited during the period	–
Exercised during the period	–
Outstanding at December 31, 2017	1,856,600
Vesting date	
February 21, 2018	618,867
February 21, 2019	618,867
February 21, 2020	618,867
Outstanding at December 31, 2017	1,856,600

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

IPC Transitional PSP Plan

The 2015 IPC transitional PSP awards are effective from April 24, 2017 subject to certain performance conditions being met. The total outstanding number of awards at December 31, 2017 is 421,262 which vest on June 30, 2018. 75 percent of the awards will vest subject to continued employment only and have been fair valued at the grant date at CAD 4.77. The remaining 25 percent will vest subject to continued employment and on a straight-line basis for the share price performance between 100 percent and 125 percent of CAD 4.77 and have been fair valued at the grant date at CAD 2.50 using an adjusted share price calculated with a hybrid valuation model based on the Monte Carlo simulation. The assumptions used in the calculation of the adjusted share price were a risk free rate of 0.76%, expected volatility of 52.80%, dividend yield rate of 0%, and an exercise price of CAD 0.

The 2016 IPC transitional PSP awards are effective from April 24, 2017 subject to certain performance conditions being met. The total outstanding number of awards at December 31, 2017 is 733,307 which vest on June 30, 2019. 75 percent of the awards will vest subject to continued employment only and have been fair valued at the grant date at CAD 4.77. The remaining 25 percent will vest subject to continued employment and on a straight-line basis for the share price performance between 100 percent and 125 percent of CAD 4.77 and have been fair valued at the grant date at CAD 2.79 using an adjusted share price calculated with a hybrid valuation model based on the Monte Carlo simulation. The assumptions used in the calculation of the adjusted share price were a risk free rate of 0.76%, expected volatility of 52.80%, dividend yield rate of 0%, and an exercise price of CAD 0.

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The number of awards outstanding under the IPC Transitional PSP Plan at December 31, 2017 are summarized in the table below.

IPC Transitional PSP Plan	Plan 2015	Plan 2016	Total
Outstanding at January 1, 2017	–	–	–
Awarded during the period	421,262	733,307	1,154,569
Forfeited during the period	–	–	–
Exercised during the period	–	–	–
Outstanding at December 31, 2017	421,262	733,307	1,154,569
Vesting date			
June 30, 2018	421,262	–	421,262
June 30, 2019	–	733,307	733,307
Outstanding at December 31, 2017	421,262	733,307	1,154,569

IPC Transitional RSP Plan

The 2015 IPC transitional RSP awards are effective from April 24, 2017. The total outstanding number of awards at December 31, 2017 is 35,088 which vest on May 31, 2018, subject to continued employment. Each award was fair valued at the grant date at CAD 4.77.

The 2016 IPC transitional RSP awards are effective from April 24, 2017. The total outstanding number of awards at December 31, 2017 is 117,702 which vest on May 31, 2018 and on May 31, 2019, subject to continued employment. Each award was fair valued at the grant date at CAD 4.77.

The number of awards outstanding under the IPC Transitional RSP Plan at December 31, 2017 are summarized in the table below.

IPC Transitional RSP Plan	Plan 2015	Plan 2016	Total
Outstanding at January 1, 2017	–	–	–
Awarded during the period	35,088	117,702	152,790
Forfeited during the period	–	–	–
Exercised during the period	–	–	–
Outstanding at December 31, 2017	35,088	117,702	152,790
Vesting date			
May 31, 2018	35,088	58,851	93,939
May 31, 2019	–	58,851	58,851
Outstanding at December 31, 2017	35,088	117,702	152,790

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

USD Thousands	2017	2016
IPC Stock Option Plan	1,482	–
IPC Transitional PSP – Plan 2015	754	–
IPC Transitional PSP – Plan 2016	724	–
IPC Transitional RSP – Plan 2015	77	–
IPC Transitional RSP – Plan 2016	187	–
	3,224	–

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21. FINANCIAL LIABILITIES

USD Thousands	December 31, 2017	December 31, 2016
Bank loans	60,000	–
Capitalized financing fees	(733)	–
	59,267	–

On April 20, 2017, members of the Group entered into a 2.25-year senior secured USD 100 million reserve-based lending credit facility, which was used to fund the purchase of IPC shares tendered under the share purchase offer announced on April 24, 2017.

The credit facility was initially drawn for USD 80.0 million on May 31, 2017 to partly fund the share purchase offer made to all shareholders totaling USD 90.6 million. Operating cash flows were used to repay some of the initial debt and in September 2017, USD 30.0 million was drawn to partly fund a CAD 40.0 million deposit in respect of the Suffield Acquisition (see Note 29).

