

This Company Description does not constitute an offer to sell or the solicitation of an offer to buy any securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

COMPANY DESCRIPTION

Non-Offering Company Description

April 20, 2017



No securities are being offered or sold pursuant to this non-offering Company Description. This Company Description has been published for the purpose of listing the Corporation's shares on Nasdaq First North.

The Corporation is a recently-formed British Columbia corporation that was established to acquire all of the oil and gas exploration and production properties and related assets of Lundin Petroleum AB ("**Lundin Petroleum**") located in Malaysia, France and the Netherlands (the "**Oil and Gas Assets**") held through various subsidiaries of Lundin Petroleum. The transfer of the Oil and Gas Assets was effected by an internal reorganization of Lundin Petroleum pursuant to which, among other things, the Corporation became the direct or indirect owner of a number of the subsidiaries of Lundin Petroleum (the "**Reorganization**"). Following the Reorganization, all of the common shares of the Corporation ("**Common Shares**") will be distributed by Lundin Petroleum on a *pro rata* basis to all of its shareholders (the "**Spin-Off**") pursuant to a statutory procedure under the laws of Sweden, Lundin Petroleum's jurisdiction of incorporation. The Spin-Off is expected to be completed following receipt of approvals and consents.

Since no securities are being offered pursuant to this Company Description, no proceeds will be raised and all expenses in connection with the preparation and filing of this Company Description will be paid by the Corporation from general corporate funds.

The Toronto Stock Exchange (the "**TSX**") has conditionally approved the listing of the Common Shares under the symbol "IPCO". Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before July 4, 2017. Nasdaq First North has conditionally approved the listing of the Common Shares under the symbol "IPCO" (the "**Nasdaq Listing**"). Listing will be subject to the Corporation fulfilling the requirements of Nasdaq First North. There can be no assurance that the Common Shares will be accepted for listing on Nasdaq First North. See "*Application to List on the TSX and on Nasdaq First North*".

An investment in the Common Shares is subject to certain risks that should be considered by investors. In particular, the Corporation's business is subject to the risks normally encountered by a company in the oil and gas exploration, production and infrastructure business. See "*Risk Factors*".

Nasdaq First North is an alternative marketplace operated by an exchange within the Nasdaq group. Companies on Nasdaq First North are not subject to the same rules as companies on the regulated main market. Instead, they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in a company on Nasdaq First North may therefore be higher than investing in a company on the main market. All companies with shares traded on Nasdaq First North have a Certified Adviser who monitors that the rules are followed. The Exchange approves the application for admission to trading.

Pareto Securities AB acts as the Corporation's Certified Adviser on Nasdaq First North.

No underwriter has been involved in the preparation of this Company Description or performed any review or independent due diligence of the contents of this Company Description.

The Corporation is engaged in the production and exploration of oil and natural gas, as well as natural gas liquids, in Malaysia, France and the Netherlands. All of the material assets held by the IPC Subsidiaries are located in Malaysia, France and the Netherlands and all such subsidiaries are formed and organized under the laws of Canada, Switzerland, Malaysia, France and the Netherlands, as the case may be. Lundin Petroleum, a promoter of the Corporation, is incorporated under the laws of Sweden. All but one of the directors of the Corporation reside outside of Canada. ERC Equipoise Limited, the auditor of the Reserves Report, is incorporated under the laws of the United Kingdom. PricewaterhouseCoopers AG, the Corporation's auditor, is a corporation formed under the laws of Switzerland. Each person listed below has appointed the following agent for service of process:

Name of Person or Company	Name and Address of Agent
Lukas H. Lundin	
Mike Nicholson	
Christophe Nerguararian	
C. Ashley Heppenstall	
Chris Bruijnzeels	Blake, Cassels & Graydon LLP, Suite 2600, Three Bentall Centre, 595 Burrard Street, P.O. Box 49314 Vancouver, BC V7X 1L3 Canada
Torstein Sanness	
Lundin Petroleum AB	
ERC Equipoise Limited	
PricewaterhouseCoopers AG	

Investors in Common Shares are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada even if the party has appointed an agent for service of process.

FINANCIAL CALENDER

Interim report for the period January 1–March 31, 2017: May 9, 2017

Annual General Meeting: As the Corporation is newly incorporated, the first Annual general Meeting will occur in 2018.

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SCHEDULE "G" FORM 51-101F3 REPORT
OF MANAGEMENT AND DIRECTORS ON OIL
AND GAS DISCLOSUREG
CERTIFICATE OF THE CORPORATIONH

COMPANY DESCRIPTION SUMMARY

The following is a summary of this Company Description and should be read together with the more detailed information and financial data and statements contained elsewhere in this Company Description.

The summary below contains certain disclosure in a Swedish format (the “**Elements**”) which can be included in a summary for this type of security and issuer. The Elements are set forth in Sections A – E (A.1 – E.7), below. All Elements should be listed, even if they do not apply in the circumstances. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Where an Element is listed but where there is no relevant disclosure, the Element is accompanied by the statement “not applicable”.

Section A – Introduction and warnings		
A.1	<i>Introduction and warnings</i>	<p>This summary should be read as an introduction to the Company Description.</p> <p>Any decision to invest in the common shares of International Petroleum Corporation (the “Common Shares”) should be based on consideration of the Company Description as a whole by the investor.</p>
A.2	<i>Financial intermediaries</i>	Not applicable. Financial intermediaries are not entitled to use the Company Description for subsequent resale or final placement of securities.

Section B – Issuer and any guarantor		
B.1	<i>Legal and commercial name</i>	International Petroleum Corporation (the “ Corporation ”).
B.2	<i>Domicile, legal form, legislation and country of incorporation</i>	The Corporation is a corporation incorporated and domiciled in British Columbia, Canada under the <i>Business Corporations Act</i> (British Columbia) with British Columbia Registry number BC1103721.

<p>B.3</p>	<p><i>Current operations and principal activities</i></p>	<p>The Corporation was incorporated on January 13, 2017 for the purpose of acquiring all of the oil and gas exploration and production properties and related assets of Lundin Petroleum AB (“Lundin Petroleum”) located in Malaysia, France and the Netherlands (the “Oil and Gas Assets”) held through various subsidiaries of Lundin Petroleum. The transfer of the Oil and Gas Assets was effected by an internal reorganization of Lundin Petroleum pursuant to which, among other things, the Corporation became the direct or indirect owner of a number of the subsidiaries of Lundin Petroleum (the “Reorganization”). Following the Reorganization, all of the Common Shares will be distributed by Lundin Petroleum on a <i>pro rata</i> basis to all of its shareholders (the “Spin-Off”) pursuant to a statutory procedure under the laws of Sweden, Lundin Petroleum’s jurisdiction of incorporation.</p> <p>The Corporation has a portfolio of assets in three attractive jurisdictions: Malaysia (Bertam), France (Paris and Aquitaine Basin) and the Netherlands. The portfolio is weighted towards light, high quality oil, with liquids representing 94% of 2P Reserves and with gas production generated primarily from the Oil and Gas Assets in the Netherlands. The Corporation operates a majority of its produced volumes in the Paris Basin and Malaysia and owns non-operated interests in the Aquitaine Basin and the Netherlands.</p>
<p>B.4</p>	<p><i>Recent trends in the industry</i></p>	<p>The oil and gas industry continues to remain dynamic in response to global macroeconomic trends, including the rise of US shale production and the US’ recently achieved net exporter status, as well as slowing emerging market growth. As a result of the increased supply and reduced demand growth, the oil price fell from a peak of around \$115/bbl in June 2014 to \$26/bbl in January 2016. Reactions to the fall in price ran contrary to market expectations, as the Organization of the Petroleum Exporting Countries (“OPEC”) maintained production outputs and high-cost US shale producers were able to largely survive the lower price environment. OPEC eventually announced a pledge to remove 1.2 mmb/d of production in November 2016 and the oil price has since plateaued above \$50/bbl. The industry is now watching to see whether OPEC members are able to abide by their production quotas and the speed at which US shale producers are able to ramp up production.</p> <p>Management believes that the recent low oil price environment has driven asset divestitures by exploration and production companies struggling with liquidity issues, while also limiting the ability of balance sheet-constrained competitors to acquire such assets. Management’s recent experience indicates that the oil majors and large international oil and gas companies are increasingly focused on larger volumes in new frontier basins, not long-life, low decline assets in established basins, and will continue to dispose of high quality assets to meet their public divestment undertaking.</p> <p>The producing Oil and Gas Assets in Malaysia, France and the Netherlands have continued to perform well during the first quarter of 2017 in line with expectations, with excellent facility uptime.</p>

B.5	<i>Group structure</i>	The Corporation is the British Columbia parent company in a group of companies, which consist of a number of former subsidiaries of Lundin Petroleum.																																				
B.6	<i>Notifiable interests, different voting rights and controlling interests</i>	<p>To the knowledge of the Corporation, no person or corporation owns or controls or directs, directly or indirectly, more than 10% of the issued and outstanding Common Shares other than as set out below:</p> <table border="1" data-bbox="550 526 1388 840"> <thead> <tr> <th data-bbox="550 616 774 638">Name</th> <th data-bbox="774 616 949 638">Ownership</th> <th data-bbox="949 526 1173 638">Number and Percentage of Common Shares⁽²⁾ held as of the date hereof</th> <th data-bbox="1173 526 1388 638">Number and Percentage of Common Shares⁽²⁾ after giving effect to the Spin-Off</th> </tr> </thead> <tbody> <tr> <td data-bbox="550 649 774 705">Lundin Petroleum AB</td> <td data-bbox="774 649 949 705">Of record and beneficially</td> <td data-bbox="949 649 1173 705">113,462,148 (100%)</td> <td data-bbox="1173 649 1388 705">Nil</td> </tr> <tr> <td data-bbox="550 716 774 772">Nemesia S.à.r.l.⁽¹⁾</td> <td data-bbox="774 716 949 772">Of record and beneficially</td> <td data-bbox="949 716 1173 772">Nil</td> <td data-bbox="1173 716 1388 772">29,062,512⁽³⁾ (25.6%)</td> </tr> <tr> <td data-bbox="550 784 774 840">Statoil ASA</td> <td data-bbox="774 784 949 840">Of record and beneficially</td> <td data-bbox="949 784 1173 840">Nil</td> <td data-bbox="1173 784 1388 840">22,805,892⁽³⁾ (20.1%)</td> </tr> </tbody> </table> <p data-bbox="550 862 630 884">Notes:</p> <p data-bbox="598 907 1388 996">(1) An investment company wholly owned by a Lundin family trust. In addition, an investment company wholly owned by a trust whose settlor is Ian H. Lundin, will own a further 3,546,817 (3.1%) of the Common Shares after giving effect to the Spin-Off.</p> <p data-bbox="598 1019 1149 1041">(2) All Common Shares carry the same voting rights.</p> <p data-bbox="598 1064 1388 1108">(3) Assuming 113,462,148 Common Shares outstanding immediately following the Spin-Off.</p>	Name	Ownership	Number and Percentage of Common Shares ⁽²⁾ held as of the date hereof	Number and Percentage of Common Shares ⁽²⁾ after giving effect to the Spin-Off	Lundin Petroleum AB	Of record and beneficially	113,462,148 (100%)	Nil	Nemesia S.à.r.l. ⁽¹⁾	Of record and beneficially	Nil	29,062,512 ⁽³⁾ (25.6%)	Statoil ASA	Of record and beneficially	Nil	22,805,892 ⁽³⁾ (20.1%)																				
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Statoil ASA	Of record and beneficially	Nil	22,805,892 ⁽³⁾ (20.1%)																																			
B.7	<i>Condensed financial information/Selected historical financial information</i>	<p>The summary financial data that is presented below has been derived from the audited combined carve-out financial statements for the Oil and Gas Assets for the financial years ended December 31, 2014, 2015 and 2016 (the "Financial Statements"). The Financial Statements, which have been audited by the auditor of Lundin Petroleum, PricewaterhouseCoopers AG, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the International Accounting Standards Board. Rounding-off differences may arise in all tables.</p> <p data-bbox="550 1422 1045 1444">Summary Statement of Operations Data</p> <p data-bbox="550 1456 1053 1478"><i>For the Financial Year Ended December 31</i></p> <table border="1" data-bbox="550 1500 1388 1915"> <thead> <tr> <th data-bbox="550 1500 949 1523"></th> <th data-bbox="949 1500 1093 1523">Audited</th> <th data-bbox="1093 1500 1236 1523">Audited</th> <th data-bbox="1236 1500 1388 1523">Audited</th> </tr> <tr> <th data-bbox="550 1534 949 1556">\$ Thousands</th> <th data-bbox="949 1534 1093 1556">2016</th> <th data-bbox="1093 1534 1236 1556">2015</th> <th data-bbox="1236 1534 1388 1556">2014</th> </tr> </thead> <tbody> <tr> <td data-bbox="550 1624 949 1646">Revenue</td> <td data-bbox="949 1624 1093 1646">204,598</td> <td data-bbox="1093 1624 1236 1646">172,094</td> <td data-bbox="1236 1624 1388 1646">153,485</td> </tr> <tr> <td data-bbox="550 1657 949 1680">Gross profit/(loss)</td> <td data-bbox="949 1657 1093 1680">(109,865)</td> <td data-bbox="1093 1657 1236 1680">(215,034)</td> <td data-bbox="1236 1657 1388 1680">50,386</td> </tr> <tr> <td data-bbox="550 1691 949 1747">Profit/(loss) before net financial items</td> <td data-bbox="949 1691 1093 1747">(119,998)</td> <td data-bbox="1093 1691 1236 1747">(233,080)</td> <td data-bbox="1236 1691 1388 1747">24,561</td> </tr> <tr> <td data-bbox="550 1758 949 1780">Net financial items</td> <td data-bbox="949 1758 1093 1780">20,116</td> <td data-bbox="1093 1758 1236 1780">50,511</td> <td data-bbox="1236 1758 1388 1780">57,976</td> </tr> <tr> <td data-bbox="550 1792 949 1814">Profit/(loss) before tax</td> <td data-bbox="949 1792 1093 1814">(99,882)</td> <td data-bbox="1093 1792 1236 1814">(182,569)</td> <td data-bbox="1236 1792 1388 1814">82,537</td> </tr> <tr> <td data-bbox="550 1825 949 1848">Income tax</td> <td data-bbox="949 1825 1093 1848">(925)</td> <td data-bbox="1093 1825 1236 1848">1,004</td> <td data-bbox="1236 1825 1388 1848">(16,212)</td> </tr> <tr> <td data-bbox="550 1859 949 1881">Net result</td> <td data-bbox="949 1859 1093 1881">(100,807)</td> <td data-bbox="1093 1859 1236 1881">(181,565)</td> <td data-bbox="1236 1859 1388 1881">66,325</td> </tr> </tbody> </table>		Audited	Audited	Audited	\$ Thousands	2016	2015	2014	Revenue	204,598	172,094	153,485	Gross profit/(loss)	(109,865)	(215,034)	50,386	Profit/(loss) before net financial items	(119,998)	(233,080)	24,561	Net financial items	20,116	50,511	57,976	Profit/(loss) before tax	(99,882)	(182,569)	82,537	Income tax	(925)	1,004	(16,212)	Net result	(100,807)	(181,565)	66,325
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Summary Balance Sheet Data*At December 31*

	Audited 2016	Audited 2015
\$ Thousands		
ASSETS		
Total non-current assets	484,714	719,087
Total current assets	78,473	99,477
TOTAL ASSETS	563,187	818,564
EQUITY IN NET ASSETS AND LIABILITIES		
Net parent company investment	391,911	592,612
Total non-current liabilities	148,840	162,977
Total current liabilities	22,436	62,975
TOTAL EQUITY IN NET ASSETS AND LIABILITIES	563,187	818,564

Summary Statement of Cash Flows Data*For the Financial Year Ended December 31*

	Audited 2016	Audited 2015	Audited 2014
\$ Thousands			
Total cash flow from operating activities	144,498	66,777	97,259
Total cash flow used in investing activities	(43,846)	(211,153)	(326,948)
Total cash flow from financing activities	(109,142)	134,893	231,093
Cash and cash equivalents at the end of the year	12,464	24,373	25,108

Significant changes from January 1, 2014 to December 31, 2016

The global price of oil fell sharply during 2015 resulting in an average market price for Brent crude of \$52.29/bbl in 2015 compared to \$98.95/bbl in 2014. Prices remained low in 2016 with Brent crude averaging \$43.73/bbl for 2016. This had an impact on the revenue generated by the Oil and Gas Assets.

In April 2015, the Bertam field commenced production, significantly increasing the reported production volumes and revenue of the Oil and Gas Assets, as well as increasing the production costs and deletion costs from the start up of operations. Depreciation of the production, storage and offloading unit ("FPSO") used on the field also commenced in April 2015 with the book value of the FPSO being depreciated over the six-year duration of the lease contract on a straight line basis.

Due to the lower oil price, there was a non-cash impairment charge to the income statement in 2015 relating to the Bertam field of \$165.9

		<p>million pre-tax (\$141.3 million post-tax) and a further \$25.9 million pre- and post-tax non-cash charge relating to other Malaysian exploration blocks. In 2016, a non-cash impairment charge of \$126.0 million was expensed to the income statement with no corresponding tax credit relating to gas discoveries made in Malaysia.</p> <p>Significant changes after December 31, 2016</p> <p>There have been no significant changes in the operations or operating results of the Oil and Gas Assets since December 31, 2016 up to the date of this Company Description.</p>
B.8	<i>Selected pro forma financial information</i>	Not applicable. The Company Description does not contain any pro forma financial information.
B.9	<i>Profit forecasts</i>	Not applicable.
B.10	<i>Remarks in the audit report</i>	Not applicable. There are no remarks in the audit report.
B.11	<i>Insufficient working capital</i>	Not applicable. In the opinion of the board of directors of the Corporation (the " Board "), the Corporation's working capital is sufficient for the Corporation's requirements for the next twelve months.

Section C – Securities		
C.1	<i>Securities being admitted to trading</i>	<p>The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Common Shares under the symbol "IPCO". Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before July 4, 2017.</p> <p>Nasdaq First North has conditionally approved the listing of the Common Shares under the symbol "IPCO". The International Securities Identification Number (i.e., the ISIN) for the Common Shares is CA46016U1084. All Common Shares traded on Nasdaq First North will be registered in the securities depository system maintained by Euroclear Sweden AB and will not be represented by physical share certificates. In connection with the Spin-Off, the Common Shares will be issued electronically through the non-certificated inventory system and held by, or on behalf of, CDS Clearing and Depository Services Inc. or its successor (collectively, the "Depository"), as custodian for the direct and indirect participants of the Depository.</p> <p>Listing of the Common Shares on Nasdaq First North will be subject to the Corporation fulfilling the requirements of Nasdaq First North. There can be no assurance that the Common Shares will be accepted for listing on Nasdaq First North.</p>
C.2	<i>Currency</i>	The Common Shares that have been conditionally approved for listing on the TSX will be denominated in Canadian dollars. The Common Shares that have been conditionally approved for listing on Nasdaq First North will be denominated in Swedish Krona. Listing is subject to the Corporation fulfilling the requirements of the TSX and Nasdaq First

		North. There can be no assurance that the Common Shares will be accepted for listing on the TSX or Nasdaq First North.
C.3	<i>Total number of shares in the Corporation</i>	The Corporation is authorized to issue an unlimited number of Common Shares without par value, of which 113,462,148 Common Shares are currently issued and outstanding and are expected to be issued and outstanding immediately following the Spin-Off. The Corporation is authorized to issue an unlimited number of preferred shares in the capital of the Corporation, issuable in series, none of which are issued and outstanding.
C.4	<i>Rights attached to the securities</i>	Holders of Common Shares have equal rights to dividends, if, as and when declared by the Board, and upon liquidation, to receive such assets of the Corporation as are distributable to holders of Common Shares and are also entitled to receive notice of meetings of shareholders of the Corporation and one vote per share at such meetings.
C.5	<i>Transfer restrictions</i>	Not applicable. The Corporation's articles will not impose any transfer restrictions on the Common Shares following the Spin-Off.
C.6	<i>Admission to trading on a regulated market</i>	Not applicable. The TSX has conditionally approved the listing of the Common Shares under the symbol "IPCO". Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before July 4, 2017. Nasdaq First North has conditionally approved the listing of the Common Shares under the symbol "IPCO". Listing of the Common Shares on Nasdaq First North will be subject to the Corporation fulfilling all of the requirements of Nasdaq First North. There can be no assurance that the Common Shares will be accepted for listing on Nasdaq First North. The intention to complete either of the stock exchange listings can be withdrawn. Notice of such will be made public through a press release.
C.7	<i>Dividend policy</i>	The Corporation does not currently anticipate paying any dividends on its Common Shares in the foreseeable future. The Corporation currently intends to utilize its earnings to finance the growth and development of its business and to otherwise reinvest in its business. Any decision to pay dividends on the Common Shares in the future will be made by the Board on the basis of the Corporation's earnings and financial requirements as well as other conditions existing at such time. Unless the Corporation commences the payment of dividends, holders of Common Shares will not be able to receive a return on their Common Shares unless they sell them.

