International Petroleum Corporation 2018 Third Quarter Financial Results

International Petroleum Corporation (IPC or the Corporation) (TSX, Nasdaq Stockholm: IPCO) today released its financial and operating results and related management's discussion and analysis (MD&A) for the three and nine months ended September 30, 2018.

Financial and Operational Highlights

- Average net production of 35,200 barrels of oil equivalent (boe) per day (boepd) for the third quarter of 2018 at the high end of the guidance range; strong performance from all assets.
- Full year 2018 average production expected to be at or above the high end of the guidance range of 32,500 to 34,000 boepd.
- Successfully executed the enhanced gas optimization program and commenced oil drilling in Canada.
- Progressing plans for a third phase of infill drilling in Malaysia in 2019.
- Progressing plans for Vert La Gravelle and Villeperdue West developments in France in 2019.
- Operating costs per boe of USD 12.0 for the third quarter of 2018 in line with guidance.
- Full year 2018 capital expenditure guidance maintained at USD 44.0 million.
- Significant free cash flow generation with net debt reduced by over USD 140 million since completion of the acquisition of the Suffield assets to USD 213 million as at September 30, 2018.
- Announced the proposed acquisition of BlackPearl Resources Inc. (BlackPearl) in October 2018.

	Three months ended September 30		Nine months ended September 30	
USD Thousands	2018	2017	2018	2017
Revenue	106,746	47,926	342,545	148,354
Gross profit	37,060	7,256	120,553	35,287
Net result	26,487	2,172	74,298	13,746
Operating cash flow	67,949	28,893	220,696	101,212
EBITDA	66,240	26,440	206,009	95,876

Mike Nicholson, IPC's Chief Executive Officer, commented,

"We are very pleased to announce our third quarter results for 2018.

During the third quarter of 2018, our assets delivered average daily net production of 35,200 boepd, at the high end of our revised 2018 guidance for the quarter. We expect our full year 2018 average production to be at or above the guidance range of 32,500 to 34,000 boepd. Operating costs per boe in the third quarter of 2018 were in line with guidance at USD 12.0. Our full year 2018 guidance of operating costs per boe of USD 12.6 is maintained.

We delivered a strong financial performance during the third quarter of 2018, generating operating cash flow of USD 68 million. This allowed IPC to continue to fund our expenditure program and reduce net debt from USD 255 million at the end of the second quarter to USD 213 million by the end of the third quarter. Operating cash flow for the first nine months of 2018 was in excess of USD 220 million and net debt reduction has been in excess of USD 140 million since completion of the Suffield acquisition in early January 2018.

In Malaysia, following two successful infill drilling campaigns on the Bertam field in 2016 and 2018, we continue to progress plans for a third campaign with up to three wells in 2019. We maintained an exceptional facility uptime performance of greater than ninety-nine percent in the third quarter of 2018.

In Canada, we commenced the first oil drilling campaign in the Suffield assets since 2014. In addition, the immediate focus for the Suffield assets is on gas optimization activities. Gas production in Canada for the third quarter of 2018 was above the high end of CMD guidance with exceptional performance from the first phase of gas optimization activity. IPC has commenced preparations for the second phase of gas optimization in the fourth quarter of 2018.

In October 2018, IPC announced that it has agreed to the transformational acquisition of BlackPearl in an all-share transaction. The transaction combines the highly free cash flow generative short cycle reserve base of IPC with the strategic long life reserve and contingent resource base of BlackPearl, creating a company with the combined financial strength to accelerate value creation from the enlarged portfolio. IPC's 2P reserve base will more than double and the total reserve and contingent resource base will increase by more than six times to in excess of one billion barrels of oil equivalent. Reserves life is extended by seven years and production is expected to increase by around 50% in the short term. In addition, a high calibre team of industry professionals with a long track record of value creation will join IPC. The BlackPearl transaction remains subject to shareholder approvals of both IPC and BlackPearl and certain regulatory approvals, with completion expected in December 2018."

International Petroleum Corp. (IPC) is an international oil and gas exploration and production company with a high quality portfolio of assets located in Canada, Malaysia and Europe, providing a solid foundation for organic and inorganic growth. IPC is a member of the Lundin Group of Companies. IPC is incorporated in Canada and IPC's shares are listed on the Toronto Stock Exchange (TSX) and the Nasdaq Stockholm exchange under the symbol "IPCO".

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This information is information that International Petroleum Corporation is required to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the contact persons set out above, at 07:30 CET on November 6, 2018. The Corporation's unaudited interim condensed consolidated financial statements and management's discussion and analysis (MD&A) have been filed on SEDAR (www.sedar.com) and are also available on the Corporation's website (www.international-petroleum.com).

Forward-Looking Statements

This press release 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 press release are expressly qualified by this cautionary statement. Forward-looking statements speak only as of the date of this press release, 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.