In connection with the completion of the Suffield acquisition (see Note 29), members of the Group entered into an amendment to the existing reserve-based lending credit facility on December 20, 2017 to increase such facility from USD 100 million to USD 200 million and IPC entered into a CAD 250 million reserve-based lending credit facility and a CAD 60 million second lien facility in Canada on January 5, 2018. The amendment to the existing reserve-based lending credit facility became effective in January 2018.

22. DERIVATIVE FINANCIAL INSTRUMENTS

USD Thousands	December 31, 2017	December 31, 2016
Derivative financial assets – current	1,372	–
	1,372	–

In connection with the financing of the Suffield acquisition (see Note 29), IPC entered into two USD/CAD foreign exchange forward contracts. The contracts had a combined notional amount of USD 125.0 million with a maturity date of June 2018. Both contracts were contingent on the closing of the Suffield Acquisition. These instruments are classified within level 2 of the fair value hierarchy. At December 31, 2017, these instruments qualified for hedge accounting with fair value movements accounted for within equity as the forecasted business combination was considered to be highly probable of occurring as of the balance sheet date. A 1% increase in the exchange rate (CAD to USD) would have resulted in a decrease of USD 1.3 million to the fair value of our foreign currency derivatives.

23. PROVISIONS

USD Thousands	Asset retirement obligation	Farm in obligation	Other	Total
January 1, 2017	90,994	5,022	1,380	97,396
Additions	–	–	286	286
Unwinding of asset retirement obligation discount	3,557	–	–	3,557
Decommissioning costs	117	–	–	117
Changes in estimates	5,801	–	–	5,801
Payments	(5,029)	(9)	(131)	(5,169)
Currency translation adjustments	9,193	544	187	9,924
December 31, 2017	104,633	5,557	1,722	111,912
Non-current	99,843	4,322	1,722	105,887
Current	4,790	1,235	–	6,025
Total	104,633	5,557	1,722	111,912

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USD Thousands	Asset retirement obligation	Farm in obligation	Other	Total
January 1, 2016	106,721	4,602	1,433	112,756
Additions	–	–	(8)	(8)
Unwinding of asset retirement obligation discount	3,571	–	–	3,571
Changes in estimates	(7,261)	557	–	(6,704)
Payments	(9,710)	–	–	(9,710)
Currency translation adjustments	(2,327)	(137)	(45)	(2,509)
December 31, 2016	90,994	5,022	1,380	97,396
Non-current	87,179	5,022	1,380	93,581
Current	3,815	–	–	3,815
Total	90,994	5,022	1,380	97,396

The farm-in obligation relates to future payments for historic costs on Block PM307 in Malaysia payable on reaching certain Bertam field production milestones.

In calculating the present value of the asset retirement obligation provision, a discount rate of 3.5 percent was used for 2017 and 2016 based on long-term risk-free interest rate projections. The changes in estimates in 2017 mainly relates to the liability associated with Paris Basin development projects following a thorough review of the abandonment costs.

24. TRADE AND OTHER PAYABLES

USD Thousands	December 31, 2017	December 31, 2016
Trade payables	3,133	2,027
Residual working capital liability to Lundin Petroleum ¹	23,460	–
Overlift	37	–
Joint operations creditors	19,643	14,698
Accrued expenses	7,056	3,682
Other	4,059	2,517
	57,388	22,924

¹ See Note 28

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25. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

December 31, 2017 USD Thousands	Total	Loans receivables and other receivables at amortized cost	Financial assets at amortized cost	Assets at fair value within OCI	Fair value recognized in profit or loss	Derivatives used for hedging
Other non-current financial assets	5	–	5	–	–	–
Derivative instruments	1,372	–	–	–	–	1,372
Joint operation debtors	10,173	10,173	–	–	–	–
Other current receivables ¹	61,707	60,605	–	–	1,102	–
Cash and cash equivalents	33,679	33,679	–	–	–	–
Financial assets	106,936	104,457	5	–	1,102	1,372

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

December 31, 2017 USD Thousands	Total	Other liabilities at amortized cost	Financial liabilities at amortized cost	Fair value recognized in profit or loss
Financial liabilities	59,267	–	59,267	–
Joint operation creditors	19,643	19,643	–	–
Other current liabilities	30,948	30,911	–	37
Financial liabilities	109,858	50,554	59,267	37

December 31, 2016 USD Thousands	Total	Loans receivables and other receivables at amortized cost	Financial assets at amortized cost	Assets at fair value within OCI	Fair value recognized in profit or loss
Other non-current financial assets	5	–	5	–	–
Joint operation debtors	10,430	10,430	–	–	–
Other current receivables ¹	32,195	30,686	–	–	1,509
Cash and cash equivalents	13,410	13,410	–	–	–
Financial assets	56,040	54,526	5	–	1,509

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

December 31, 2016 USD Thousands	Total	Other liabilities at amortized cost	Financial liabilities at amortized cost	Fair value recognized in profit or loss
Joint operation creditors	14,698	14,698	–	–
Other current liabilities	4,544	4,544	–	–
Financial liabilities	19,242	19,242	–	–

The fair value of loan receivables and other receivables equal the book value.