Section D – Risks		
D.1	<i>Key risks specific to the issuer and its industry</i>	The Corporation is subject to risks that are wholly or partly outside of its control and which affect or may affect the Corporation's operations, results, financial position and future prospects. The following risk factors, which are non-exhaustive, are some of the risks for the Corporation's

		<p>future development:</p> <p>Oil and Gas Exploration, Development and Production Risks – The long-term commercial success of the Corporation will depend on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves associated with the Oil and Gas Assets at any particular time, and the production therefrom, will decline over time as such existing reserves are exploited. A future increase in the reserves associated with the Oil and Gas Assets will depend not only on the ability of the owner of such assets to explore and develop any properties it may have from time to time, but also on the owner’s ability to select and acquire suitable producing properties or prospects. Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, extreme weather conditions, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury.</p> <p>Declines in Oil and Gas Commodity Prices – The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation is and will continue to be affected by numerous factors beyond its control. These factors could result in a material decrease in the Corporation’s expected net production revenue and a reduction in its oil and gas development and exploration activities.</p> <p>Operational Risks Relating to the Corporation’s Wells, Facilities and Pipelines – The pipelines and facilities associated with the Oil and Gas Assets, including the FPSO Bertam, are exposed to operational risks such as accidental damage to mains and service lines, corrosion leaks in facilities, mains and service lines, mechanical failure of equipment, malfunction of compression, regulation and measurement equipment and other issues that can lead to hydrocarbon releases and unplanned outages. The occurrence or continuance of any of these or other operational events could curtail sales or production or materially increase the cost of operating the facilities and pipelines associated with the Oil and Gas Assets and reduce revenues accordingly.</p> <p>Third-Party Risks Relating to Facilities and Pipelines – The facilities and pipelines associated with the Oil and Gas Assets are connected to various third party systems (including refineries). Operational disruptions or apportionment on third party systems or refineries may prevent the full utilization of pipelines. The facilities and pipelines are also reliant on electrical power and natural gas for their operations. A failure or disruption within the local or regional electrical power and natural gas supply, distribution or transmission systems could significantly impact ongoing facilities and pipeline operations.</p> <p>Uncertainties Associated with Estimating Reserves and Resource Volumes – There are numerous uncertainties inherent in estimating quantities of oil and natural gas reserves and the future cash flows</p>
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		<p>attributed to such reserves. The actual production and cash flows with respect to the reserves associated with the Oil and Gas Assets will vary from estimates thereof and such variations could be material.</p> <p>Regulatory Approvals and Compliance and Changes in Legislation and the Regulatory Environment – Oil and natural gas operations (including exploration, development, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase the costs associated with the Oil and Gas Assets, any of which may have a material adverse effect on the business, financial condition, results of operations and prospects of the Oil and Gas Assets.</p> <p>FPSO Flagging Regulations in Malaysia – The FPSO Bertam is required to be Malaysian flagged in order to be able to offload crude in Malaysian waters, either at the Malaysian Ship Registry (the “MSR”) or the Malaysian International Ship Registry in Labuan. For a vessel that is more than 20 years old (such as the FPSO Bertam), flagging requires ownership to be via a Malaysian-incorporated company, with majority shareholders and directors who are Malaysian. Currently, the FPSO is provisionally flagged at the MSR, with a statement of compliance until December 2017 that allows it to offload crude in Malaysian waters. As the FPSO provides a significant revenue stream, a failure to resolve the flagging issue may result in a reduction of earnings for the Corporation and may also have a significant impact on offloading of crude from the FPSO Bertam.</p> <p>Project Risks – The Corporation manages a variety of development projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic.</p> <p>Failure to Realize Anticipated Benefits of Acquisitions and Dispositions – The Corporation may make acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation’s ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of an acquired business may require substantial management effort, time and resources and may divert management’s focus from other strategic opportunities and operational matters.</p> <p>Reliance on Third-Party Operators – The Corporation has partners in each of the licence, lease and production sharing contract (“PSC”) areas associated with the Oil and Gas Assets. In some cases, including in the Aquitaine Basin in France and the Netherlands, the Corporation is not the operator of the licence and concession areas and must depend on the competence, expertise, judgment and financial resources (in addition to those of its own and, where relevant, other partnership and joint venture companies) of the partner operator and the operator’s compliance with the terms of the licences, leases, PSCs and contractual</p>
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		<p>arrangements. The Corporation's return on its investment in licence areas operated by its partners will depend upon a number of factors that may be outside of its control.</p> <p>Reliance on Third-Party Infrastructure – The Corporation delivers the products associated with the Oil and Gas Assets by gathering, processing and pipeline systems, some of which it does not own. The amount of oil and natural gas that the Corporation is able to produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering, processing and pipeline systems. The lack of availability of capacity in any of the gathering, processing and pipeline systems, and in particular the processing facilities, could result in the Corporation's inability to realize the full economic potential of its production or in a reduction of the price offered for the Corporation's production.</p> <p>Expansion into New Activities or New Areas – The Corporation may acquire or move into new industry-related activities or new geographical areas or may acquire different energy-related assets. As a result of venturing into new activities or new areas, the Corporation may face new or unexpected risks or alternatively may significantly increase the Corporation's exposure to one or more existing risk factors, which may in turn result in the Corporation's future operational and financial conditions being adversely affected.</p> <p>Credit Facility – Certain of the IPC Subsidiaries are expected to become party to the Credit Facility, under which the Corporation is expected to be a guarantor. If the Credit Facility is entered into, the failure of certain of the IPC Subsidiaries and the Corporation, as guarantor, to comply with the covenants contained in the Credit Facility could result in an event of default, which could, through acceleration of debt, enforcement of security or otherwise, materially and adversely affect the operating results and financial condition of the IPC Subsidiaries that are party to the Credit Facility and the Corporation.</p> <p>Competition for Resources and Markets – The international petroleum industry is competitive in all its phases. The Corporation competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. There is a risk that the Corporation will be unable to acquire additional licences or concessions in Malaysia, France and the Netherlands, or other jurisdictions which it may seek to enter, due to the competitive processes involved in obtaining licences.</p> <p>Hedging Strategies – From time to time, the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases and the Corporation may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. Similarly, from time to time following the Reorganization, the Corporation may enter into agreements to fix the exchange rate of certain currencies, such as the Canadian dollar, the United States dollar and the Euro, in order to offset the risk of revenue losses if such currencies increase in value compared to other currencies. However, if a currency declines in value compared to another currency, the operation of the Oil and Gas</p>
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D.2	Key risks specific to the shares	<p>Any investment in securities involves risks. Any such risks could cause the trading price of the Common Shares to decline significantly and investors could lose some or all of their investment. Some of the risks related to the Common Shares include the following:</p> <p>No Prior Public Market for Common Shares – Prior to the Spin-Off, no public market will exist for the Common Shares. An active and liquid market for the Common Shares may not develop following the Spin-Off and the listing of the Common Shares on the TSX or the Nasdaq Listing or, if developed, may not be maintained. If an active public market does</p>

		<p>not develop or is not maintained, holders may have difficulty selling their Common Shares.</p> <p>Additional Funding Requirements – The Corporation's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations.</p> <p>Issuance of Debt – From time to time the Corporation may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may create debt or increase the Corporation's then-existing debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. The Corporation's articles do not limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time could impair the Corporation's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.</p> <p>Common Share Price Volatility – The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control. These factors, as well as other related factors, may cause decreases in asset values, which may result in impairment losses.</p> <p>Forward-Looking Information May Prove Inaccurate – This Company Description contains forward-looking information, including, without limitation, the Corporation's strategic forecast relating to the Oil and Gas Assets and other forward-looking information listed in "<i>Forward-Looking Information</i>". By its nature, forward-looking information involves numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. In particular, the Corporation's strategic forecast is based upon estimates and assumptions of management which may prove incorrect. The factors discussed in this section and the section entitled "<i>Forward-Looking Information</i>" should therefore be weighed carefully and investors should not place undue reliance on the forward-looking information provided in this Company Description.</p>
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Section E – Offer		
E.1	<i>Net proceeds and expenses</i>	Not applicable. No securities are being offered or sold pursuant to this non-offering Company Description.
E.2a	<i>Reasons for the offer and use of proceeds</i>	Not applicable. No securities are being offered or sold pursuant to this non-offering Company Description.
E.3	<i>Terms and conditions of the offer</i>	Not applicable. No securities are being offered or sold pursuant to this non-offering Company Description.
E.4	<i>Interests material to the offer</i>	Not applicable. No securities are being offered or sold pursuant to this non-offering Company Description.
E.5	<i>Seller / lock-up arrangements</i>	Not applicable. No securities are being offered or sold pursuant to this non-offering Company Description.
E.6	<i>Dilution</i>	Not applicable. No securities are being offered or sold pursuant to this non-offering Company Description.
E.7	<i>Expenses charged to the investor</i>	Not applicable. No securities are being offered or sold pursuant to this non-offering Company Description.

RISK FACTORS

Investors in Common Shares should carefully consider the following risk factors in addition to the other information contained in this Company Description. The risks and uncertainties below are not the only ones that the Corporation faces. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently considers immaterial may also impair the business and operations of the Corporation and cause the price of the Common Shares to decline. If any of the following risks actually occur, the Corporation's business may be harmed and the financial condition and results of operations may suffer significantly. In that event, the trading price of the Common Shares could decline and holders of the Common Shares may lose all or part of their investment.

Risks Relating to the Corporation and the Industry

Oil and Gas Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves associated with the Oil and Gas Assets at any particular time, and the production therefrom, will decline over time as such existing reserves are exploited. A future increase in the reserves associated with the Oil and Gas Assets depends not only on the ability of the owner of such assets to explore and develop any properties it may have from time to time, but also on the owner's ability to select and acquire suitable producing properties or prospects. There is a risk that satisfactory properties for acquisition or participation will not be located. Moreover, if such acquisitions or participations are identified, management of the Oil and Gas Assets may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is a risk that additional commercial quantities of oil and natural gas will not be discovered or acquired by the Corporation.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. Production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, extreme weather conditions, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In accordance with industry practice, the Corporation will not fully insure against all of these risks, nor are all such risks insurable. The Corporation maintains liability insurance in an amount that it considers consistent with industry practice. Due to the nature of these risks, however, there is a risk that such liabilities could exceed policy limits, in which event the Corporation could incur significant costs. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Declines in Oil and Gas Commodity Prices

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation is and will continue to be affected by numerous factors beyond its control. The Corporation's ability to market its oil and natural gas may depend upon its ability to acquire space on pipelines that deliver oil and natural gas to commercial markets. The Corporation may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Oil and natural gas prices have fluctuated widely during recent years and may continue to be volatile in the future. Any material decline in prices could result in a reduction of net production revenue associated with the Oil and Gas Assets, possibly offset by a reduction in the level of expenditures for the development of the Corporation's oil and natural gas reserves. The economics of producing from some wells may change as a result of lower prices, which could result in reduced production of oil or gas and a reduction in the volumes of the reserves and resources associated with the Oil and Gas Assets. The Corporation or other parties operating the interests associated with the Oil and Gas Assets might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in the Corporation's expected net production revenue and a reduction in its oil and gas development and exploration activities. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Corporation. These factors include economic conditions in Europe, the United States, Canada and elsewhere, the actions of OPEC, governmental regulation, political instability in the Middle East and elsewhere, the foreign supply of oil and gas, including the potential for increased supply of gas to Europe from outside Europe, risks of supply disruption, the price of foreign imports, the availability of alternative fuel sources and the potential for increased supply of oil and gas in Europe for unconventional shale oil and shale gas and other services. Any substantial and extended decline in the price of oil and gas would have an adverse effect on the carrying value of the reserves and resources, borrowing capacity, revenues, profitability and cash flows associated with operation of the Oil and Gas Assets and may have a material adverse effect on the business, financial condition, results of operations and prospects associated with the Oil and Gas Assets.

Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Certain of the IPC Subsidiaries are expected to become party to the Credit Facility, under which the Corporation is expected to be a guarantor. If the Credit Facility is entered into, a sustained material decline in oil and gas prices from historical average prices could reduce the borrowing base, therefore reducing the bank credit available to the IPC Subsidiaries, and could require that a portion, or all, of the bank debt be repaid.

Operational Risks Relating to Facilities and Pipelines

The pipelines and facilities associated with the Oil and Gas Assets, including the FPSO Bertam, are exposed to operational risks such as accidental damage to mains and service lines, corrosion leaks in facilities, mains and service lines, mechanical failure of equipment, malfunction of compression, regulation and measurement equipment and other issues that can lead to hydrocarbon releases and unplanned outages.

Other operating risks relating to the facilities and pipelines associated with the Oil and Gas Assets include: the breakdown or failure of equipment; issues and failures affecting the FPSO Bertam; breakdown or malicious attacks on information systems or processes; the performance of equipment at levels below those originally intended (whether due to misuse, unexpected degradation or design,

construction or manufacturing defects); operator error; disputes and other issues with interconnected facilities; and catastrophic events such as natural disasters, fires, explosions, fractures, acts of terrorists and saboteurs and other similar events, many of which will be beyond the control of the Corporation.

The occurrence or continuance of any of these or other operational events could curtail sales or production or materially increase the cost of operating the facilities and pipelines associated with the Oil and Gas Assets and reduce revenues accordingly.

Third-Party Risks Relating to Facilities and Pipelines

The facilities and pipelines associated with the Oil and Gas Assets are connected to various third party systems (including refineries). Operational disruptions or apportionment on third party systems or refineries may prevent the full utilization of pipelines. The facilities and pipelines are also reliant on electrical power and natural gas for their operations. A failure or disruption within the local or regional electrical power and natural gas supply, distribution or transmission systems could significantly impact ongoing facilities and pipeline operations.

Uncertainties Associated with Estimating Reserves Volumes

There are numerous uncertainties inherent in estimating quantities of oil and natural gas reserves and the future cash flows attributed to such reserves. The reserves-associated cash flow information set forth herein are estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves or resources based on risk of recovery and estimates of future net revenues associated with reserves or resources prepared by different engineers, or by the same engineers at different times, may vary. The actual production, revenues, taxes and development and operating expenditures with respect to the Reserves associated with the Oil and Gas Assets will vary from estimates thereof and such variations could be material.

Estimates of Proved Reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices or resources will result in variations in the estimated reserves or resources and such variations could be material.

In accordance with applicable securities laws, the Corporation and the Corporation's independent reserves auditor have used forecast prices and costs in estimating the Reserves and future net cash flows as summarized herein. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from the Reserves associated with the Oil and Gas Assets will vary from the estimates contained in the Reserves Report, and such variations could be material. The Reserves Report is based in part on the assumed success of activities that the Corporation intends to undertake in future years. The Reserves and estimated cash flows to be derived therefrom contained in the Reserves Report will be reduced to the extent that such activities do not achieve the level of success assumed in the Reserves Report. The Reserves Report is effective as of December 31, 2016 and has not been updated and thus does not reflect changes in the Reserves associated with the Oil and Gas Assets since that date.

Regulatory Approvals and Compliance and Changes in Legislation and the Regulatory Environment

Oil and natural gas operations (including exploration, development, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. See “*The Malaysian, French and Dutch Industry Overviews and Regulatory Regimes*”. Governments may regulate or intervene with respect to exploration and production activities, price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for crude oil and natural gas and increase the costs associated with the Oil and Gas Assets, any of which may have a material adverse effect on the business, financial condition, results of operations and prospects of the Oil and Gas Assets. In order to conduct oil and gas operations, the Oil and Gas Assets will require regulatory permits, licences, registrations, approvals, authorizations and concessions from various governmental authorities. There is a risk that the permits, licences, registrations, approvals, authorizations and concessions currently granted to the Oil and Gas Assets will not be renewed or that the Corporation will be unable to obtain all of the permits, licences, registrations, approvals, authorizations and concessions that may be required to conduct operations that it may wish to undertake.

FPSO Flagging Regulations in Malaysia

The FPSO Bertam is required to be Malaysian flagged in order to be able to offload crude in Malaysian waters, either at the MSR or the Malaysian International Ship Registry (the “**MISR**”) in Labuan. For a vessel that is more than 20 years old (such as the FPSO Bertam), flagging requires ownership to be via a Malaysian-incorporated company, with majority shareholders and directors who are Malaysian. Currently, the FPSO is provisionally flagged at the MSR, with a statement of compliance until December 2017 that allows it to offload crude in Malaysian waters. A sales process was undertaken in 2016 to a company qualifying for MSR registration; however, this was terminated as the buyer was unable to raise the required finance because of financial conditions related to the low oil price. The Corporation will rely on this as grounds to seek a further extension to the provisional registration beyond December 2017. As the FPSO provides a significant revenue stream, a failure to resolve the flagging issue may result in a reduction of earnings for the Corporation and may also have a significant impact on offloading of crude from the FPSO Bertam.

Project Risks

The Corporation manages a variety of development projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. The Corporation’s ability to execute projects and market oil and natural gas depends upon numerous factors beyond the Corporation’s control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;

- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- partner and government approvals;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Corporation could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation may make acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of an acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management will continually assess the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets may be periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Corporation.

In addition, the Corporation will generally be required to provide indemnities for certain customary matters in connection with dispositions that might result in losses (which could be significant) depending on future events.

Reliance on Third-Party Operators

It is common in the oil and gas industry for companies to form partnerships or joint ventures with other companies through which exploration, development and operating activities for a particular licence area are conducted. In such cases, one company is designated by agreement to manage or "operate" the partnership or joint venture. The operator is the primary point of contact for the governmental authorities to the licences and concessions, and is typically responsible for implementing the field work, including by entering into agreements with various subcontractors to provide drilling rigs and other equipment and services necessary for carrying out exploration and development operations, proposals regarding the timing and amount of capital expenditures, the selection of technology and risk management and compliance policies. In addition, the operator is usually responsible for providing the other partners with operational, financial and other information relating to the licence area.

The Corporation has partners in each of the licence, lease and PSC areas associated with the Oil and Gas Assets. In some cases, including in the Aquitaine Basin in France and the Netherlands, the Corporation is not the operator of the licence and concession areas and must depend on the competence, expertise, judgment and financial resources (in addition to those of its own and, where relevant, other partnership and joint venture companies) of the partner operator and the operator's

compliance with the terms of the licences, leases, PSCs and contractual arrangements. If the operator does not comply with all legal and regulatory requirements, licences, leases and PSCs may be terminated. This may limit the Corporation's ability to attribute reserves to its projects or to plan capital expenditures. In these areas, the Corporation has limited or no control over the timing of exploration and development, or whether such activities are undertaken at all. In these areas, the Corporation also has limited ability to exercise influence over the operation of the timing and amount of their associated costs, or to control the quality of the information it receives in respect of those licence areas in respect of plans, anticipated expenditures. The Corporation's return on its investment in licence areas operated by its partners depends upon a number of factors that may be outside of its control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the selection of seismic data, drilling and production technology and risk management practices. Mismanagement of licence areas by the Corporation's partner operators or defaults by them in meeting required obligations may result in significant exploration, production or development delays, losses or increased costs to the Corporation.

Reliance on Third-Party Infrastructure

The Corporation delivers the products associated with the Oil and Gas Assets by gathering, processing and pipeline systems, some of which it does not own. The amount of oil and natural gas that the Corporation is able to produce and sell is subject to the accessibility, availability, proximity and capacity of these gathering, processing and pipeline systems. The lack of availability of capacity in any of the gathering, processing and pipeline systems, and in particular the processing facilities, could result in the Corporation's inability to realize the full economic potential of its production or in a reduction of the price offered for the Corporation's production. Any significant change in market factors or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities could harm the Corporation's business financial condition, results of operations, cash flows and future prospects.

Expansion into New Activities or New Areas

The operations and expertise of management of the Oil and Gas Assets are currently focused primarily on oil production, exploration and development in Malaysia, France and the Netherlands. Following the Reorganization, the Corporation may acquire or move into new industry-related activities or new geographical areas or may acquire different energy-related assets. As a result of venturing into new activities or new areas, the Corporation may face new or unexpected risks or alternatively may significantly increase the Corporation's exposure to one or more existing risk factors, which may in turn result in the Corporation's future operational and financial conditions being adversely affected.