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". Forward-looking statements include, but are not limited to, statements with respect to: our intention to continue to implement our strategies to build long-term shareholder value; the ability of our high quality portfolio of assets to provide a solid foundation for organic and inorganic growth; results of previous infill drilling and the potential for future infill drilling in Malaysia; future development potential of the Suffield operations, including oil drilling and gas optimization; timing and certainty regarding completion of the BlackPearl transaction, including fulfilling the conditions precedent to such completion; the ability of IPC to maintain stable long-term production and take advantage of growth and development upside opportunities post-completion of the BlackPearl transaction; the ability of IPC to integrate the assets and personnel of BlackPearl; any combined market capitalization, production, financial and net asset values figures in respect of IPC post-completion of the BlackPearl transaction, including reserves and resources; the process for completing the BlackPearl transaction; the ability IPC and BlackPearl to obtain necessary approvals and otherwise satisfy the conditions to closing the BlackPearl transaction; the absence of material events which may interfere with the BlackPearl transaction being completed; estimates of reserves; estimates of contingent resources; estimates of prospective resources; the ability to generate free cash flows and use that cash to repay debt and to continue to deleverage; 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.

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, labour and services; and the ability to market crude oil, natural gas and natural gas liquids successfully.

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 and exchange rate fluctuations; 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 and environmental 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 Corporation's Annual Information Form (AIF) for the year ended December 31, 2017 (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) or IPC's website (www.international-petroleum.com).

Additional information on these and other factors that could affect BlackPearl, or its operations or financial results, are included in BlackPearl's Annual Information Form for the year ended December 31, 2017 (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) or BlackPearl's website (www.blackpearlresources.ca).

Non-IFRS Measures

References are made in this press release to "operating cash flow" (OCF), "Earnings Before Interest, Tax, Depreciation and Amortization" (EBITDA), "operating costs" and "net debt"/"net cash", 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 OCF, EBITDA, operating costs and net debt/net cash that may be used by other public companies. Non-IFRS measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

Management believes that OCF, EBITDA, operating costs and net debt/net cash are useful supplemental measures that may assist shareholders and investors in assessing the cash generated by and the financial performance and position 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 Corporation'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 Corporation'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 issuers.

The definition and reconciliation of each non-IFRS measure is presented in IPC's MD&A (See "Non-IFRS Measures" therein).

Disclosure of Oil and Gas Information

This press release contains references to estimates of gross 2P reserves attributed to the Corporation's oil and gas assets. Gross reserves are the total working interest reserves before the deduction of any royalties and including any royalty interests receivable.

Reserve estimates, contingent resource estimates, prospective resource estimates and estimates of future net revenue in respect of IPC's oil and gas assets in France, Malaysia and the Netherlands are effective as of December 31, 2017 and were prepared by IPC and audited by ERC Equipoise Ltd. (ERCE), an independent qualified reserves auditor, 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 McDaniel's January 1, 2018 price forecasts as referred to below.

Reserves estimates, contingent resource estimates and estimates of future net revenue in respect of IPC's oil and gas assets in Canada are effective as of January 5, 2018, being the completion date for the acquisition of these assets by IPC, and were evaluated by McDaniel & Associates Consultants Ltd. (McDaniel), an independent qualified reserves evaluator, in accordance with NI 51-101 and the COGE Handbook, and using McDaniel's January 1, 2018 price forecasts. The volumes are reported and aggregated by IPC in this presentation as being as at December 31, 2017.

The price forecasts used in the reserve audit / evaluation are available on the website of McDaniel (www.mcdan.com), and are contained in the AIF.

Reserves estimates, contingent resource estimates and estimates of future net revenue in respect of BlackPearl's oil and gas assets were evaluated by Sproule Associates Limited (Sproule) in a report prepared by Sproule dated January 18, 2018 evaluating the oil and gas reserves attributable to BlackPearl's properties as at December 31, 2017 and the contingent resource reports prepared by Sproule dated January 17, 2018 for the Blackrod, Onion Lake and Mooney properties as at December 31, 2017.

Reserves life index is based on the 2P Reserves as at December 31, 2017 and estimated average combined production for 2018 based on the mid-point guidance of IPC and BlackPearl, being 45,250 boepd.

"2P reserves" means IPC's gross 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.

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 development unclarified. 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. Of the Corporation's 63.4 MMboe best estimate contingent resources (unrisked), 17.4 MMboe are light and medium crude oil, 7.4 MMboe are heavy crude oil and 38.6 MMboe are conventional natural gas.

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 this press release 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 this press release.

2P reserves and contingent resources audited by ERCE and evaluated by McDaniel have been aggregated in this press release by IPC. Estimates of reserves and future net revenue for individual properties may not reflect the same level of confidence as estimates of reserves and future net revenue for all properties, due to aggregation. This press release 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 press release 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.

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.

Currency

All dollar amounts in this press release are expressed in United States dollars, except where otherwise noted. References herein to USD mean United States dollars. References herein to CAD mean Canadian dollars.