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For financial instruments measured at fair value in the balance sheet, the following fair value measurement hierarchy is used:

- Level 1: based on quoted prices in active markets;
- Level 2: based on inputs other than quoted prices as within level 1, that are either directly or indirectly observable;
- Level 3: based on inputs which are not based on observable market data.

Based on this hierarchy, financial instruments measured at fair value can be detailed as follows:

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

December 31, 2016				
USD Thousands		Level 1	Level 2	Level 3
Other current receivables	1,509		–	–
Financial assets	1,509		–	–

26. MANAGEMENT OF FINANCIAL RISK

The Corporation's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, foreign exchange risk, commodity price risk and interest rate risk.

a) Credit risk

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Corporation. The Corporation believes that its maximum exposure to credit risk as at December 31, 2017 is the carrying value of its trade receivables. The Company's policy is to limit credit risk by limiting the counterparties to major oil and gas companies. Where it is determined that there is a credit risk for oil and gas sales, the policy is to require an irrevocable letter of credit for the full value of the sale. The policy on joint operation parties is to rely on the provisions of the underlying joint operating agreements to take possession of the licence or the partner's share of production for non-payment of cash calls or other amounts due.

As at December 31, 2017, the trade receivables amounted to USD 24,764 thousand and there is no recent history of default. Cash and cash equivalents are maintained with banks having strong long-term credit ratings.

b) Liquidity risk

Liquidity risk is defined as the risk that the Company could not be able to settle or meet its obligations on time or at a reasonable price. Corporation treasury is responsible for liquidity, funding as well as settlement management. The Corporation has in place a planning and forecasting process to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis. The Corporation ensures that there is sufficient available capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Corporation has credit facilities in place to assist with meeting its cash flow needs as required (Note 21).

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Loan repayments are made upon a net present value calculation of the assets' future cash flows. No loan repayments are currently forecast under this calculation.

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USD Thousands	December 31, 2017	December 31, 2016
Non-current		
Repayment within 1-2 years:		
- Bank loans	60,000	–
	60,000	–
Current		
Repayment within 6 months:		
- Trade payables	3,133	2,027
- Overlift	37	–
- Joint operation creditors	19,643	14,698
- Other current liabilities	4,059	2,517
- Current tax liabilities	259	–
Repayment after 6 months:		
- Residual working capital liability to Lundin Petroleum	23,460	–
	50,591	19,242

c) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currencies, primarily with respect to EUR, CAD and CHF. The Group's risk management objective is to manage cash flow risk related to foreign denominated cash flows. The Corporation is exposed to currency risk related to changes in rates of exchange between foreign denominated balances and the functional currencies of the Group's principal operating subsidiaries. The Group's revenues are denominated in US dollars, while most of its operating and capital expenditures are denominated in the local currencies. A significant change in the currency exchange rates between the US dollar and foreign currencies could have a material effect on the Group's net earnings and on other comprehensive income.

The following table summarises the effect that a change in these currencies against the US Dollar would have on operating result and equity through the conversion of the income statements of the Group's subsidiaries from functional currency to the presentation currency US Dollar for the year ended at December 31, 2017.

Shift of currency exchange rates USD Thousands	Average rate 2017	USD weakening 10%	USD strengthening 10%
Operating profit in the financial statements (USD Thousands)		38,358	38,358
EUR/USD	0.8855	0.8050	0.9741
CAD/USD	1.2982	1.1802	1.4280
CHF/USD	0.9848	0.8953	1.0833
Total effect on operating profit (USD Thousands)		(522)	522

d) Commodity price risk

The Group is subject to price risk associated with fluctuations in the market prices for oil and gas. Prices of oil and gas are affected by the normal economic drivers of supply and demand as well as the financial investors and market uncertainty. Factors that influence these include operational decisions, natural disasters, economic conditions, political instability or conflicts or actions by major oil exporting countries. Price fluctuations can affect the Corporation's financial position.