Credit Facility

Certain of the IPC Subsidiaries are expected to become party to the Credit Facility, under which the Corporation is expected to be a guarantor. The terms of the Credit Facility are expected to contain operating and financial covenants and restrictions on the ability of certain of the IPC Subsidiaries and the Corporation, as guarantor, to, among other things, incur or lend additional debt, pay dividends and make restricted payments, encumber its assets, sell assets and enter into certain merger or consolidation transactions. If the Credit Facility is entered into, the failure of certain of the IPC Subsidiaries and the Corporation, as guarantor, to comply with the covenants contained in the Credit Facility could result in an event of default, which could, through acceleration of debt, enforcement of security or otherwise, materially and adversely affect the operating results and financial condition of the IPC Subsidiaries that are party to the Credit Facility and the Corporation.

Competition for Resources and Markets

The international petroleum industry is competitive in all its phases. The Corporation competes with numerous other organizations in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. The Corporation's competitors include oil and natural gas

companies that may have substantially greater financial resources, staff and facilities than those of the Corporation. The Corporation's ability to increase its reserves and resources in the future depends not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory and development drilling. There is a risk that the Corporation will be unable to acquire additional licences or concessions in Malaysia, France and the Netherlands, or other jurisdictions which it may seek to enter, due to the competitive processes involved in obtaining licences. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

Hedging Strategies

From time to time, the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases and the Corporation may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. Similarly, from time to time, the Corporation may enter into agreements to fix the exchange rate of certain currencies, such as the Canadian dollar, the United States dollar and the Euro, in order to offset the risk of revenue losses if such currencies increase in value compared to other currencies. However, if a currency declines in value compared to another currency, the operation of the Oil and Gas Assets will not benefit from the fluctuating exchange rate if an agreement has fixed such exchange rate.

Climate Change Legislation

The oil and natural gas industry is subject to environmental regulation pursuant to the local, provincial (or state) and federal legislation, as applicable, within each of the Corporation's countries of operation. A breach of such legislation may result in the imposition of fines or issuance of clean up orders in respect of the Corporation or the Oil and Gas Assets, some of which may be material. Furthermore, management of the Corporation believes the political climate appears to favour new programs for environmental laws and regulation, particularly in relation to the reduction of emissions or emissions intensity, and there is a risk that any such programs, laws or regulations, if proposed and enacted, will contain emission reduction targets which the Corporation cannot meet, and financial penalties or charges could be incurred as a result of the failure to meet such targets.

Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place. Implementation of strategies by any level of government within the countries in which the Corporation operates, and whether to meet international agreed limits, or as otherwise determined, for reducing greenhouse gases could have a material impact on the operations and financial condition of the Corporation. In addition, concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Corporation and its operations and financial condition.

Reliance on Management and Key Personnel

The Corporation's success will depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. The Corporation will not have any key person insurance in effect for itself. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there is a risk that the Corporation will be unable to attract and retain all personnel necessary for the development and operation of the Oil and Gas Assets. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. See "*Executive Compensation*".

Fraud, Bribery and Corruption

The operations relating to the Oil and Gas Assets are governed by the laws of many jurisdictions, which generally prohibit bribery and other forms of corruption. Given the nature of the Oil and Gas Assets, the Corporation has extensive regulatory and business interaction with governments and government-owned entities and frequent contact with persons who may be considered foreign officials in parts of the world that have experienced governmental corruption to some degree, and in which strict compliance with anti-bribery laws may conflict with local customs or practice. While the Corporation has implemented an anti-corruption compliance program in connection with the Reorganization, the Corporation has not conducted a comprehensive review of the historical activities in all jurisdictions in which the Oil and Gas Assets have been operated. The Corporation cannot guarantee that its employees, officers, directors, agents, or business partners have not in the past or will not in the future engage in conduct undetected by the processes and procedures to be adopted by the Corporation and for which the Corporation might be held liable under applicable anti-corruption laws. Despite the Corporation's compliance program and other related training initiatives, it is possible that the Corporation, or some of its subsidiaries, employees or contractors, could be subject to an investigation related to charges of bribery or corruption as a result of the unauthorized actions of its employees or contractors, which could result in significant corporate disruption, onerous penalties and reputational damage. If the Corporation or one of its subsidiaries were to be found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, the Corporation or the relevant subsidiary could be subject to onerous penalties and reputational damage. A mere investigation itself could lead to significant corporate disruption, high legal costs and forced settlements (such as the imposition of an internal monitor). In addition, bribery allegations or bribery or corruption convictions could impair the Corporation's ability to work with governments or non-governmental organizations. Such convictions or allegations could result in the formal exclusion of the Corporation from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern.

Decommissioning, Abandonment and Reclamation Costs

The Corporation is responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of the Oil and Gas Assets at the end of their economic life, the costs of which may be substantial. It is not possible to predict these costs with certainty since they will be a function of regulatory requirements at the time of decommissioning, abandonment and reclamation and the actual costs may exceed current estimates.

If decommissioning, abandonment and reclamation is required before economic depletion of the Oil and Gas Assets, or if the estimates of the costs of decommissioning exceed the value of the reserves remaining at any particular time, it may have to draw on funds from other sources to satisfy such costs. The use of other funds to satisfy such decommissioning costs could impair the Corporation's ability to focus capital in other areas of its business.

Change of Control Under Licences

Certain of the licence areas associated with the Oil and Gas Assets, including in France, require government consent to effect a change of control of the owner or an assignment of the ownership interest in the licence area. Accordingly, should the ownership interest in these licence areas be reduced or if there is a change of control of the Corporation, government consent may be required in order to remain in compliance with the applicable licences and concessions. The failure to obtain such consent may have a material adverse effect on the Corporation. Further, the requirement to obtain such consent may limit the ability of a third party to effect a change of control transaction with the Corporation.

Third-Party Credit Risk

The Corporation may be exposed to third party credit risk through the contractual arrangements associated with the Oil and Gas Assets with its current or future joint venture partners, marketers of its

petroleum and natural gas production, third party uses of its facilities and other parties. In the event such entities fail to meet their contractual obligations in respect of the Oil and Gas Assets, such failures may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in any ongoing capital programme related to the Oil and Gas Assets, potentially delaying the programme and the results of such programme until a suitable alternative partner is found.

Sufficiency of Insurance

The Corporation's involvement in the exploration for and development of oil and natural gas properties may result in the Corporation becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. There is a risk that the insurance maintained by the Corporation in accordance with industry standards to address certain of these risks will have limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, such risks are not, in all circumstances, insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Cost of New Technologies

The oil industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Corporation. There is a risk that the Corporation will be unable to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies to be used by the Corporation may become obsolete. If the Corporation is unable to utilize the most advanced commercially available technology, its business, financial condition, results of operations, cash flows and future prospects could be materially adversely affected.

Repatriation of Earnings

A significant portion of the revenue-generating operations of the Oil and Gas Assets is located in Malaysia. Currently, there are no materially adverse restrictions on the repatriation from Malaysia of earnings to foreign entities. In December 2016, the Central Bank of Malaysia implemented measures to facilitate its management of foreign exchange risk, including the mandatory conversion of any part of foreign currency proceeds into Malaysian Ringgit for resident exporters and the requirement that certain transactions be performed in Malaysian Ringgit. These rules are not expected to have a material adverse effect on the Corporation, but there is a risk that the Central Bank of Malaysia or another authority may implement further measures that will restrict the future repatriation of earnings.

Title Defects

Title reviews conducted on the Oil and Gas Assets, if any, do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Corporation's claim to them. The actual interest of the Corporation in the Oil and Gas Assets may, therefore, vary from the records previously maintained by Lundin Petroleum. If a title defect does exist, it is possible that the Corporation may lose all or a portion of the properties to which the title defect relates, which could materially adversely affect the Corporation's business and financial condition. There may be valid challenges to title, or proposed legislative changes which affect title, to the Oil and Gas Assets that, if successful or made into law, could result in a reduction of the revenue received by the Corporation.

Expiration and Renewal of Licences, Leases and Production Sharing Contracts

Certain properties constituting the Oil and Gas Assets are held in the form of licences, leases and PSCs. If the holder of the licence, lease or PSC or the operator of the licence, lease or PSC fails to meet the specific requirement of a licence, lease or PSC, including compliance with environmental, health and safety requirements, the licence, lease or PSC may terminate or expire. There is a risk that the obligations required to maintain each licence, lease or PSC will not be met. The termination or expiration of the licence, lease or PSC, or the working interests relating to a licence may have a material adverse effect on the business, financial condition, results of operations and prospects associated with the Oil and Gas Assets. From time to time, the licences and leases may, in accordance with their terms, become due for renewal; there is a risk that these licences, leases and PSCs associated with the Oil and Gas Assets will not be renewed by the relevant government authorities, on terms that will be acceptable to the Corporation. There also can be significant delay in obtaining licence renewals which may already affect the operations associated with the Oil and Gas Assets.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on third party providers of drilling and related equipment, the financial stability of such third parties and the availability of drilling and related equipment and services provided by such third parties in the particular areas where such activities will be conducted. Demand and limited supply for such equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities. The Oil and Gas Assets operate in areas with relatively high activity lands where it can be difficult to source equipment and services.

Execution of Development Plans

During the course of the audit of the Reserves associated with the Oil and Gas Assets, management presented its development plans to ERCE who, in turn, assessed the merit of assigning reserves to the identified technical opportunities. The Corporation plans to develop the majority of the proved and probable undeveloped reserves associated with the Oil and Gas Assets over the next five years. However, if the economic climate is not conducive to developing these reserves within this time period, the Corporation may, in its discretion, defer the development into the future. There are a number of factors that could result in delays or the cancellation of development plans. These factors would include, but are not limited to, adverse changes in economic and technical conditions, surface access issues and the availability of services.

Litigation

In the normal course of the Corporation's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations. Even if the Corporation were to prevail in any such legal proceeding, the proceedings could be costly and time-consuming and would divert the attention of management and key personnel from the Corporation's business operations, which could adversely affect its financial condition.

Royalty Regimes

The Corporation's operating cash flow will be directly affected by the applicable royalty regime in each of the jurisdictions in which the Corporation operates. There is a risk that the governments of Malaysia, France and the Netherlands will adopt new royalty regimes which may render the projects associated with the Oil and Gas Assets uneconomic or that will otherwise adversely affect the Corporation's business, financial condition, results of operations, cash flows and prospects. An increase in royalties would reduce

the Corporation's earnings and could make future capital investments or the Corporation's operations uneconomic. It could also become more difficult to service and repay any debt that the Corporation may incur. Any material increase in royalties would also significantly reduce the value of the Oil and Gas Assets.

Economic and Political Developments in Countries in Which the Corporation Will Operate

International operations are subject to political, economic and other uncertainties, including but not limited to, risk of terrorist activities, revolution, border disputes, expropriation, renegotiations or modification of existing contracts, import, export and transportation regulations and tariffs, taxation policies, including royalty and tax increases and retroactive tax claims, exchange controls, limits on allowable levels of production, currency fluctuations, labour disputes and other uncertainties arising out of foreign government sovereignty over the Oil and Gas Assets. The Oil and Gas Assets could also be adversely affected by changes in applicable laws and policies of Malaysia, France and the Netherlands, which could have a negative impact on the Corporation.

Terrorism and Sabotage

If any of the properties, wells or facilities comprising the Oil and Gas Assets are the subject of terrorist attack or sabotage, it may have a material adverse effect on the Corporation's business, financial condition, results of operations, cash flows and future prospects.

Geographical Concentration

The properties and production associated with the Oil and Gas Assets are focused in Malaysia, France and the Netherlands. As a result, the Corporation may be disproportionately exposed to the impact of delays or interruptions of production caused by transportation capacity constraints, curtailment of production, availability of equipment, facilities, personnel or services, significant governmental regulation, natural disasters, adverse weather conditions, plant closures for scheduled maintenance or interruption of transportation of oil or natural gas produced from the wells in Malaysia, France and the Netherlands. In addition, the effect of fluctuations on supply and demand may become more pronounced within the specific geographic oil and gas producing areas in which the properties associated with the Oil and Gas Assets are located, which may cause these conditions to occur with greater frequency or magnify the effect of these conditions on the Corporation. Due to the concentrated portfolio of properties in Malaysia, France and the Netherlands, a number of the properties could experience one or more of the same conditions at the same time, resulting in a relatively greater impact on the results of operations than they might have on companies that have a more diversified portfolio of properties. Such delays or interruptions could have a material adverse effect on the operating results and financial condition of the Corporation.

Income Taxes

Income tax laws relating to the oil and gas industry, such as the treatment of resource taxation or dividends, may in the future be changed or interpreted in a manner that adversely affects the Oil and Gas Assets. Furthermore, there is a risk that the relevant tax authorities will not agree with management's calculation of the income for tax purposes associated with the Oil and Gas Assets or that such tax authorities will change their administrative practices to the detriment of the Corporation. In the event of a successful reassessment of the Corporation's income tax returns, such reassessment may have an impact on current and future taxes payable.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to its business, operations or affairs. The Corporation's practice will be to require third parties to execute confidentiality agreements prior to the disclosure of any confidential information. A breach of such confidentiality agreements could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's

business from a breach of confidentiality cannot be quantified, but may be material and may not be compensable in damages. There is a risk that, in the event of a breach of confidentiality, the Corporation will be unable to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, or at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

Information Security

The Corporation is heavily dependent on its information systems and computer based programs. Failure, malfunction or security breaches by computer hackers and cyberterrorists of any such systems or programs may have a material adverse effect on the Corporation's business and systems, potentially affecting network assets and people's privacy.

Potential Conflicts of Interest

Certain of the individuals who are directors of the Corporation are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the BCBCA. See "*Directors and Executive Officers – Conflicts of Interest*".

Internal Controls

Effective internal and disclosure controls will be necessary for the Corporation to provide reliable financial and other reports and to help prevent fraud. The Corporation cannot be certain that the procedures it undertakes to help ensure the reliability of its financial reports and other disclosures, including those imposed on it under Canadian securities laws, will ensure that it maintains adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Corporation's results of operations or cause it to fail to meet its reporting obligations. If the Corporation or its independent auditor discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's consolidated financial statements and harm the trading price of the Common Shares.

Significant Shareholder

Following the Spin-Off, Nemesia S.à.r.l., 100% of the shares of which are owned by a trust settled by the late Adolf H. Lundin, is expected to own 29,062,512 Common Shares (assuming 113,462,148 Common Shares outstanding immediately following the Spin-Off) and control approximately 25.6% of the aggregate voting shares of the Corporation. Statoil ASA is expected to own 22,805,892 Common Shares (assuming 113,462,148 Common Shares outstanding immediately following the Spin-Off) and control approximately 20.1% of the aggregate voting shares of the Corporation. The Common Shareholdings of Nemesia S.à.r.l. and Statoil ASA will allow each shareholder to significantly affect substantially all the actions taken by the shareholders of the Corporation, including the election of directors. Additionally, if the proposed Offer occurs, the percentage of outstanding Common Shares held by Nemesia S.à.r.l. may increase and, depending on the number of Common Shares tendered pursuant to the Offer, could increase significantly. As long as Nemesia S.à.r.l. maintains a significant interest in the Corporation, it is likely that Nemesia S.à.r.l. will exercise significant influence on the ability of the Corporation to, among other things, amend the articles of the Corporation, enter into a change in control transaction of the Corporation that might otherwise be beneficial to its shareholders and may also discourage acquisition bids for the Corporation. There is a risk that the interests of Nemesia S.à.r.l. will not be aligned with the interests of other shareholders. See "*The Reorganization and the Spin-Off – Post-Spin-Off Offer*".

Corporate Structure

The Corporation is dependent upon cash dividends, distributions or other transfers from its subsidiaries in order to repay any debt that the Corporation will incur, make future dividend payments to its shareholders and meet its other obligations. The right of the Corporation, as a shareholder of these entities, to realize

on the assets of these entities in the event of their bankruptcy or insolvency, will be subordinate to the rights of their creditors and claimants preferred by law.

Applicable corporate law in Malaysia, France and the Netherlands also imposes restrictions on entities' ability to declare and pay distributions. In the event and to the extent these tests cannot be satisfied, the applicable subsidiary will not be able to make distributions to the Corporation.

The terms of the Credit Facility that the Corporation anticipates certain of its subsidiaries will enter into are expected to prohibit certain of the IPC Subsidiaries and the Corporation, as guarantor, from making distributions outside of the group except subject to certain conditions, among others, as to timing, compliance with the terms of the Credit Facility and available liquidity.

Absence of Non-Competition Agreements with Lundin and its Key Personnel

The Corporation has not entered into any non-competition agreements with Lundin Petroleum or any of its key personnel. Accordingly, Lundin Petroleum and its key personnel may acquire or hold interests in businesses that compete directly with the Corporation, or may pursue acquisitions or other opportunities which are complementary to the Corporation's business, making such opportunities unavailable to the Corporation. Any such competition or pursuit by them of acquisitions or other opportunities which are complementary to the business of the Corporation may have a material and negative effect on the Corporation's business and operations.

Management Estimates and Assumptions

In preparing consolidated financial statements in conformity with IFRS, estimates and assumptions are used by management in determining the reported amounts of assets and liabilities, revenues and expenses recognized during the periods presented and disclosures of contingent assets and liabilities known to exist as of the date of the financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of such financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available, or is not capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and the Corporation must exercise significant judgment. Estimates may be used in management's assessment of items such as fair values, income taxes, stock-based compensation and asset retirement obligations. Actual results for all estimates could differ materially from the estimates and assumptions used by the Corporation, which could have a material adverse effect on the Corporation's business, financial condition, results of operations, cash flows and future prospects.

Risks Relating to the Reorganization and the Spin-Off

Possible Failure to Realize Anticipated Benefits of the Spin-Off

The Corporation is participating in the Spin-Off to position itself in the oil and natural gas industry and to create the opportunity to realize certain benefits. Achieving the benefits of the Spin-Off depends in part on factors outside of the Corporation's control, including, but not limited to, commodity prices, regulatory regimes and tax and royalty regimes. The value of the Oil and Gas Assets is partially based on engineering and economic assessments by petroleum engineers as well as actual historical financial and operating results. These assessments and historical results include a number of material assumptions and factors regarding matters such as recoverability and marketability of oil, natural gas and NGLs, future prices of oil, natural gas and NGLs, and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves and timing of development activities. Many of these factors are subject to change and are beyond the control of the operators of the Oil and Gas Assets and the Corporation. In particular, changes in the prices of and markets for petroleum, natural gas and NGLs and timing of development from those anticipated at the time of making such assessments will affect the return on the value of the Common Shares. In addition,

all such assessments involve a measure of geological and engineering uncertainty which could result in lower production, reserves and resources than that attributed to the Oil and Gas Assets.

Structure of Spin-Off

The terms of the agreements leading up to the Spin-Off whereby the Corporation acquired the international assets of Lundin Petroleum were negotiated between related parties and may not have standard commercial terms.

Risks Relating to the Common Shares

No Prior Public Market for Common Shares

Prior to the Spin-Off, no public market will exist for the Common Shares. An active and liquid market for the Common Shares may not develop following the Spin-Off and listing of the Common Shares on the TSX (the “**TSX Listing**”) or the Nasdaq Listing (together with the TSX Listing, the “**Listings**”) or, if developed, may not be maintained. If an active public market does not develop or is not maintained, holders may have difficulty selling their Common Shares.

Additional Funding Requirements

The Corporation’s cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation’s revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation’s ability to expend the necessary capital to replace its reserves or to maintain its production. If the Corporation’s funds from operations is not sufficient to satisfy its capital expenditure requirements, there is a risk that debt or equity financing will be unavailable to meet these requirements or, if available, will be on terms unacceptable to the Corporation. Continued uncertainty in domestic and international credit markets could materially affect the Corporation’s ability to access sufficient capital for its capital expenditures and acquisitions, and as a result, may have a material adverse effect on the Corporation’s ability to execute its business strategy and on its business, financial condition, results of operations and prospects.

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Malaysian, French and Dutch producers is therefore affected by exchange rates, which will fluctuate over time. Material increases in the value of the United States dollar will negatively impact the Corporation’s production revenues. Future exchange rates could accordingly impact the future value of the Corporation’s reserves and resources as determined by independent evaluators.

To the extent that the Corporation engages in risk management activities related to foreign exchange rates, there will be a credit risk associated with counterparties of the Corporation.

An increase in interest rates could result in a significant increase in the amount the Corporation pays to service any debt that it may incur, which could negatively impact the market price of the Common Shares.

Further Sales of Common Shares

Future sales of, or the ability to sell, substantial amounts of the Common Shares in the public market could adversely affect the prevailing market price for the Common Shares. If the Corporation’s shareholders sell substantial amounts of their Common Shares in the public market or the proposed Offer does not proceed, the market price of the Common Shares could decline. These sales might also make it

more difficult for the Corporation to sell equity or equity-related securities in the future at a time and price that the Corporation deems appropriate.

Risks Relating to the Offer

There is no assurance that Lundin Petroleum BV or another post-Reorganization subsidiary of the Corporation that is not resident in Canada will be able to complete the Offer or that the Offer will occur or be completed as expected. There is a risk that the Offer may not be completed due to the Corporation's inability to finance the Offer in the manner intended, including due to any failure to consummate the Credit Facility or the unavailability of sufficient funds from cash on hand and/or other capital resources to fund the Offer.

The extent to which holders of Common Shares will elect to tender their Common Shares under the Offer is unknown. Statoil ASA has advised the Corporation of its intention to tender its Common Shares to the Offer once it is made. However, Nemesia S.à.r.l. and Landor Participations Inc. and members of the Corporation's board and management have advised that they will retain their Common Shares and not tender to the Offer. There is no assurance that any holders of Common Shares will tender or retain their Common Shares.

Issuance of Debt

From time to time, the Corporation may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may create debt or increase the Corporation's then-existing debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. The Corporation's articles do not limit the amount of indebtedness that the Corporation may incur. The level of the indebtedness that the Corporation may have from time to time could impair the Corporation's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Common Share Price Volatility

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control, including the following:

- actual or anticipated fluctuations in the Corporation's results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to the Corporation;
- the loss of executive officers and other key personnel of the Corporation;
- sales or perceived sales of additional Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital;
- commitments by or involving the Corporation or its competitors; and
- trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Corporation's business segments or target markets.

Financial markets can experience significant price and volume fluctuations that may particularly affect the market prices of equity securities of companies and that may be unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Corporation's operating results, underlying asset values or prospects have not changed. These factors, as well as other related factors, may cause decreases in asset values, which may result in impairment losses.

Forward-Looking Information May Prove Inaccurate

This Company Description contains forward-looking information, including, without limitation, the Corporation's strategic forecast relating to the Oil and Gas Assets and other forward-looking information listed in "*Forward-Looking Information*". By its nature, forward-looking information involves numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. In particular, the Corporation's strategic forecast is based upon estimates and assumptions of management which may prove incorrect. The factors discussed in this section and the section entitled "*Forward-Looking Information*" should therefore be weighed carefully and investors should not place undue reliance on the forward-looking information provided in this Company Description.

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecast, and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the forecast period will vary from the forecast results and that such variations may be material. There is no representation that actual results achieved during the forecast period will be the same in whole or in part as those forecast. Important factors that could cause actual results to vary materially from the forecast include those disclosed under "*Risk Factors*". See also "*Forward-Looking Information*".

ADVISORY

For an explanation of certain terms used in this Company Description, please refer to the section entitled "*Glossary*" beginning on page 182 of this Company Description. References in this Company Description to "management" mean the executive officers of the Corporation. Any statements in this Company Description made by or on behalf of management are made in such persons' capacities as officers of the Corporation and not in their personal capacities.

Investors should read this entire Company Description and consult their own professional advisors to assess the income tax, legal, risk factors and other aspects of ownership of the Common Shares. Investors should rely only on the information contained in this Company Description and should not rely on parts of the information contained in this Company Description to the exclusion of others. Neither the Corporation nor Lundin Petroleum has authorized anyone to provide additional or different information than is contained herein. If anyone provides an investor with additional, different or inconsistent information, including statements in the media about the Corporation or the Oil and Gas Assets, it should not be relied on.

The information contained in this Company Description is accurate only as of the date of this Company Description or as of the date stated. The Corporation's business, financial condition, results of operations and prospects may have changed since the date of this Company Description.

RESERVES ADVISORY

Statements relating to "Reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the Reserves described exist in the quantities predicted or estimated, and that the Reserves can be profitably produced in the future. The

Reserves estimates of the Oil and Gas Assets described herein are estimates only. The actual Reserves of the Oil and Gas Assets may be greater or less than those calculated. There are numerous uncertainties inherent in estimating quantities of Proved, Probable and Possible Reserves and future net revenues to be derived therefrom, including many factors beyond the Corporation's control. The Reserves and estimated future net cash flow from the Oil and Gas Assets have been independently audited by ERCE with an effective date of December 31, 2016. This audit includes a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of Reserves, timing and amount of capital expenditures, marketability of production, future prices of crude oil and natural gas, operating costs, well abandonment and salvage values, royalties and other government levies that may be imposed over the producing life of the Reserves. These assumptions were based on prices in use at the date this audit was prepared, and many of these assumptions are subject to change and are beyond the Corporation's control. Actual production and cash flow derived therefrom will vary from the estimates presented in this audit, and such variations could be material. Estimates with respect to Reserves that may be developed and produced in the future are often based upon volumetric calculations, probabilistic methods and upon analogy to similar types of Reserves, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same Reserves based upon production history will result in variations, which may be material.

The present value of estimated future net revenue referred to herein should not be construed as the fair market value of estimated crude oil reserves attributable to the Oil and Gas Assets. The estimated discounted future revenue from Reserves is based upon price and cost estimates which may vary from actual prices and costs and such variance could be material. Actual future net revenue will also be affected by factors such as the amount and timing of actual production, supply and demand for crude oil, curtailments or increases in consumption by purchasers and changes in governmental regulations or taxation.

Proved Reserves are those reserves which are most certain to be recovered. There is at least a 90% probability that the quantities actually recovered will equal or exceed the estimated Proved Reserves. Probable Reserves are those additional Reserves that are less certain to be recovered than Proved Reserves. There is at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated 2P Reserves. This Company Description also contains disclosure with respect to Possible Reserves. Possible Reserves are those additional Reserves that are less certain to be recovered than Probable Reserves. There is at least a 10% probability that the quantities actually recovered will equal or exceed the sum of the estimated 3P Reserves.

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

The estimates of Reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of Reserves and future net revenue for all properties due to the effects of aggregation.

Information in this Company Description derived from the Reserves Report has been prepared by the Corporation and audited by ERCE, an independent qualified reserves auditor pursuant to NI 51-101.

CERTAIN UNITS OF MEASUREMENT

In this Company Description, the abbreviations set forth below have the following meanings:

Abbreviation	Equivalent Word or Phrase	Abbreviation	Equivalent Word or Phrase
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bbl	barrels of oil standard conditions of pressure (14365 psia) and temperature (60° F)	mmboe	million barrels of oil equivalent
bbl/d	barrels of oil per day	mmboe/d	million barrels of oil equivalent per day
bcf	billion cubic feet	mmcf	million cubic feet
boe	barrel of oil equivalent	mmcf/d	million cubic feet per day
boe/d	barrel of oil equivalent per day	mmscf/d	million standard cubic feet per day
bscf	billion standard cubic feet	m ³	cubic metres
ha	hectares	NGLs	natural gas liquids
km	kilometers	p/therm	\$ per therm
km ²	square kilometers	\$MM	million US dollars
mboe	thousand barrels of oil equivalent	\$/bbl	US dollars per barrel of oil
mboe/d	thousand barrels of oil equivalent per day	\$/boe	US dollars per barrel of oil equivalent
mcf	thousand cubic feet	\$/mcf	US dollars per thousand cubic feet
mmbbl	million barrels of oil	3D	three dimensional

The following table sets forth certain standard conversions between Standard Imperial Units and the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
mcf	cubic metres	28.3168
cubic metres	cubic feet	35.3147
bbl	cubic metres	0.159
cubic metres	bbl	6.290
litre	bbl	0.0063
miles	km	1.609
km	miles	0.621
feet	metres	0.305
metres	feet	3.281
acres	hectares	0.405
hectares	acres	2.471
tonnes	bbl	7.1475

In all cases where percentage figures are provided, such percentages have generally been rounded to the nearest whole number.

CURRENCY AND EXCHANGE RATES

The financial statements and oil reserves estimates for the Oil and Gas Assets and the Corporation, as applicable, are presented in US dollars. Unless otherwise indicated, in this Company Description all references to: (i) "\$" are to United States dollars; (ii) "C\$" are to Canadian dollars; (iii) "CHF" are to Swiss

Francs; (iv) “€” are to Euros; (v) “MYR” are to Malaysian Ringgit; (vi) “£” are to British Pounds; and (vii) “SEK” are to Swedish krona.

The Bank of Canada noon rates of exchange for the Canadian dollar on April 13, 2017 were:

United States Dollars	Swiss Francs	Euros	Malaysian Ringgit	British Pounds	Swedish Krona
C\$1.00=\$0.7539	C\$1.00=CHF0.7575	C\$1.00=€0.7092	C\$1.00=MYR3.3267	C\$1.00=£0.6021	C\$1.00=SEK 6.8074

FORWARD-LOOKING INFORMATION

Certain statements contained in this Company Description constitute forward-looking information under applicable Canadian securities laws. These statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “forecast”, “estimate”, “expect”, “seek”, “anticipate”, “plan”, “continue”, “project”, “predict”, “intend”, “objectives”, “strategies”, “potential”, “target”, “guidance”, “may”, “will”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Company Description should not be unduly relied upon.

In particular and without limitation, this Company Description contains forward-looking statements pertaining to the following:

- the Corporation’s intentions with respect to optimizing and developing the Oil and Gas Assets;
- the Corporation’s intentions with respect to and ability to execute its growth strategies;
- the availability of opportunities for the Corporation to deploy capital and make acquisitions and the ability of the Corporation to capitalize on such opportunities on satisfactory terms;
- the Corporation’s future financial capacity;
- the expected increase in value ascribed to the Oil and Gas Assets from investors following the Listings;
- the number of holders of Common Shares and the number of Common Shares outstanding following the Listings;
- the future ability of the Corporation to access debt and equity markets;
- expectations regarding the intention of the Lundin family to retain its interest in the Corporation following the Listings;
- the expected management team and board and board committee composition of the Corporation;
- the Corporation’s corporate governance practices;

- the Corporation's philosophy, objectives, policy and processes regarding executive compensation and the terms of the Corporation's equity-based compensation arrangements;
- the establishment of the Credit Facility, the terms thereof and the satisfaction of conditions to drawings thereunder;
- expected 2017 activities of the Corporation (including the planned shut-down of the Bertam facility in the third quarter of 2017);
- the oil price environment in 2017;
- the Corporation's oil and natural gas production levels and the overall composition of such production in 2017;
- resolution of outstanding obligations related to the Discontinued Operations and liquidation of the Non-Material Assets;
- the performance characteristics of the Oil and Gas Assets;
- the size of the oil and natural gas reserves;
- the resource potential of the Oil and Gas Assets;
- supply and demand for oil and natural gas;
- drilling plans;
- timing of development of undeveloped reserves; and
- treatment under governmental regulatory regimes and tax laws.

The actual results could differ materially from those anticipated in these forward-looking statements or information as a result of the risk factors set forth below and elsewhere in this Company Description:

- oil and gas exploration, development and production risks;
- declines in oil and gas commodity prices;
- operational risks relating to the Corporation's wells, facilities and pipelines;
- third-party risks relating to facilities and pipelines;
- uncertainties associated with estimating reserves and resource volumes;
- regulatory approvals and compliance;
- risks relating to FPSO flagging regulations in Malaysia;
- risks relating to the Corporation's ability to execute projects on time, on budget or at all, and to effectively market the oil and natural gas that it produces;
- failure to realize anticipated benefits of acquisitions and dispositions;

- the Corporation's reliance on third-party operators and third-party infrastructure;
- risks relating to the Corporation's expansion into new activities or new areas;
- risks relating to availability under the Credit Facility or due to the consequences of a breach of its terms;
- risks relating to changes in legislation and the regulatory environment;
- competition for resources and markets;
- risks relating to the Corporation's hedging strategies;
- climate change legislation;
- the Corporation's reliance on management and key personnel;
- risks relating to fraud, bribery and corruption;
- possible failure to realize anticipated benefits of the Spin-Off; and
- the other factors discussed under "*Risk Factors*".

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements or information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described can be profitably produced in the future. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Company Description are expressly qualified by this cautionary statement.

Although the forward-looking statements contained in this Company Description are based upon assumptions that the Corporation believes to be reasonable, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this Company Description, the Corporation has made assumptions regarding, among other things: that the Corporation will conduct its operations in a manner consistent with its expectations; future commodity prices and royalty regimes; availability of skilled labour; timing and amount of capital expenditures; future currency exchange and interest rates; the impact of increasing competition; general conditions in economic and financial markets; availability of drilling and related equipment; effects of regulation by governmental agencies; the continuance of existing tax and regulatory regimes; future operating costs; availability of future sources of funding; the Corporation's ability to conclude new transactions, including financings and acquisitions, in a satisfactory manner; and the availability of debt and/or equity financing and cash flow to fund the Corporation's capital and operating requirements as needed. The Corporation has included the above summary of assumptions and risks related to forward-looking information provided in this Company Description in order to provide investors with a more complete perspective on the Corporation's future operations and such information may not be appropriate for other purposes. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, forward-looking statements in this Company Description and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits the Corporation will derive therefrom. These forward-looking statements are made as of the date of this Company Description and the Corporation disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

MARKET AND INDUSTRY DATA

This Company Description contains certain statistical, market and industry data obtained from government or other industry publications and reports or based on estimates derived from same and management's knowledge of, and experience in, the markets in which the Corporation will operate. Government and industry publications and reports generally indicate that information has been obtained from sources believed to be reliable. None of the authors of such publications and reports has provided any form of consultation, advice or counsel regarding any aspect of, or is in any way whatsoever associated with, the Corporation. Further, certain of these organizations are participants in, or advisors to participants in, the oil and natural gas industry, and they may present information in a manner that is more favourable to the industry than would be presented by an independent source. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. While the Corporation believes this data to be reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Neither the Corporation nor Lundin Petroleum has independently verified any of the data from third party sources referred to in this Company Description or ascertained the underlying assumptions relied upon by such sources.

REGISTRATION WITH EUROCLEAR SWEDEN

Only Common Shares registered in the Swedish local central securities depository system with Euroclear Sweden will be subject to trading on Nasdaq First North following the Nasdaq Listing. Holders of Common Shares listed on the TSX will be entitled to register those Common Shares in the depository system at Euroclear Sweden in order to trade their securities on Nasdaq First North and vice versa. In order to trade Common Shares on Nasdaq First North, holders of Common Shares are advised to contact their nominee, bank or broker, as applicable. No physical share certificates representing Common Shares will be issued to holders of Common Shares through Euroclear Sweden. All Common Shares traded on Nasdaq First North will be registered by Euroclear Sweden and will not be represented by physical share certificates. In connection with the Spin-Off, the Common Shares will be issued electronically through the non-certificated inventory system and held by, or on behalf of, the Depository, as custodian for the direct and indirect participants of the Depository.

APPLICATION TO LIST ON THE TSX AND ON NASDAQ FIRST NORTH

There is currently no market through which the Common Shares may be sold and holders of Common Shares may not be able to resell Common Shares owned by them. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation.

The TSX has conditionally approved the listing of the Common Shares for trading on such exchange. Listing on the TSX is subject to the Corporation fulfilling all of the requirements of the TSX on or before July 4, 2017. The TSX Listing will be subject to the Corporation satisfying certain conditions, including the distribution of the Common Shares to a minimum number of public shareholders. The Corporation cannot provide any assurances as to the price at which the Common Shares may trade. See "*The Reorganization and the Spin-Off – The Spin-Off – No Public Market for Common Shares*".

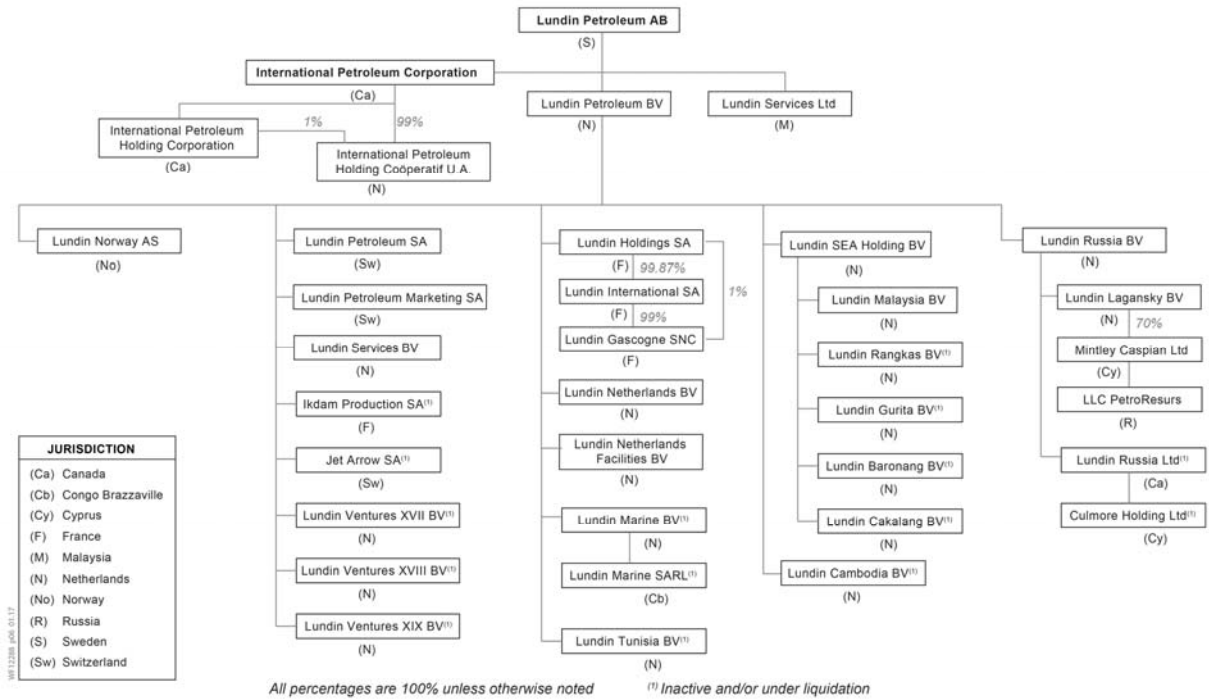
Nasdaq First North has also conditionally approved the listing of the Common Shares for trading on such exchange. Listing on Nasdaq First North will be subject to the Corporation fulfilling the requirements of Nasdaq First North. The Common Shares that the Corporation intends to list on Nasdaq First North will be traded in Swedish Krona.

The Common Shares will be listed on Nasdaq First North under the symbol "IPCO" and the Corporation has applied to the TSX to list the Common Shares under such symbol. The TSX Listing and the Nasdaq Listing can each be withdrawn. Notice of such will be made public through a press release.

THE REORGANIZATION AND THE SPIN-OFF

Pre-Reorganization Organizational Structure

Prior to the Reorganization, all of the Oil and Gas Assets were indirectly owned, through the IPC Subsidiaries, by Lundin Petroleum and the Corporation's sole shareholder was Lundin Petroleum. The organizational structure of Lundin Petroleum immediately before the Reorganization was as follows:



Lundin Petroleum

Lundin Petroleum is a Swedish-incorporated, independent oil and gas exploration and production company with a principal focus on operations in Norway and a portfolio of assets in Norway, Malaysia, France, the Netherlands and Russia.

The board of directors and management of Lundin Petroleum routinely review and assess strategic alternatives available to the company to enhance shareholder value. As part of that review, the board of directors and management concluded that given ongoing developments and successes with its assets in Norway, the Oil and Gas Assets, if held within a separate and independent entity, would benefit from enhanced strategic flexibility and management focus, increased visibility and an expected increase in value ascribed to the Oil and Gas Assets by investors. Additionally, the board of directors of Lundin Petroleum and management of the Corporation believe that Lundin Petroleum will benefit from a dedicated focus on capturing value from its opportunities in Norway following the Spin-Off. Accordingly, on February 13, 2017, Lundin Petroleum announced the intention of its board of directors to proceed with the Reorganization and the Spin-Off.

International Petroleum Corporation

The Corporation was incorporated on January 13, 2017 for the purpose of completing the Reorganization and the Spin-Off and has not undertaken any activity except in connection with the Reorganization and the Spin-Off. The legal and commercial name of the Corporation is International Petroleum Corporation.

The Corporation is a corporation incorporated and domiciled in British Columbia, Canada under the BCBCA with British Columbia Registry number BC1103721.