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The table below summarises the effect that a change in the oil price would have had on the net result and equity at December 31, 2017:

Net income in the financial statements (USD Thousands)	22,723	22,723
Possible shift (%)	(10%)	10%
Total effect on net income (USD Thousands)	(12,489)	12,489

Based on analysis of the circumstances, the Group will assess the benefits of forward hedging monthly sales contracts for the purpose of establishing cash flow. If it believes that the hedging contracts will provide an enhanced cash flow then it may choose to enter into an oil price hedge.

For the years ended December 31, 2017 and 2016, the Group did not enter into any oil price hedging contracts.

e) Interest rate risk

The Group's exposure to interest rate risk arises from both the interest rate impact on its cash and cash equivalents as well as on its debt facilities. As at December 31, 2017, the Group's long-term debt is comprised of partially floating rate debt tied to LIBOR. As such, changes in interest rate will have an impact on interest expense.

The total interest expense for 2017 amounted to USD 1,378 thousand. A 100 basis point shift in the interest rate would have resulted in a change in the total interest expense for the year of USD 361 thousand.

27. MANAGEMENT OF CAPITAL RISK

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

No significant changes were made in the objectives, policies or procedures during the year ended December 31, 2017, or in the comparative periods.

Through the ongoing management of its capital, the Corporation will modify the structure of its capital based on changing economic conditions in the jurisdictions in which it operates. In doing so, the Corporation may issue new shares or debt, buy back issued shares, or pay off any outstanding debt.

28. RELATED PARTIES

Transactions with corporate entities

As at the date of the Spin-Off, the Group had a residual liability for working capital owed to Lundin Petroleum AB of USD 27,429 thousand which has been reduced to USD 23,460 thousand as at December 31, 2017. Instalments of this amount bear interest at 3.5% from the date of an original repayment schedule. This amount is reflected as a current liability as it is due before the end of December 2018. Expensed interest of USD 31 thousand is included in the 2017 consolidated financial statements related to this liability.

Lundin Petroleum has charged the Group USD 504 thousand in respect of office space rental and USD 2,042 thousand in respect of shared services provided since the Spin-Off date. IPC has charged Lundin Petroleum USD 461 thousand in respect of consultancy fees in 2017.

Remuneration of Directors and Senior Management

Remuneration of Directors and Senior Management includes all amounts earned and awarded to the Group's Board of Directors and Senior Management. Senior Management includes the Group's President and Chief Executive Officer, Chief Financial Officer, General Counsel and Corporate Secretary, Vice President of Operations, Vice President of Reservoir Development and Vice President of Corporate Planning and Investor Relations.

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Directors' fees include Board and Committee fees. Management's short-term wages, bonuses and benefits include salary, benefits, bonuses and any other compensation earned or awarded in 2017 from the Spin-Off date.

USD Thousands	2017
Directors' fees	334
Management's short-term wages, bonuses and benefits	2,712
	3,046

At December 31, 2017, IPC share-based incentive plans remain unvested.

29. SUBSEQUENT EVENTS

A member of the Group entered into an agreement with Cenovus Energy on September 22, 2017 to acquire certain oil and gas properties in Canada for a total consideration of CAD 512 million, subject to closing adjustments and to certain additional contingent consideration. The acquisition received the necessary regulatory approvals and closed on January 5, 2018, with purchase consideration paid by the Group at completion of approximately CAD 449 million, after taking into account closing adjustments. This consideration amount includes a deposit of CAD 40 million which was made by the Group on September 22, 2017. This deposit is currently reflected on the balance sheet in "Trade and Other Receivables". An additional CAD 12 million of deferred consideration will be payable at the end of June 2018.

The final purchase price may be further adjusted by certain capped additional contingent consideration. These contingent purchase price payments may become payable based on actual average monthly oil and natural gas prices during 2018 and 2019. Payments are due for each month when the average daily price of West Texas Intermediate (WTI) is above USD 55 per barrel (bbl) or natural gas prices at the Henry Hub are above USD 3.50 per million British thermal units (MMBtu). These payments are capped for each commodity on a per month basis (CAD 375 thousand per month for oil and CAD 1,125 thousand per month for gas) with a maximum combined payment of CAD 36 million in aggregate. The Company will make a payment to Cenovus Energy of CAD 375,000 in February 2018 related to oil prices realized in January 2018, with no amount owing related to January 2018 gas production.

The acquisition was financed through a draw-down of approximately CAD 250 million from the new facilities in Canada and USD 125 million from the amended, existing reserve-based lending credit facility. The FX forward contingent hedges described in Note 22 were settled in relation to the reserve-based lending draw-down in connection with the completion of the transaction resulting in a realized settlement of CAD 158.5 million on the USD 125 million notional amount.

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