The initial head office of the Corporation, as at the date of the Spin-Off, is expected to be located at 5, chemin de la Pallanterie, 1222 Vézenaz, Switzerland, and the registered and records office of the Corporation is located at Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, BC V7X 1L3 Canada.

Background to and Reasons for the Reorganization and the Spin-Off

The Reorganization and the Spin-Off are expected to deliver the following strategic and financial benefits to shareholders of Lundin Petroleum and the Corporation:

- Increased and renewed focus of the Corporation's management on the optimization and targeted development of the Oil and Gas Assets, including opportunities that may not have been considered material or strategic to Lundin Petroleum;
- Enhanced strategic flexibility to pursue organic and inorganic growth opportunities, including the acquisition, integration and optimization of other existing production or near-production properties in geographies and fiscal regimes similar to those where the Oil and Gas Assets are located;
- Ability to deploy cash flows generated from the Oil and Gas Assets to pursue acquisitions that may yield meaningful accretion to shareholder value;
- Expected increased focus and visibility for the Oil and Gas Assets and an expected accompanying increase in value ascribed to the Oil and Gas Assets from investors; and
- Dedicated focus of Lundin Petroleum's management to continue to capture value from its opportunities in Norway.

As Lundin Petroleum's shares are listed on Nasdaq Stockholm, the Corporation has applied for listing of its shares on Nasdaq First North to facilitate trading in Sweden also for the Corporation's shares. This Company Description has been prepared in conjunction with the Nasdaq Listing. The Board and the Corporation are responsible for the contents of this Company Description.

The Reorganization

Prior to the Spin-Off, Lundin Petroleum completed the Reorganization, which resulted in all of the Oil and Gas Assets being acquired by the Corporation through the acquisition by the Corporation of the IPC Subsidiaries. Under the Contribution and Transfer Agreements, all of the shares of Lundin Petroleum BV and all of the shares of Lundin Services Ltd. were transferred to the Corporation in exchange for the issuance by the Corporation to Lundin Petroleum of an aggregate of 113,462,147 Common Shares based on a price of C\$4.77 per Common Share, for aggregate consideration of \$410 million plus working capital as at the effective date. The Corporation then transferred Lundin Petroleum BV to International Petroleum Coöperatief UA, a subsidiary of the Corporation. See "*The Reorganization and the Spin-Off – The Spin-Off – Results of the Reorganization and the Spin-Off*".

In connection with the Reorganization, Lundin Petroleum BV transferred its interest in Lundin Norway AS, Lundin Petroleum Marketing SA, Lundin Petroleum SA and Lundin Russia BV to its wholly-owned subsidiary incorporated in the Netherlands, Lundin Petroleum Holding BV. Lundin Petroleum BV then transferred all of the issued and outstanding shares of Lundin Petroleum Holding BV to Lundin Petroleum.

The Corporation, through its acquisition of all of the shares of Lundin Petroleum BV, owns assets and entities previously owned by Lundin Petroleum related to discontinued operations located in Indonesia,

Tunisia, Cambodia and the Republic of Congo (the “**Discontinued Operations**”). In respect of the Gurita Block PSC (see “*The Oil and Gas Assets – Discontinued Operations – Indonesia*”), Lundin Petroleum agreed in the Contribution and Transfer Agreements to indemnify the Corporation for any potential liabilities related to the Indonesian court case.

In addition, Lundin Malaysia BV currently has bank guarantees from certain financial institutions in an aggregate amount of approximately \$10 million in support of its operations. These bank guarantees expire in June 2017. Lundin Petroleum has agreed to allow its corporate guarantee to these financial institutions to remain in place, subject to an indemnity in the Contribution and Transfer Agreements from the Corporation to Lundin Petroleum for any liabilities under such guarantee.

The Reorganization was completed on April 7, 2017, with an effective date of January 1, 2017. The Contribution and Transfer Agreements provide for a working capital adjustment as at January 1, 2017 which will be paid by the Corporation to Lundin Petroleum by financial adjustments during the period from January 1, 2017 to the date of the Spin-Off, with any outstanding amounts as such date to be paid by the Corporation to Lundin Petroleum on a monthly instalment basis up to June 2018.

The Spin-Off

Manner of Effecting the Spin-Off

Following receipt of all necessary approvals and consents, including the approval of Lundin Petroleum’s shareholders and the satisfaction or waiver of all other conditions to the Reorganization, all of the Common Shares will be distributed by Lundin Petroleum *pro rata* on the basis of one Common Share for every three shares held in Lundin Petroleum to all of its shareholders pursuant to a statutory procedure under the laws of Sweden, Lundin Petroleum’s jurisdiction of incorporation. The Common Shares will be distributed to shareholders on the Record Date, which was set by the board of Lundin Petroleum and announced once it had been set. Aside from being a beneficial shareholder of Lundin Petroleum on the Record Date, no further actions will be required for Lundin Petroleum shareholders to receive Common Shares. The distribution will fulfill the requirements of the Lex ASEA rules regarding taxation for Sweden-resident shareholders. See “*Certain Tax Considerations in Sweden*”. Following the Spin-Off, all of the Common Shares will be distributed to Lundin Petroleum shareholders and Lundin Petroleum will no longer be a shareholder of the Corporation.

Steps Prior to the Spin-Off

Implementation of the Spin-Off is subject to prior completion of the following:

- approval of the Reorganization and the Spin-Off by the board of directors of Lundin Petroleum;
- approval of the Spin-Off at the extraordinary general meeting of the shareholders of Lundin Petroleum;
- receipt of conditional listing approval for the Common Shares from the TSX and a reputable Swedish exchange and the satisfaction of the conditions imposed by the TSX and the reputable Swedish exchange;
- the completion of the Reorganization;
- no order, injunction or decree that would have prevented the Reorganization or would prevent the Spin-Off being threatened, pending or issued (and still in effect) by any governmental entity of competent jurisdiction, no other legal restraint or prohibition being in effect that prevents the Reorganization or the Spin-Off, and no other event outside the

control of Lundin Petroleum and/or the Corporation occurring or failing to have occurred that prevented the Reorganization or would prevent the Spin-Off;

- no other events or developments occurring prior to the Spin-Off that, in the judgment of the board of directors of Lundin Petroleum, would result in the Spin-Off having a material adverse effect on Lundin Petroleum or its shareholders;
- to the extent applicable, the Corporation and Lundin Petroleum will have executed and delivered the distribution documentation, all other ancillary agreements related to the Spin-Off and certain commercial arrangements; and
- Lukas H. Lundin, Chris Bruijnzeels, Donald Charter, C. Ashley Heppenstall, Mike Nicholson and Torstein Sanness being duly appointed to the Corporation's board of directors.

As of the date hereof, the items listed in the first, second, fourth and eighth bullet listed immediately above have been completed.

No Public Market for Common Shares

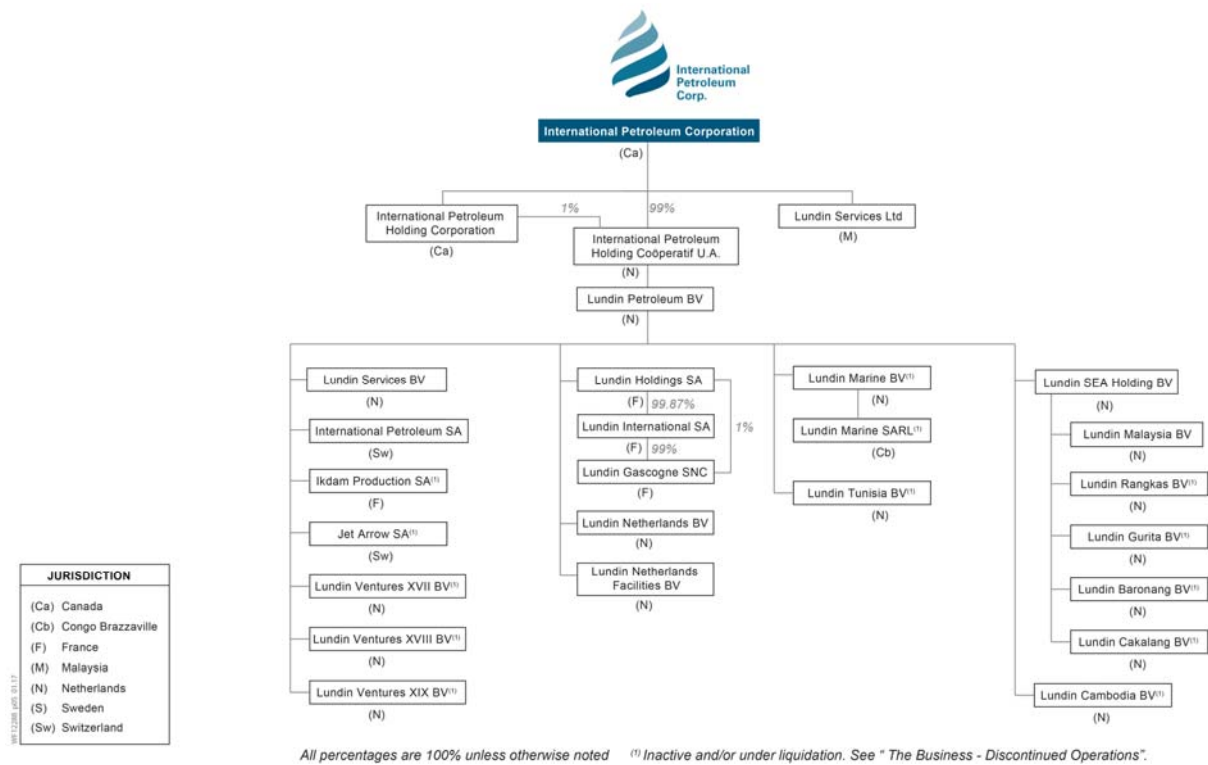
There is currently no public market for the Common Shares. The Corporation has applied to the TSX and to Nasdaq First North to list the Common Shares for trading on such exchanges. Listing will be subject to the Corporation fulfilling the requirements of the TSX and Nasdaq First North. There can be no assurance that the Common Shares will be accepted for listing on the TSX or Nasdaq First North. It is anticipated that the TSX Listing would be subject to the Corporation satisfying certain conditions, including the distribution of the Common Shares to a minimum number of public shareholders. The Corporation cannot provide any assurances as to the price at which the Common Shares may trade.

See "*Application to List on the TSX and on Nasdaq First North*".

Results of the Reorganization and the Spin-Off

Pursuant to the Reorganization and the Spin-Off, the Corporation now owns the Oil and Gas Assets currently indirectly owned by Lundin Petroleum and will be independent of Lundin Petroleum. The Corporation has applied to the TSX to list the Common Shares. Listing will be subject to the Corporation fulfilling the requirements of the TSX. Immediately following the Spin-Off, the Corporation is expected to have approximately 32,000 holders of Common Shares and 113,462,148 Common Shares outstanding. See "*Equity-Based Compensation Arrangements*" for a discussion of equity-based compensation arrangements that are expected to be put in place following the Spin-Off.

The organizational structure of the Corporation is as follows:



Post-Spin-Off Offer

As described in greater detail below, the Board has resolved to cause Lundin Petroleum BV, a subsidiary of the Corporation resident in the Netherlands (the **"Offeror"**), following the Spin-Off and following the establishment of the Credit Facility, to use its own resources (including a draw-down pursuant to the Credit Facility) to make an offer to all holders of Common Shares to purchase up to \$100 million of Common Shares (or approximately 24.4% of the Common Shares that will then be outstanding) for consideration of C\$4.77 per Common Share (the **"Offer"**), based on an assumed number of 113,462,148 Common Shares outstanding on the date of the Offer.

The value of the proposed per-share consideration under the Offer was determined by the Board of the Corporation, based on its determination of the fair market value of the Corporation as of February 21, 2017, assuming completion of the Reorganization and the Spin-Off. The Board based this determination on the valuations presented by the management of the Corporation, with advice of external financial advisors, in accordance with customary valuation methodologies in the international oil and gas industry, including based on the Reserves Report.

The Offer will remain open for a period of approximately three weeks, during which time holders of Common Shares may tender all, but not less than all, of their Common Shares to the Offer. If the value of the Common Shares tendered to the Offer is in excess of \$100 million, the Common Shares taken up under the Offer will be taken up on a *pro rata* basis among those tendering. The Offer will not be conditional upon any minimum number of Common Shares being tendered. The Common Shares tendered to the Offer will be taken up and paid for only upon completion of the Offer period and following the Corporation making any necessary calculations as to *pro rata* amounts to be taken up and paid under the Offer.

Among other things, management of the Corporation believes that the Offer is desirable as it provides all shareholders of the Corporation with the equal opportunity to assess whether they wish to hold or dispose of Common Shares during the Offer period, recognizing that the strategic and investment goals of some shareholders of Lundin Petroleum (who will become shareholders of the Corporation immediately following the Spin-Off) may or may not correspond to the Corporation's assets and proposed strategy.

The plan to make the Offer following the Spin-Off (subject to the establishment of the Credit Facility) was formed by the Corporation to facilitate an orderly exit for shareholders who do not wish to continue to be shareholders of the Corporation. Following the Spin-Off, Nemesia S.à.r.l. and Statoil ASA will be the Corporation's two largest shareholders. Management of the Corporation has been advised by Statoil ASA that while it supports the Spin-Off, continuing to hold shares in the Corporation post-Spin-Off is non-core for Statoil ASA, given the Corporation's size and geography. Accordingly, Statoil ASA has advised the Corporation of its intention to tender its Common Shares to the Offer. Nemesia S.à.r.l., along with Landor Participations Inc., another investment company related to a member of the Lundin family, and members of the Corporation's board and management, have advised the Corporation that they also support the Spin-Off and that they do not intend to tender to the Offer.

Separately, the Corporation has been advised that Statoil ASA and Nemesia S.à.r.l. have entered into an agreement pursuant to which, following the expiry of the Offer, Nemesia S.à.r.l. will acquire any Common Shares held by Statoil ASA that have not been acquired by the Offeror in the Offer for the same consideration per Common Share as is payable pursuant to the Offer.

Following completion of such transactions, it is anticipated that Statoil ASA will not own any Common Shares, and Nemesia S.à.r.l. will own between 25.6% and approximately 39% of the Common Shares, depending on the number of Common Shares tendered to the Offer by other shareholders (prior to the cancellation of Common Shares acquired by Lundin Petroleum BV pursuant to the Offer, as described below).

Following completion of the Offer, it is the Corporation's intention to reorganize the share capital of the Corporation by issuing the Class A Preferred Shares (as defined herein) to its subsidiary, Lundin Petroleum BV, as sole consideration for the purchase for cancellation from Lundin Petroleum BV of the Common Shares acquired by Lundin Petroleum BV pursuant to the Offer. See also "*Description of Share Capital*".

The Corporation and the Offeror will be entitled to rely on exemptions from the formal take-over bid and issuer bid rules under Canadian securities laws pursuant to sections 4.4 and 4.10 of National Instrument 62-104 – *Take-Over Bids and Issuer Bids of the Canadian Securities Regulators* in respect of the Offer. Such provisions exempt take-over bids and issuer bids, respectively, for securities of corporations having Canadian shareholdings of less than 10% from such formal bid requirements, provided certain requirements are satisfied. Canadian shareholders of the Corporation will be entitled to participate in the Offer on the same basis as shareholders in other jurisdictions and will receive the same materials in respect of the Offer.

The Swedish Securities Council (Sw. *Aktiemarknadsnämnden*) (the "**SCC**") has issued a statement upon the Corporation's request regarding the Offer. The SCC's statement is available on the Swedish Securities Council's website www.aktiemarknadsnamnden.se. According to the statement, the Offer is to be considered a repurchase offer (made by the Corporation through its wholly-owned subsidiary). The SCC further notes that the rules regarding take-overs are not intended to be applicable on offers regarding repurchase of a company's own shares and that this follows directly from law in relation to a company's whose shares are traded on a regulated market. For companies with shares traded on *inter alia* a multilateral trading facility (such as Nasdaq First North), the SCC further notes that there are no explicit rules regarding offers for repurchase of a company's own shares. The SCC concludes that even though there are no explicit exemptions from the Swedish take-over rules for repurchase offers made on Nasdaq First North, the take-over rules applicable for company's whose shares are traded on Nasdaq First North shall not be applicable on the Offer.

THE BUSINESS

Overview of the Oil and Gas Assets

The Corporation is the indirect owner of the former assets and operations of Lundin Petroleum in Malaysia, France and the Netherlands. The Corporation is also the owner of certain non-material assets relating to the Discontinued Operations (the “**Non-Material Assets**”). The Oil and Gas Assets are weighted towards light, high quality oil, with liquids representing 94% of proven and probable reserves and with gas production primarily from the Oil and Gas Assets in the Netherlands. Management believes that the quality, scale and diversification of the Oil and Gas Assets provide a solid foundation for sustainable growth and risk mitigation.

The Corporation operates its produced volumes in the Paris Basin, France and Malaysia and owns non-operated interests in the Aquitaine Basin, France and the Netherlands. As operator, it is able to control the pace and strategy of its development activities and to implement execution strategies that are compatible with its approach to prudently managing operational and financial risk. It is also able to optimize the timing and magnitude of capital expenditure programs and to leverage the value of management’s expertise and proven track record.

The Oil and Gas Assets have the following characteristics:

- 2P Reserves of 29.4 mmboe (as at December 31, 2016);
- management estimate of production for 2017 of 9,000 to 11,000 boe/d, of which approximately 88% is oil (majority operated) (see “*The Business – Forecasts Related to the Oil and Gas Assets*”);
- management believes low operating costs relative to its peers;
- a discretionary capital program with no material commitments, with a 2017 forecast of approximately \$10 million of capital expenditures (see “*The Business – Forecasts Related to the Oil and Gas Assets*”);
- high proportion of the Oil and Gas Assets operated by the Corporation (86% of 2P Reserves);
- infrastructure in Malaysia (including the FPSO Bertam), France and the Netherlands that provides significant operating income in addition to sales of hydrocarbons; and
- significant tax pools in Malaysia and the Netherlands, with an attractive tax regime in France, leading to low rates of tax for the entities that own the relevant Oil and Gas Assets.

The Oil and Gas Assets in Malaysia are offshore assets characterized by a small number of highly productive wells. Production is light, high quality oil that attracts a premium to Brent crude pricing. The Malaysian assets began production in 2015, completed the first phase of development drilling in 2016 and are in the early stages of their production life. There are 12 horizontal wells, fitted with electric submersible pumps and a natural aquifer drive for pressure support.

The Corporation also indirectly owns 100% of the FPSO Bertam operating in Malaysia. A bareboat charter agreement dated August 13, 2014 is in place between Lundin Malaysia BV, on behalf of the PM307 joint venture, and Lundin Services Limited, under which the charterer (Lundin Malaysia BV) pays a fixed lease rate over a six-year period starting April 2015, with four one-year options for renewal after the fixed period, at the option of Lundin Malaysia BV, as charterer. The parties comprising the PM307 joint venture are Lundin Malaysia BV with a 75% interest and PCSB with a 25% interest. The PM307 joint

venture is governed by a farmout agreement with an effective date of May 1, 2011 and by a joint operating agreement dated May 1, 2011. Costs incurred within the licence are apportioned in proportion to each party's interest. Lundin Services Limited is paid the complete lease by Lundin Malaysia BV, and PCSB reimburses its share to Lundin Malaysia BV in accordance with its proportionate interest in the PM307 joint venture, resulting in an additional stream of revenue for the Corporation. Since the start of production in 2015, the Bertam field has attained an uptime in excess of 99%. Management of the Corporation considers this performance level for an offshore asset to be among those of leading offshore operators.

The Oil and Gas Assets in France are comprised of two main operating basins, the Paris Basin, which is operated directly or indirectly by the Corporation, and the Aquitaine Basin, which is operated by Vermilion. Both basins are characterized by a high number of wells with low production decline rates. Production from the Oil and Gas Assets in France is light, high quality oil only. Currently, the Oil and Gas Assets in France represent 61% of the 2P Reserves of the Corporation. The Oil and Gas Assets in France have been under the ownership of Lundin Petroleum since 2002, are well known to the Corporation's management and are operated by the current local team in place in the Paris Basin and by Vermilion in the Aquitaine Basin.

The Oil and Gas Assets in the Netherlands are non-operated, late-life gas fields, both onshore and offshore, that continue to provide profitable production. Over the course of the next 10 years, abandonment activity with respect to the Oil and Gas Assets in the Netherlands is expected to increase. Although the Oil and Gas Assets in the Netherlands show a limited positive net present value, positive cash flow is forecast over the next 10 years, which is negatively impacted by the related abandonment obligations. Although decommissioning and economic limits impact some of the fields, in other fields (such as K4b / K5a), production is forecast to continue into the 2030s.

The Discontinued Operations are not material to the Oil and Gas Assets.

Technical Business Plan for the Oil and Gas Assets

The Strategy for the Oil and Gas Assets

Management of the Corporation intends for the Corporation to be a leading independent oil and gas company focused on production of high quality assets in stable jurisdictions around the world. The Corporation aims to realize this vision through the optimization of the Oil and Gas Assets in Malaysia, France and the Netherlands, targeted development of the Oil and Gas Assets, and acquisition, integration and optimization of other existing production or near-production properties in similarly attractive geographies and fiscal regimes. The Corporation has the financial capacity to fund both the organic and inorganic growth of its business with various sources of capital, including the Corporation's stable excess cash flows from the Oil and Gas Assets and access to both the debt and equity capital markets. Management of the Corporation intends to liquidate and dissolve each of the subsidiaries that formerly conducted the Discontinued Operations as soon as practicable.

Maximize the productive potential of the Oil and Gas Assets through increased management focus

The Corporation plans to continue to execute on the operational plans for the Oil and Gas Assets that were in place prior to the Reorganization. Accordingly, the Corporation intends to operate the Oil and Gas Assets to maximize cash flows and to investigate opportunities to invest in low risk exploitation and development projects to maintain or increase production and to curb decline rates. Management believes that the Corporation will benefit from management's increased focus on the Oil and Gas Assets, identifying opportunities for improvement that were less emphasized while the Oil and Gas Assets were owned by Lundin Petroleum. The Corporation's key strategies in each jurisdiction will be as follows:

In Malaysia, the Corporation intends to operate the Oil and Gas Assets in order to do the following:

- Maintain high-uptime, low-cost operations utilizing the 100%-owned FPSO Bertam;
- Manage the reservoir to ensure optimum production from existing wells; and
- Investigate opportunities to maximize production and volumes in cooperation with the local partner PCSB.

In France, the Corporation intends to operate the Oil and Gas Assets in order to do the following:

- Maintain high-uptime, low-cost, low-decline operations in the Paris Basin through its infrastructure maintenance program;
- Continue to work with the operator in the Aquitaine Basin to maintain low-cost operations; and
- Investigate opportunities to maximize production and volumes.

In the Netherlands, the Corporation intends to manage the Oil and Gas Assets in order to do the following:

- Work with operators to ensure alignment on business plans, forecasts and operational activities;
- Challenge operators to optimize the production plans and seize opportunities to extend the life of the Oil and Gas Assets in the Netherlands; and
- Support opportunities to maximize production and volumes through exploration and development close to existing infrastructure.

Utilize the Corporation's platform to make accretive acquisitions in a favourable market

Consistent with the strategy for the Oil and Gas Assets prior to the Reorganization, the Corporation will focus on strengthening the cash flows of the Oil and Gas Assets by adding high-quality assets that further enhance the financial strength of the Corporation's business, accelerate its growth and provide access to additional production, development and reserves. The Corporation intends to initially concentrate on low-decline producing and near-production assets in stable jurisdictions with attributes similar to the Oil and Gas Assets. Management believes that the Corporation's financial position and cash flows will offer the Corporation an advantageous platform to pursue accretive acquisitions.

Management believes that the Corporation will be able to generate substantial operating synergies both in fields located near to the Oil and Gas Assets, and in locations in which the Corporation does not operate. The Corporation's local management teams have built significant experience operating the Oil and Gas Assets that management believes will be able to be redeployed to additional assets. Complementing the Corporation's in-country strength, the Corporation's executive management team and the Board have significant experience in identifying, executing and integrating oil and gas assets and companies into portfolios similar to that of the Corporation.

Management believes that there will be sufficient opportunities that fit the criteria for the Corporation to deliver selective, high quality acquisitions to further enhance its portfolio and maintain the sustainability of its business model. The recent low oil price environment has driven asset divestitures by exploration and production companies struggling with liquidity issues, while also limiting the ability of balance sheet-constrained competitors to acquire such assets. Management believes that the recent low oil price environment has driven asset divestitures by exploration and production companies struggling with liquidity issues, while also limiting the ability of balance sheet-constrained competitors to acquire such assets. Management's recent experience indicates that the oil majors and large international oil and gas

companies are increasingly focused on larger volumes in new frontier basins, not long-life, low decline assets in established basins, and will continue to dispose of high quality assets to meet their public divestment undertaking.

Maintain a disciplined approach to financial management

The Corporation will strive to maintain a conservative financial profile and strong balance sheet with strong liquidity. The Corporation's funding sources include operating cash flows, debt and equity. Typically, the Corporation funds or plans to fund exploration activities from production cash flows and equity and development activities from a combination of production cash flows, debt and proceeds of portfolio management activities such as farm-downs or sales. Since the FPSO Bertam came on stream in April 2015, the cash flows from the Oil and Gas Assets have been sufficient to fund all exploration and appraisal activities.

Management of the Corporation intends to use debt financing prudently and to maintain what management considers to be appropriate levels of financial leverage.

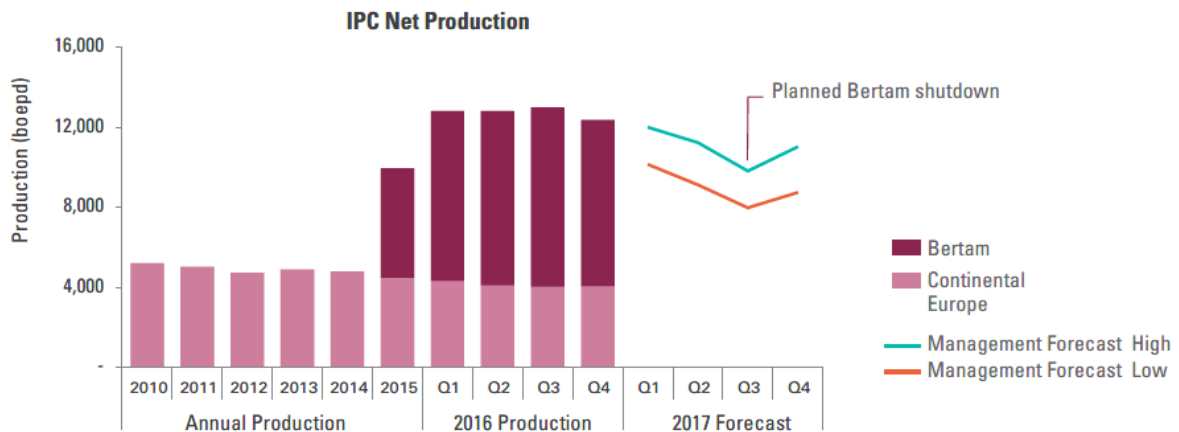
The Corporation has not entered into any derivative financial instruments, but management will recognize and monitor the financial risks derived from the foreign exchange markets as well as those coming from the interest rates and oil and gas prices volatility. As part of management's prudent and close monitoring of the Corporation's liquidity position and financial commitments, management may consider entering into derivatives instruments in the future to mitigate these identified risks. Management would do so in line with the best industry practice, without taking speculative positions, by hedging treasury or commercial flows.

The Corporation maintains insurance that management believes is consistent with customary industry practices in the jurisdictions in which the Corporation conducts business.

Additional Forecasts Related to the Oil and Gas Assets

Certain statements contained in this section of the Company Description constitute forward-looking information. Readers are reminded that actual results may vary from forward-looking information. See “*Forward-Looking Information*”. The functional currency of the French and Dutch entities is the Euro. The forecasts in this section have been prepared using the local currency and translated, where applicable, to the US dollar using 1€:\$1.15, which is not a reflection of future exchange rates.

Forecast production for 2017 is between 9,000 to 11,000 boe/d, of which approximately 88% will be oil and a majority of which will be operated by the Corporation. This forecast is based on the following assumptions: Lundin Petroleum management’s view of previous and forecast production, uptime and natural decline, the planned shutdown of the Bertam facility, a number of small planned maintenance outages in the Netherlands and no material outages in France. The production forecast also takes account of operators’ information, and is intended to reflect a prudent approach on uptime, decline and outages. The following chart shows historical production for the Oil and Gas Assets, together with Lundin Petroleum management’s forecasted production for 2017:



The Strengths of the Oil and Gas Assets

Management believes that the key competitive strengths outlined below differentiate the Corporation from its competitors.

High-quality, diversified asset base of producing, long-life, oil-weighted reserves

The Corporation has a high quality portfolio of assets in three attractive jurisdictions: Malaysia (Bertam), France (Paris and Aquitaine Basins) and the Netherlands. The portfolio is weighted towards light, high quality oil, with liquids representing 94% of 2P Reserves and with gas production generated primarily from the Oil and Gas Assets in the Netherlands. Management believes the quality, scale and diversification of the Corporation’s portfolio provides a solid foundation for sustainable growth and risk mitigation.

The Corporation operates its produced volumes in the Paris Basin and Malaysia and owns non-operated interests in the Aquitaine Basin and the Netherlands. As operator, the Corporation is able to control the pace and strategy of its development activities and implement execution strategies that are compatible with its approach to prudently managing operational and financial risk. The Corporation is also able to optimize the timing and magnitude of capital expenditure programs and leverage the value of the management’s expertise and proven track record.

In particular, the Oil and Gas Assets have the following strengths:

- The Corporation has a diversified asset base of light, high quality, oil weighted reserves across three main operating countries.
- The Corporation is the operator of 86% of 2P Reserves and so has control over development and exploitation plans for most of the Oil and Gas Assets.
- A majority of expected production in 2017 will be from the Bertam field, which has maintained an uptime of over 99% since field startup and has performed exceptionally compared to management's expectation.
- Oil pricing from the Bertam field attracts a premium to the Brent crude price.
- Infrastructure ownership complements the sales of hydrocarbons to provide additional operational incomes.
- Low decline rates from the Oil and Gas Assets in France are expected to lead to long economic field life in a number of fields in France. Lundin Petroleum has a history of replacing reserves in the Oil and Gas Assets in France, having replaced 12.3 mmboe of the 17.2 mmboe, or over 70%, of the Oil and Gas Assets in France produced from 2002 to 2016.
- The Corporation has the ability to invest in the operated Oil and Gas Assets with the aim of increasing the reserves base and production rates. These assets have not attracted significant capital over the past few years because of Lundin Petroleum's different strategic approach. Management intends to focus on these opportunities with the aim to increase organic growth.

The Oil and Gas Assets reside in favourable jurisdictions for conducting oil and gas exploration and production. The material Oil and Gas Assets of the Corporation are in countries which rank from 23rd to 41st over 96 countries in the 2016 Fraser global petroleum policy perception index.¹

Robust cash generative portfolio supported by attractive netbacks at less than \$30/boe Brent crude price and a low tax environment

The Oil and Gas Assets provide the Corporation with substantial financial stability, generating strong net cash flows in low oil price scenarios, with substantial leverage in a rising commodity price environment. For the year ended December 31, 2016, the Oil and Gas Assets generated \$144.5 million of total cash flows from operations, and \$100.7 million in total cash flows from operations less total cash flows from investing activities despite average price realized of \$42.43/boe.

In addition, the Oil and Gas Assets present the following attractive cash flow and the financial characterizations to the Corporation which management believes will be attractive to investors:

- The current production generated by the Oil and Gas Assets is approximately 88% oil and on average is priced at or above the Brent crude price. While the Brent crude price has declined over the past several years, premium pricing has been maintained due to the light, high-quality oil of the Oil and Gas Assets in Malaysia.
- Management expects that the total production costs in 2017 will be approximately \$68 million (at a Brent crude price of \$50/bbl in 2017).

¹ Fraser Institute, *Global Petroleum Survey 2016*, online: <<https://www.fraserinstitute.org/sites/default/files/global-petroleum-survey-2016.pdf>>.

- The Corporation benefits from attractive fiscal terms and significant tax pools in the jurisdictions in which it operates. As such, the Oil and Gas Assets have historically benefited from and expect to continue to benefit from low rates of overall taxation. In Malaysia, the Corporation has a significant cost recovery balance of \$364 million as of January 1, 2017 and Petroleum Income Tax loss carryforwards of \$52 million as of January 1, 2017. In the Netherlands, the Corporation benefits from a corporate tax loss carryforward, which is non-field specific, of approximately €200 million as of January 1, 2017. Management expects to utilize the benefits of these loss positions over the next several years and expects to pay insignificant taxes in Malaysia and the Netherlands over this period. In France, the Corporation benefits from an attractive upstream tax regime and pays a total tax rate of approximately 35%.
- The cash flows generated by the Oil and Gas Assets is further augmented by the Corporation's 100% ownership of the FPSO Bertam in Malaysia, which benefits from a fixed lease rate from the Bertam upstream partnership through to 2021 at least and provides significant operating income in addition to the sales of hydrocarbons.
- The Corporation operates a discretionary capital program with no material commitments, and forecasts approximately \$10 million in capital expenditures for 2017, which represents an expected decrease of \$24 million compared to capital expenditures of \$34 million in 2016. This decrease is primarily due to the completion of development drilling and the A-15 well on the Bertam field.

The high concentration of oil production, low unit operating costs and capital commitments of the Oil and Gas Assets, and attractive fiscal regimes will yield positive netbacks at low oil prices, with significant exposure to increases in oil prices.

Strong platform from which to pursue a production and development-focused growth strategy

Management believes that the renewed focus of management on the Oil and Gas Assets in a standalone, independent oil and gas company will drive efficiencies and will serve to maximize the Corporation's production and reserves. The Oil and Gas Assets generate significant excess cash flows that can be used to fund targeted development and acquisitions.

Management believes that the Corporation's financial position, cash flows and management experience and expertise, including its existing banking relationships, will offer an advantageous platform to make strategic acquisitions of both oil and gas assets and/or exploration and production companies. The recent low oil price environment has driven asset divestitures by exploration and production companies struggling with liquidity issues, while also limiting the ability of balance sheet-constrained competitors to acquire such assets. The Corporation's financial position, combined with the significant cash flows generated from the Oil and Gas Assets and management capabilities in accessing the debt and equity capital markets, are expected to provide the Corporation with an acquisition currency to capitalize on accretive acquisition opportunities. Similarly, the Corporation's executive and in-country management teams are well-placed to evaluate acquisition opportunities and to contribute strategic and operating expertise to take over the management of acquired assets and companies.

Senior management team expertise supported by experienced local management

The Corporation is led by an experienced management team with a successful track record in the oil and gas industry. Each individual on the Corporation's management team has 10 to 25 years of oil and gas industry experience, including substantial experience working directly with the Oil and Gas Assets and in jurisdictions worldwide.

The Corporation's CEO is Mike Nicholson, who joined Lundin Petroleum in 2005, where he most recently served as CFO. Mr. Nicholson has a strong strategic and financial knowledge of the Oil and Gas Assets, and also served as Managing Director of the South East Asia business.

The Corporation's CFO is Christophe Nerguararian, who joined Lundin Petroleum in 2012, following over a decade in various banking and finance oil and gas positions for a large European bank, and brings significant finance, capital markets, and strategic expertise to the Corporation.

The Corporation's General Counsel is Jeffrey Fountain, who joined Lundin Petroleum in 2003. He has worked with the Oil and Gas Assets in France and the Netherlands since joining and with the Oil and Gas Assets in Malaysia since Lundin Petroleum commenced operations in Malaysia in 2008.

The Corporation's lead technical team consists of Daniel Fitzgerald, VP Operations, and Ryan Adair, VP Reservoir Development, who provide in-depth upstream operational and subsurface technical expertise and a wealth of experience with the current portfolio of assets, which will enable them to screen and identify new external growth opportunities. Rebecca Gordon, VP Corporate Planning and Investor Relations, is responsible for overseeing economics and investor relations for the Corporation.

The Corporation's in-country management and local teams are expected to provide continuity with the Oil and Gas Assets and offer expertise as the Corporation executes its strategy. Management believes that, with the support of the Board, it possesses the expertise to both successfully manage the Oil and Gas Assets and identify, integrate and grow acquired assets.

Strong support and commitment from Lundin family and experienced board

The Board is comprised of individuals with an average of over 30 years of oil and gas and natural resources industry experience in very senior positions and a proven track record of creating value for shareholders, both organically and inorganically. The majority of the Board has direct experience at Lundin Petroleum, with the Oil and Gas Assets or with other natural resource companies in which the Lundin family is a major shareholder. Management believes that the Board possesses a diverse and complementary set of skills that provide the Corporation with significant support to execute its strategy. The following individuals constitute the Board:

- Lukas H. Lundin is Chairman of the Board. He has extensive management, strategic, and entrepreneurship expertise, acting as chairman and director on the board of several natural resources companies which actively engaged in significant corporate transactions in the natural resources sector over the last 30 years (Lundin Oil, Lundin Mining, Lundin Gold and many more). Mr. Lundin is also the representative of the Lundin family interest and has a track record of recognizing value and superior global investment opportunities in the natural resource sector.
- C. Ashley Heppenstall is Lead Director for the Board. He served as President and CEO of Lundin Petroleum from 2002 until 2015 and has significant strategic knowledge of the Oil and Gas Assets and opportunities to complement the Corporation's portfolio. Mr. Heppenstall brings a wealth of expertise in the oil and gas sector, as well as a deep understanding of the financial markets.
- Torstein Sanness is a director on the Board and formerly served as Managing Director of Lundin Norway AS from 2004 to 2015. He has significant technical and operating expertise, developing an organization with high levels of competence at all levels: production, development, and exploration. Mr. Sanness was instrumental in the success of Lundin Petroleum's exploration discoveries in Norway.
- Chris Bruijnzeels is a director on the Board and serves as CEO of ShaMaran Petroleum Corp., which he joined after spending 12 years with Lundin Petroleum. He possesses

significant operating and technical expertise with a focus on subsurface, and he has a strong knowledge of the Oil and Gas Assets. Mr. Bruijnzeels is a reservoir engineer by background and brings solid experience in screening external growth opportunities.

- Donald Charter is a director on the Board and serves as a director on the board of four natural resources companies and one real estate company and will bring significant legal, financial, and strategic knowledge to bear for the Corporation. Mr. Charter is a Canadian citizen and resident.
- Mike Nicholson is also a director on the Board.

In addition to its experienced Board, the Corporation benefits from the continued support of the Lundin family. As of January 2017, entities related to the Lundin family had an interest in 12 companies, excluding the Corporation, with a combined market capitalization of approximately \$15 billion. These companies have returned \$13.7 billion in cash to shareholders.

Credit Facility

Certain of the IPC Subsidiaries are expected to enter into a credit facility for the purpose of, among other things, effecting the Offer, generally on the terms set out in this paragraph (the "**Credit Facility**"). The Corporation is expected to be a guarantor under the Credit Facility. The Credit Facility is expected to be a revolving facility with a final maturity date of June 30, 2019. While the available credit under the Credit Facility is expected to be redetermined on a semi-annual basis in accordance with projections of the borrowing base of reserves of the IPC Subsidiaries that are expected to be party to it, the maximum available credit is expected to be \$100 million. The Credit Facility is expected to be secured by a package customary for this type of facility, including but not limited to: (a) an on-demand guarantee and indemnity from the IPC Subsidiaries who are party to it and the Corporation; (b) pledges over all of the shares of certain of the IPC Subsidiaries; and (c) pledges and/or assignment of the relevant facility bank accounts, intercompany loans, insurance policies and hedging arrangements.

MANAGEMENT AND OPERATIONAL PERSONNEL

Management

The affairs of the Corporation are principally managed by Mike Nicholson and Christophe Nerguararian, the CEO and CFO of the Corporation, respectively, each of whom has entered into an employment agreement with a wholly-owned subsidiary of the Corporation.

In addition, Jeffrey Fountain serves as General Counsel, responsible for all legal matters in the Corporation. Daniel Fitzgerald, VP Operations, and Ryan Adair, VP Reservoir Development, are principally responsible for the management of all technical, operational and subsurface aspects and personnel relating to the ongoing development and operations of the Oil and Gas Assets. Rebecca Gordon, VP Corporate Planning and Investor Relations, is responsible for economics and investor relations. All of these individuals have worked for Lundin Petroleum and bring experience of operating not only the Oil and Gas Assets, but also the successful Norwegian assets owned by Lundin Petroleum.

Country Personnel

The employees of the IPC Subsidiaries located in Malaysia, France and the Netherlands are indirectly employed by the Corporation, providing the Corporation with the continued managerial, operational, technical, financial and country knowledge and experience acquired by such employees in connection with the Oil and Gas Assets.

The Corporation maintains a services office in Vézenaz, Switzerland, where certain technical, legal, financial and other administrative functions are performed by employees of the Corporation. The

Corporation employs approximately 13 individuals in Vésenaz, Switzerland to perform these corporate functions.

In addition, the Corporation has entered into the following services agreements with Lundin Petroleum in connection with the Reorganization:

- *General Services Agreement:* The Corporation leases office space from Lundin Petroleum in Vésenaz, Switzerland.
- *IPC Technical Services Agreement:* The Corporation may, but will be under no obligation to, request the services of certain employees of Lundin Petroleum to assist in the business of the Corporation. Any services provided under this agreement will be on subsequently agreed rates, based on market rates for similar services.
- *Lundin Petroleum Technical Services Agreement:* Lundin Petroleum may, but will be under no obligation to, request the services of certain employees of the Corporation to assist in the business of Lundin Petroleum. Any services provided under this agreement will be on subsequently agreed rates, based on market rates for similar services.

The Corporation has also entered into an agreement with a management services company, whereby such company will provide office facilities, administration, investor relations and corporate development services in Vancouver, British Columbia.

In France, the Corporation employs 47 individuals located at production facilities in Montmirail. In addition, the Corporation will retain contractors as required. The Oil and Gas Assets in France and their administration are managed by the general manager responsible for the Oil and Gas Assets in France, who is assisted by a management team that is responsible for various functions including operations, exploration, health and safety, environmental, human resources, accounting and finance and legal functions. A majority of the French senior management team has been in place operating the Oil and Gas Assets in France since Lundin Petroleum acquired them in 2002.

In the Netherlands, the Corporation employs five individuals located in corporate offices in The Hague. The Oil and Gas Assets in the Netherlands and their administration are managed by the general manager responsible for the Oil and Gas Assets in the Netherlands and a Legal/HR assistant. The remaining employees are responsible for maintaining accounting functions for the Oil and Gas Assets in the Netherlands. The accounting group is managed by the controller responsible for the Oil and Gas Assets in the Netherlands.

In Malaysia, the Corporation indirectly employs 77 individuals located at the Malaysian Head Office in Kuala Lumpur. This number is expected to decline over the course of 2017 as a result of the Corporation's strategy in Malaysia of focusing on the operational assets and streamlining the reduced exploration operations. In addition, the Corporation will retain contractors as required. The Oil and Gas Assets in Malaysia and their administration are managed by the general manager responsible for the Malaysian business, who is assisted by a management team that is responsible for various functions including, operations, health and safety, environmental, human resources, accounting and finance and legal functions.

Employees

The IPC Subsidiaries directly and indirectly employed the following number of people at the dates set out below. In addition, there were 13 individuals employed by Lundin Petroleum in connection with the Oil and Gas Assets as at December 31, 2016.

	December 31, 2016	December 31, 2015	December 31, 2014
Malaysia	77	119	100
France	48	44	44
The Netherlands	6	7	7
Number of employees	131	170	151

THE OIL AND GAS ASSETS

Description of Primary Properties

The following is a description of the properties comprising the Oil and Gas Assets. The following property descriptions are as of December 31, 2016 unless otherwise noted and quoted values for reserves are as reported in the Reserves Report.

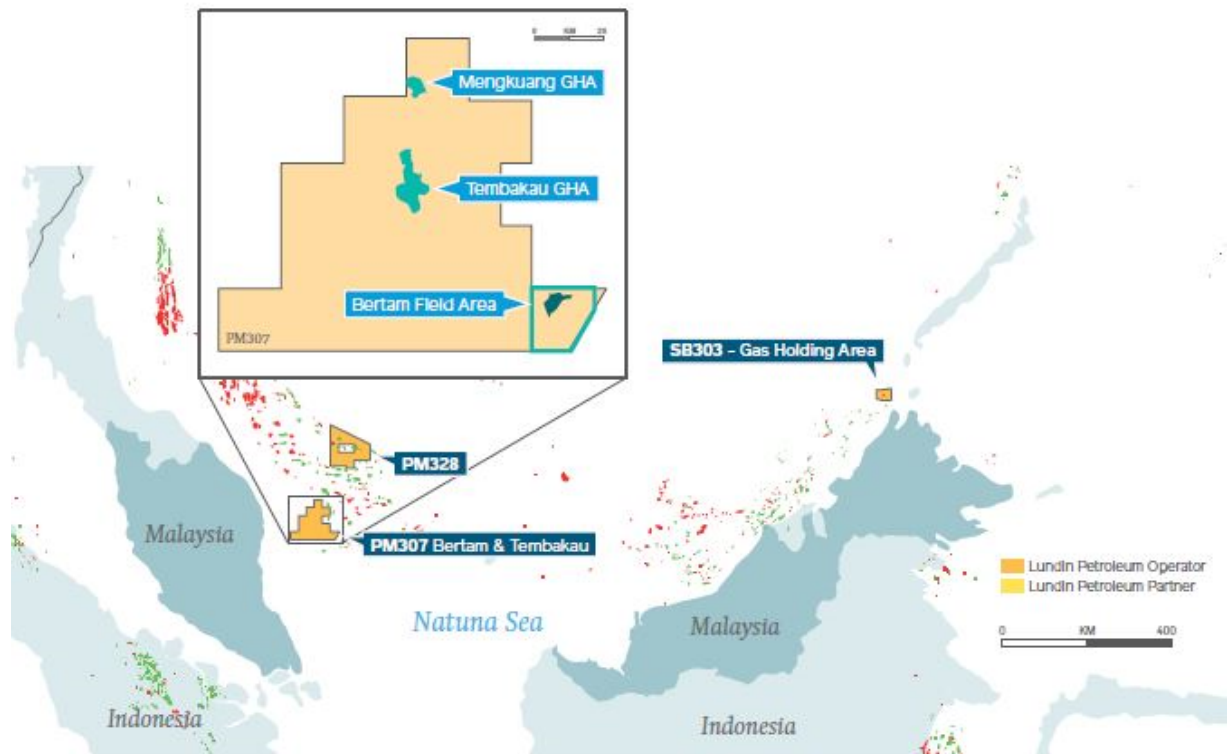
Malaysia

Overview

Since entering Malaysia in 2008, Lundin Petroleum has been successful in developing one commercial oil discovery, being the Bertam oil field located offshore Peninsular Malaysia, and also making several gas discoveries, including the Tembakau gas discovery which is also located offshore Peninsular Malaysia. The Bertam field has been on production since April 2015, and the gas discoveries are not viable for development at current market conditions. The administrative, accounting and technical affairs of the Corporation's activities in Malaysia will be managed from its office in Kuala Lumpur.

All of the Corporation's production and reserves in Malaysia come from the Bertam oil field located offshore Peninsular Malaysia. In addition to the Bertam field area, block PM307 contains an exploration area and the two gas holding areas ("**GHAs**") for Tembakau and Mengkuang. The Corporation is the operator of Block PM307 with a 75% working interest, with Petronas holding the remaining 25% through its wholly owned subsidiary PCSB. There is also one outstanding exploration block in Peninsula Malaysia (PM328) in which the Corporation has a "drill or drop" option. The "drill or drop" option entails that at the Corporation's discretion, it may either (a) extend the license by committing to a work programme or (b) exit the license completely. The "drill or drop" option expired in March 2017 and Lundin Malaysia BV, which holds the lease, is currently seeking a six-month extension to the "drill or drop" option and a one-year extension to the exploration period under the licence. During 2015, Lundin Malaysia BV entered into a farm-out agreement with Dyas, whereby Lundin Malaysia BV transferred a 15% working interest in Block PM328, with Lundin Malaysia BV retaining a 35% working interest post-farmout. There are no outstanding commitments on this block.

The map below shows the location of the Oil and Gas Assets in Malaysia.



Concession ⁽¹⁾	Area (km ²)	Offshore/ Onshore	Licence Type	Interest	Operator	Expiry	Partners
PM307	297 (Bertam)	Offshore	Production	75.00%	Lundin	Aug-25	PCSB 25%
PM307 Tembakau and Mengkuang	108	Offshore	GHA	75.00%	Lundin	May-21 ⁽²⁾	PCSB 25%
PM328	5,600	Offshore	Exploration	35.00%	Lundin	Jun-17 (Exploration period)	PCSB 40%, Dyas PM BV 15%, E&P Malaysia Venture Sdn Bhd 10%
SB303	30	Offshore	GHA	55.00%	Lundin	Apr-20	PCSB 25%, Dyas 20%

Notes:

- (1) Excludes SB307/SB308, which is awaiting final approval from Petronas for relinquishment.
- (2) Subject to final approval from Petronas.

Peninsular Malaysia - Bertam

History

The Bertam field is located offshore Peninsular Malaysia on Block PM307 and was initially discovered in 1995 by the Bertam-1 well drilled by Petronas. PM307 was acquired by Lundin Petroleum's wholly-owned subsidiary Lundin Malaysia BV in 2011 and was successfully appraised in 2012 and a field development plan was submitted and approved by Petronas in late 2013. An efficient execution of the development plan allowed the field to commence production in April 2015. The Bertam development consists of an unmanned wellhead platform and 12 development wells producing to the FPSO Bertam.

Asset Description

The Bertam field is located 175 kilometres offshore to the east of Peninsular Malaysia, close to the Indonesian border at a water depth of about 74 metres. The field is a low relief, approximately 15 square kilometre, four-way closure. Maximum oil column is in the order of 20 to 25 metres. Reservoir depth is approximately 1600 meters below sea level and the reservoir was slightly underpressured at the first oil date in April 2015.

Geological Overview

The main reservoirs are Late Oligocene deltaic sandstones of the South Malay Basin K sequence. The main reservoir, K10.1, is a continuous sand with subtle variations in properties across the field. Gross thickness is in the 7 to 10 metres, porosity is 20-25% and permeability is 80-300 milliDarcies.

Production Operations

The reservoir recovery mechanism is moderate to strong aquifer drive. Reservoir access is through 12 horizontal producer wells placed close to the top of the K10.1 structure to minimize water coning. Since the reservoir is undersaturated with no gas cap, the wells require artificial lift using electric submersible pumps. Average quality of oil produced from the Bertam field is good with an API gravity of 37°. The wells are tied back to the FPSO Bertam where separation and storage takes place.

Bertam – Floating Production Storage and Offloading (FPSO) Unit

During 2012, Lundin Petroleum permanently abandoned operations at the Oudna oil field in Tunisia. At that time, the Ikdam FPSO was permanently disconnected and Lundin Petroleum increased its ownership in the Ikdam FPSO to 100%.

In 2013, Lundin Petroleum received development plan approval for the Bertam oil field on Block PM307 which integrated an unmanned wellhead platform tied to a floating production, storage and offloading vessel. Lundin Petroleum completed an extensive upgrade and life extension program on the Ikdam FPSO (renamed the FPSO Bertam), and it is now operating on the Bertam field in Block PM307.

Since the FPSO Bertam started receiving oil from the Bertam field in April 2015, it has achieved an excellent operational uptime of greater than 99%.

The FPSO Bertam is currently leased to the PM307 joint venture under a bareboat charter arrangement with a six-year fixed term at the daily lease rate. There are a further four, one-year year options available after the fixed period. The daily operations and maintenance of the facility are undertaken by E&P O&M Services Sendirian Berhad, an operations and maintenance service provider in Malaysia, under contract and supervision of Lundin Malaysia BV. E&P O&M Services Sendirian Berhad is a wholly-owned subsidiary of PCSB that offers operations and maintenance services in Malaysia. The operations and maintenance contractor and Lundin Malaysia BV are responsible for the maintenance and upkeep of the FPSO Bertam.

FPSO Flagging in Malaysia

In order to be able to offload crude, the FPSO Bertam requires a Statement of Compliance issued by the Malaysian Marine Department. The Malaysian Marine Department will only issue statements of compliance to vessels that are Malaysian flagged, either at the MSR or the MISR in Labuan. For a vessel that is more than 20 years old (such as the FPSO Bertam), flagging requires ownership to be via a Malaysian-incorporated company, with majority shareholders and directors who are Malaysian. Currently, the FPSO Bertam is provisionally flagged at the MSR, with a statement of compliance until December 2017 that allows it to offload crude in Malaysian waters. A sales process was undertaken in 2016 to a company qualifying for MSR registration; however, this was terminated as the buyer was unable to raise the required finance as a result of financial conditions related to the low oil price. The Corporation intends to seek a further extension to the provisional registration beyond December 2017 and intends to continue to assess other strategic options with regard to the vessel.

Abandonment Obligations

The Bertam field obligations for abandonment are in line with the requirements set out by the Petronas Procedures and Guidelines for Upstream Activities (the “**PPGUA**”). In accordance with the PPGUA, the FPSO Bertam must be returned to Lundin Services Limited, it must be cleaned and be gas free and the well head platform must be removed to below the mud line. Wells will be abandoned in line with the PPGUA. Provision for the abandonment of facilities is made annually into the abandonment fund at a rate relative to the annual production volumes, as per the PSC requirements. The Corporation also makes provisions for the abandonment of wells annually, but costs are not paid until they are actually incurred.

Oil Export Infrastructure

The Bertam field utilizes the FPSO Bertam for production and oil storage. Export is undertaken directly from the FPSO to oil tankers via an offloading hose and offtake system.

Marketing

Oil produced from the Bertam field is sold on a spot tender to the best price payer. The tender process is managed by Petronas, on behalf of the IPC Subsidiaries that own the Oil and Gas Assets in Malaysia. The crude is delivered directly from the FPSO Bertam into the buyer's vessel. The price of the crude achieves a premium over the Brent crude price, which varies depending on the supply and demand balances in Asia. In February 2017, Bertam production was sold with a premium of \$2.65 per bbl over the Brent crude price.

Petronas, PCSB, Lundin Malaysia BV and Petco Trading Labuan Company Limited (“**Petco**”) are parties to a marketing agency agreement dated June 17, 2015. The marketing agency agreement is effective from January 1, 2015 until December 31, 2019. Under the marketing agency agreement, Petronas, PCSB and Lundin Malaysia BV appoint Petco as an exclusive marketing agent to sell Petronas', PCSB's and Lundin Malaysia BV's respective entitlements of crude under the PM307 PSC. Petco is paid an agency fee based on barrels of crude oil sold. The marketing agency agreement is governed by Malaysian law.

Development Plans

Plans to increase flowrates from some of the Bertam wells will be carried out during the 2017 summer shutdown. A range of instrumentation and equipment with a higher pressure rating will be put in place to allow for an increase on the wells which are currently constrained due to pressure limitations.

The Corporation plans to re-evaluate the Bertam reservoir in 2017 through dynamic reservoir simulation studies and through reprocessing of the three dimensional seismic dataset. The scope of the evaluation will be to investigate near-field exploration potential or infill drilling opportunities that can offset decline rates.

Peninsular Malaysia – PM307 Gas Holding Area

Located offshore Peninsular Malaysia, the PM307 area lies between two major tertiary sedimentary basins – the Penyu Basin to the south and the Malay Basin to the east and north-east. The Penyu Basin holds the Rhu minor oil discovery. Reservoirs consist of fluvial and alluvial sands, mostly channelized and of Oligocene age. Traps are predominantly four-way low-relief anticlines.

Multiple exploration wells were drilled in the PM307 acreage prior to the Lundin's entry, with the most pertinent being the Bertam-1 oil discovery in 1995. Subsequently, Lundin Petroleum drilled an appraisal well on the Bertam structure (in 2012), which led to the Bertam development project that began producing first oil in the second quarter of 2015.

The first exploration well by Lundin Petroleum was Tembakau-1, which was drilled in 2012 and was a gas discovery in two Miocene sandstone intervals. The discovery was successfully appraised with Tembakau-2 in 2014, which tested gas from the same two intervals at a combined rate of 31.7 mmcf/d. A feasibility study concludes that it can be developed for the Peninsular Malaysia market. However, indications of a lack of domestic market capacity require any meaningful development to only be considered at a later stage of the gas holding period. Subsequently, Mengkuang-1 was drilled in October 2015 to test an oil prospect in the I-35 channel system and was a small gas discovery. A GHA application was submitted in February 2016 to hold these two discoveries for an additional five years after the expiration of the exploration period. Approval from Petronas is expected to be forthcoming. The development of this asset is estimated to be sub-economic under current economic conditions and therefore development is presently considered not viable.

Peninsular Malaysia – PM328 Exploration Block

Based on exploration results thus far, the southeast corner of the block, just north of the producing oil fields of Serudon and Lawang, represents the highest exploration potential of the PM328 license. In August 2016, a 600 km² 3D seismic dataset was acquired over this southeast corner fulfilling the seismic commitment for the block. A "drill or drop" decision was due by March 17, 2017, but an extension of the "drill or drop" decision deadline has been applied for. Based on the new seismic dataset, a new prospectivity analysis will be performed and a "drill or drop" decision will be taken accordingly.

Sabah – Gas Holding Area (SB303), Exploration Relinquishment (SB307/308)

SB303 is located at the northern tip of Borneo and has been explored by several rounds of operations since the late 1960's. Together, the original acreage of SB 303 and SB307/308 blocks covered two-thirds of the Sabah shelf. In SB303, prior to Lundin Petroleum operations, nine exploration wells were drilled, resulting in one small gas discovery (Titik Terang). The reservoirs are well-developed sandstone of mainly Miocene age.

Lundin Petroleum made three marginal gas discoveries on Block SB303 with the Tarap, Cempulut and Berangan gas discoveries. Lundin Petroleum applied for a GHA covering these three discoveries and the vintage Titik Terang discovery in March 2015, which was granted in April 2015. A suitable gas export route has not yet been identified for monetizing this gas, but technology development in floating liquefied natural gas may offer a potential solution in the future. The development of this asset is estimated to be sub-economic under current economic conditions and therefore development is presently considered not viable.

Dyas Farm-Out

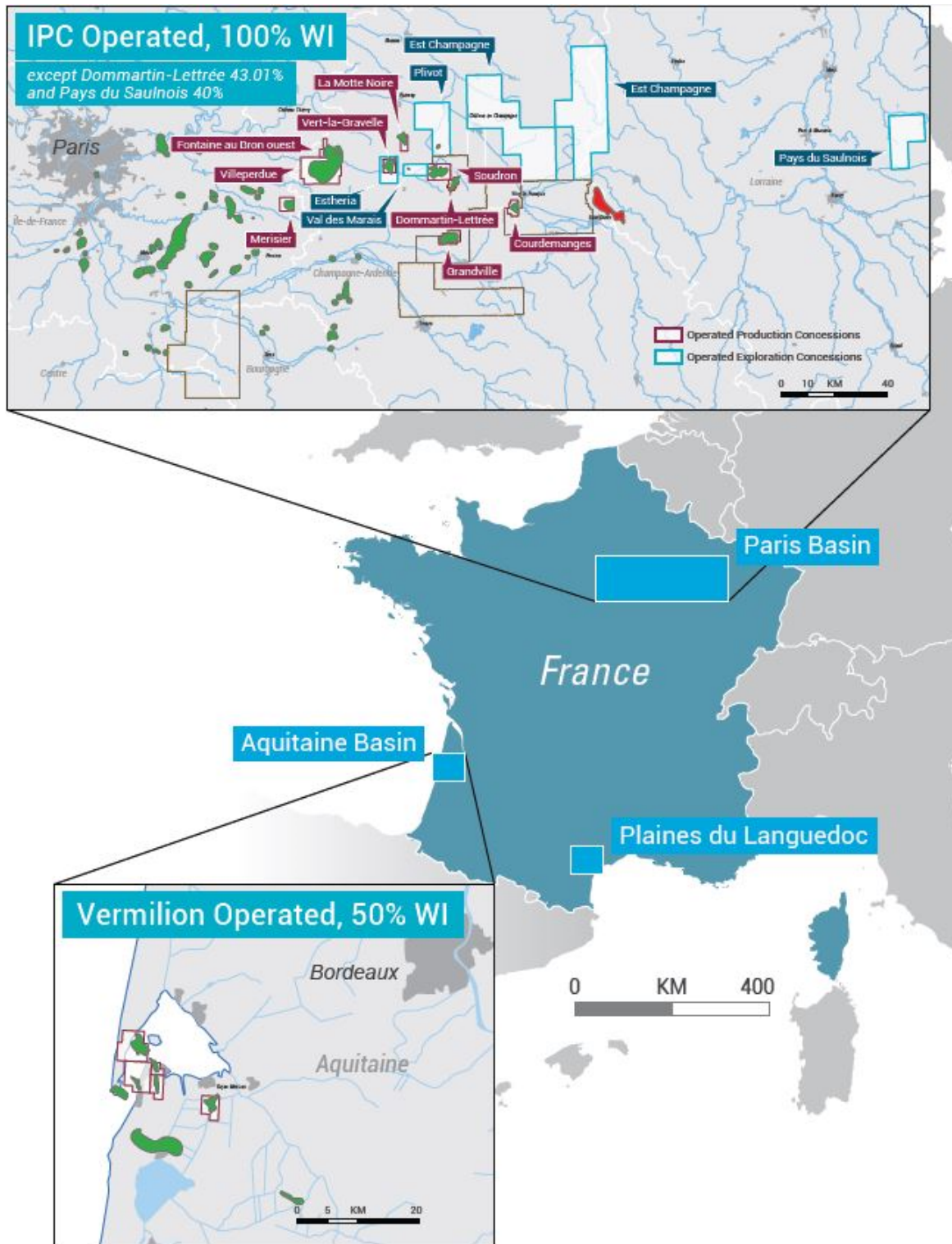
During late 2015 and early 2016, Lundin Petroleum drilled three independent exploration prospects on Block SB307/308. Both the Imbok and Bambazon exploration wells encountered oil bearing reservoirs but not in commercial volumes. The Maligan exploration well encountered gas shows but not in commercial volumes.

Ahead of the three well exploration drilling programmes, Lundin Petroleum entered into a farm-out agreement with Dyas whereby Lundin Petroleum transferred a 20% working interest in Block SB307/308 and in Block SB303 in return for Dyas paying certain costs related to the exploration wells. Block SB307/308 is awaiting final approval for relinquishment from Petronas.

France

In France, the Oil and Gas Assets are situated in the Paris Basin, the Aquitaine Basin and the Languedoc region in the southeast of France. The majority of the production and reserves of the Oil and Gas Assets comes from the operated fields in the Paris Basin. In the Aquitaine Basin, production comes from Vermilion's operated fields, where there is a 50% working interest.

The map below shows the location of the Oil and Gas Assets in France.



France – The Paris Basin

History

Production in the Paris Basin fields started in 1959. The main Villeperdue field started production in 1983. The assets were operated by Total Exploration and Société Nationale Elf-Aquitaine (Production) before being transferred to Coparex International S.A. (now known as Lundin International S.A.) in 1993 and 1995. Lundin Petroleum acquired the Paris Basin assets in 2002 when it bought Coparex International S.A. from BNP Paribas. In 2007, Lundin Petroleum acquired a further 20% interest in four assets from Carr Production France.

Assets Description

The Corporation is the operator of nine oil field licences and six exploration permits located approximately 100 kilometres east of Paris in the central part of the Paris Basin. The Corporation is the operator of all of the Paris Basin fields and holds a 100% working interest in nine of the 10 producing fields (43.01% working interest in Dommartin Lettrée field with Vermilion Energy Inc. as partner).

Paris Basin Concessions	Area (km ²)	Offshore/ Onshore	Licence Type	Interest (%)	Operator	Partners	Expiry	Future Work Commitments (MM€)
Production								
Courdemanges	19.9	Onshore	Production	100.00	IPC	N/A	Mar-38	N/A
Dommartin-Lettree	13.2	Onshore	Production	43.01	IPC	Vermilion 56.99%	Feb-24	N/A
Fontaine au Bron (South and West parts including the Hautefeuille field)	25.1	Onshore	Production	100.00	IPC	Geopétrol is operator of the remaining area of the concession	Oct-17	N/A
Grandville	33.9	Onshore	Production	100.00	IPC	N/A	Aug-38	N/A
La Motte Noire	15.8	Onshore	Production	100.00	IPC	N/A	Mar-30	N/A
Merisier	26.5	Onshore	Production	100.00	IPC	N/A	Nov-29	N/A
Soudron – Soudron field	51.6	Onshore	Production	100.00	IPC	N/A	Mar-35	N/A
Soudron – Villeseneux field								
Vert-La-Gravelle	23.0	Onshore	Production	100.00	IPC	N/A	Sep-28	N/A
Villeperdue	141.3	Onshore	Production	100.00	IPC	N/A	Jan-37	N/A
Exploration								
Val des Marais	37.0	Onshore	Exploration ⁽¹⁾	100.00	IPC	N/A	N/A ⁽²⁾	0.0
Plivot	198.0	Onshore	Exploration	100.00	IPC	N/A	Oct-20	0.9

Paris Basin Concessions	Area (km ²)	Offshore/ Onshore	Licence Type	Interest (%)	Operator	Partners	Expiry	Future Work Commitments (MME)
Pays du Saulnois	198.0	Onshore	Exploration ⁽²⁾	40.00	IPC	GDF Suez E&P France (40%) Diamoco Energy (20%)	Nov-18	1.3
Est Champagne	1318	Onshore	Exploration ⁽²⁾	100.00	IPC	N/A	Oct-19	0.0
Plaines du Languedoc	1095	Onshore	Exploration ⁽²⁾	100.00	IPC	N/A	Oct-19	0.8
Esth�ria	43	Onshore	Exploration	100.00	IPC	N/A	Sep-20	1.2
Exploration – Applications								
Cheroy	871	Onshore	Exploration	50.00	IPC	TBA if licence awarded	N/A	2.5
Camp de Mailly	433	Onshore	Exploration	100.00	IPC	N/A	N/A	3.1
Perthois	573	Onshore	Exploration	100.00	IPC	N/A	N/A	1.0
Templiers	600	Onshore	Exploration	100.00	IPC	N/A	N/A	2.0

Notes:

- (1) Application is in progress which will convert the Val des Marais exploration licence to the Amaltheus production licence with no additional financial commitments.
- (2) Assumes that pending licence extension application is approved.

Geological Overview

There are two main productive horizons, namely, the Middle Jurassic (Dogger) limestones and Late Triassic (Rhaetic) sandstones. The Middle Jurassic Dogger reservoirs that are present in the Villeperdue, Merisier, and Soudron areas consist of oolitic and bioclastic limestones and are generally present within the central part of the Paris Basin. The Rhaetic sandstones extend into the northeastern part of the Paris Basin and provide the reservoirs for a number of oil fields, including Vert La Gravelle, Grandville, Dommartin-Lettr e, Soudron (which produces from both horizons) and Courdemanges.

Production Operations

The vast majority of production wells in the Paris Basin are activated by beam pumps. The injection wells are functioning with surface pumps. Oil is of good quality with 35 API gravity.

Six fields are operated by a production centre, Villeperdue, Merisier, Vert La Gravelle, Dommartin-Lettr e, Soudron and Grandville. Other fields have small gathering facilities where oil and water are separated from very small quantities of gas; oil and water are then trucked to the nearest production centre where separation takes place. Produced water is reinjected in the reservoirs for pressure support.

Crude oil is trucked from the various production centres to the main Villeperdue gathering centre. Oil is sent to the Grandpuits refinery operated by Total SA via a pipeline owned by the Corporation.

Abandonment Obligations

Abandonment in France consists of permanent plugging of the wells, decommissioning of facilities and platforms and pipeline, and site restoration. A complete review of the wells and facilities status is completed annually on the Oil and Gas Assets in France.

Provisions for the abandonment activities are revised every year based on the latest information and these provisions are included in the capital expenditures budget under a defined depletion scheme (five years for the wells and seven years for the facilities and site restoration). The IPC Subsidiaries that own the Oil and Gas Assets in France strictly follow the French regulations on the subject and report regularly to the French administration their abandonment activities and cost estimates.

On this basis, non-economic wells and/or no longer producing wells are regularly abandoned as a part of base business.

Infrastructure and Marketing

Crude oil is trucked from the various production centres to the main Villeperdue gathering centre. Oil is sent to the Total-operated Grandpuits refinery via a 100% owned pipeline. Oil is stored in tanks in the Villeperdue centre, which can hold approximately 16 days of the total Paris Basin production. It is then exported in batch mode and sold to Total under a contract with Total to the refinery.

Development Plans

A limited number of development campaigns have been implemented by Lundin Petroleum over the past 15 years focusing on development drilling opportunities and increasing water injection for pressure maintenance: Merisier in 2004, Grandville in 2011 and Vert La Gravelle in 2014. This latter development was interrupted in 2015 following execution of the facility and pipeline work for only two wells into a seven well campaign due to the low oil price environment. The Oil and Gas Assets have the remaining five wells reflected in the 2P Reserves base with execution expected to start in the second half of 2018.

With respect to existing well stock, the Corporation has budgeted for up to eight stimulations comprising five radial drilling operations, two stimtube stimulations and one acidification, which should help partially offset natural declines in 2017 and 2018.

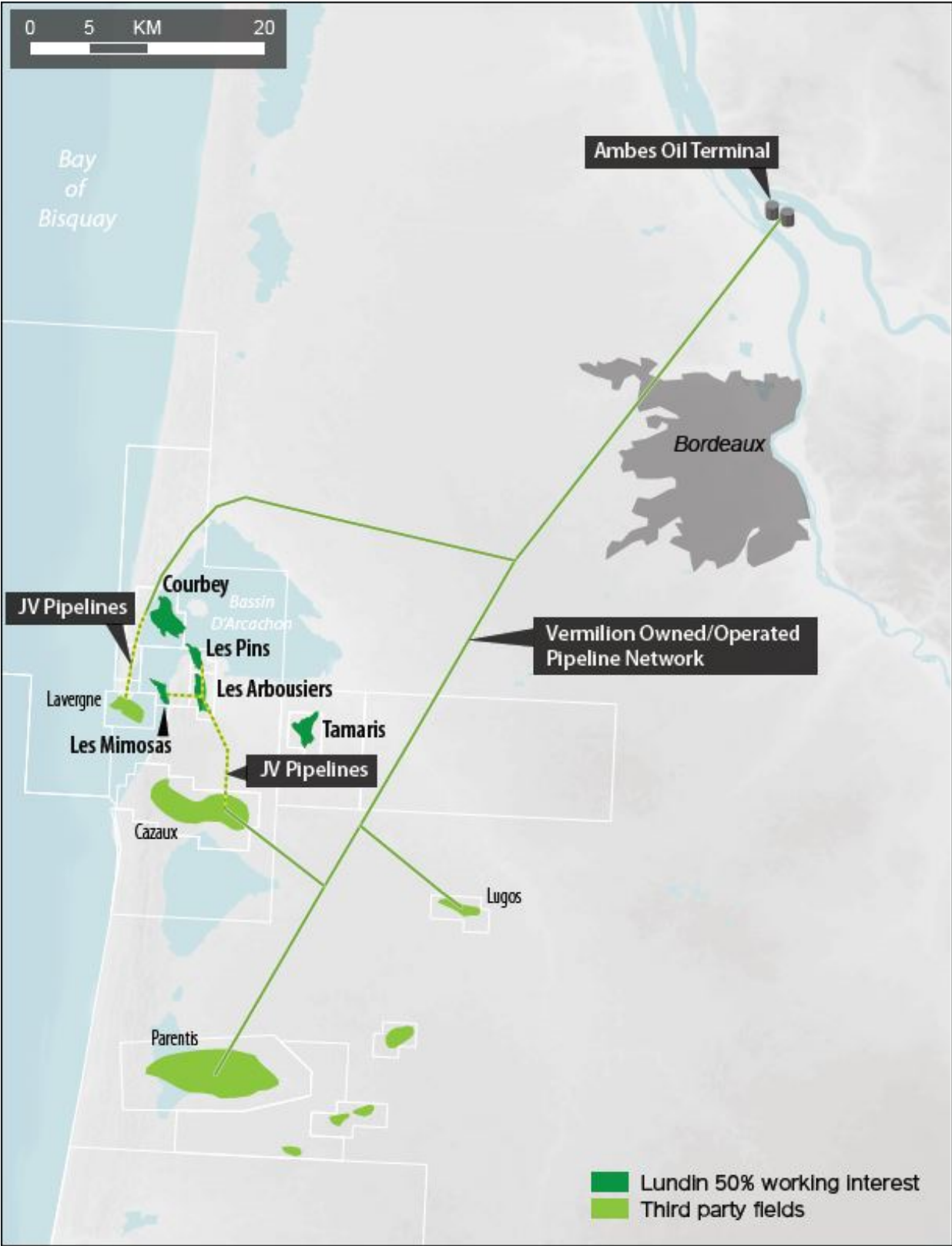
There is a renewed management focus on maturing organic growth opportunities in the Oil and Gas Assets in France, including a complete review of the remaining Vert La Gravelle development looking for areas of optimizing and capitalizing on current lower cost environment. Other opportunities are at concept stage which the company will mature and rank as technical work progresses. Execution of such opportunities could offset the already low natural decline rates.

France – The Aquitaine Basin

Assets Description

The Corporation has a 50% working interest in five production licences through the Oil and Gas Assets in the Aquitaine Basin. All licences associated with the Oil and Gas Assets are operated by Vermilion, who has the remaining 50% interest.

Fields are well developed with water injection for oil sweep and reservoir pressure support. The developments are constrained by the availability of surface locations resulting in wells that are long reach. All producing wells are activated by electric submersible pumps. Injector wells are equipped with surface injection pumps.



Aquitaine Basin Concessions	Area (km²)	Offshore/ Onshore	Licence Type	IPC Interest	Operator	Expiry	Partners
Les Tamaris	10.0	Onshore	Production	50.00%	Vermilion	Apr-21	Vermilion 50%
Courbey	22.1	Onshore	Production	50.00%	Vermilion	Mar-54	Vermilion 50%
Les Mimosas	20.0	Onshore	Production	50.00%	Vermilion	Nov-31	Vermilion 50%
Les Arbousiers	7.9	Onshore	Production	50.00%	Vermilion	Jan-45	Vermilion 50%
Les Pins	3.6	Onshore	Production	50.00%	Vermilion	Nov-21	Vermilion 50%

Geological Overview

The fields in the Aquitaine Basin produce from the Lower Cretaceous Purbeckian sandstones which are at a depth of 2,700 to 3,300 meters below sea level and are mainly tidal and fluvial with generally good porosity and permeability. The fields are located either immediately under or adjacent to the Bay of Arcachon.

Production Operations

Oil is produced via water flood drive and is of good quality with an API gravity of 28 to 34°. The production wells are equipped with electric submersible pumps.

Oil and water produced from Les Pins and Les Mimosas is transported by a pipeline network to Les Arbousiers where all the oil is transported by flowline to the Vermilion 50% owned and operated Cazaux field. The Corporation has a 50% interest in the pipelines. From Cazaux, oil is transported via a Vermilion owned and operated pipeline into the Ambes terminal, north of Bordeaux. In 2015, there was an issue with the flowline between Les Arbousiers and Cazaux resulting in a temporary production stoppage from Les Pins, Les Arbousier and Les Mimosas fields. Production has since resumed via trucking and the Oil and Gas Assets in the Aquitaine Basin carry a capital provision in the reserves evaluation for repair or replacement of the pipeline.

Abandonment Obligations

Abandonment in France consists of permanent plugging of the wells, decommissioning of facilities and platforms and pipeline, and site restoration. A complete review of the wells and facilities status is carried out every year by the IPC Subsidiaries that own the Oil and Gas Assets and provisions for the abandonment activities are made every year based on the latest information.

On this basis non-economic and/or no longer producing wells are regularly abandoned as a part of base business and there is no envisioned production centre abandonment planned in the short term.

The IPC Subsidiaries that own the Oil and Gas Assets strictly follow the French regulations on the subject and reports regularly its abandonment activities to the French administration.

Infrastructure and Marketing

Oil produced from the Aquitaine Basin is sold under a sales contract with Total. Approximately each nine to 10 months, the IPC Subsidiaries in France charter their own tanker to transport their equity oil to the Total-operated refineries in Le Havre or Donges on the Northwest coast of France.

Development Plans

The Corporation supports the operators' study initiatives to identify further development opportunities in the joint venture Aquitaine Basin fields. There are no definitive drilling plans at present.

Netherlands

Overview

The Netherlands is the second largest gas producer in Europe. It is now a mature hydrocarbon country as onshore production began in the 1950s and offshore production in the 1960s. Gas production is dominated by the large onshore Groningen field, which was discovered in 1959. It is the largest gas field in Europe and among the 10 largest gas fields in the world.

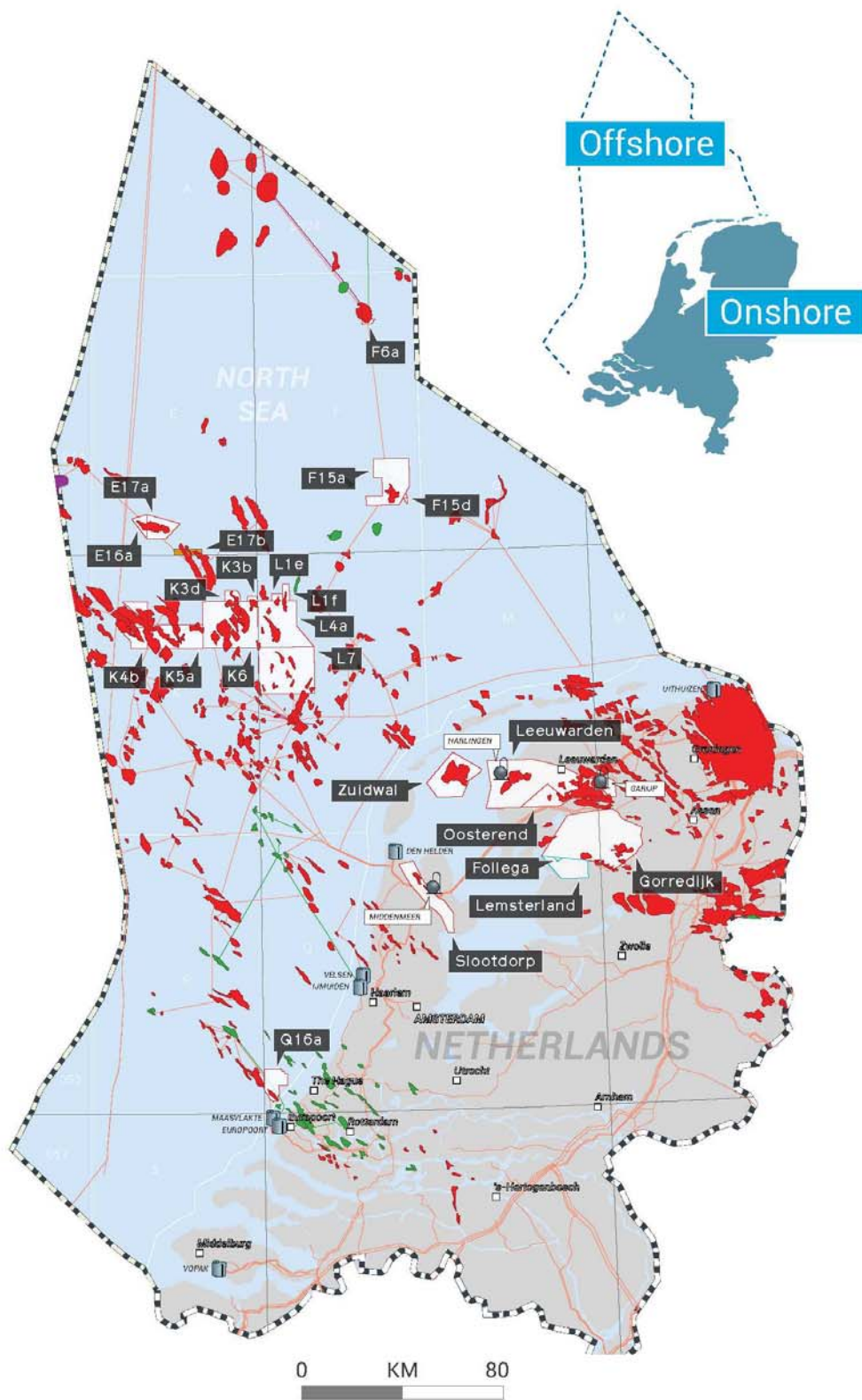
The Ministry of Economic Affairs (the "**MEA**") is responsible for the optimal development of oil and gas resources in the Netherlands. All oil and gas activity is governed by the terms outlined in the 2003 Mining Law, which provides the statutory framework for licensing, decommissioning and abandonment, Dutch State participation and financial obligations of licensees. The Netherlands introduced an open licensing system in 1995 in an effort to maintain exploration activity levels on the Dutch continental shelf. Under this system, all unlicensed acreage is available for allocation at any time during the year.

State participation occurs in the Netherlands via Energie Beheer Nederland BV ("**EBN**"), which acts as an independent partner in the majority of Dutch fields.

New discoveries can be feasibly developed because infrastructure is already in place. This infrastructure plays an important role in maximizing recovery from the sector and owners are working on delaying decommissioning and accelerating near-field developments. Efforts such as the Marginal Fields tax incentive and Fallow Acreage Covenant, which became effective in September 2010, are the latest measures that the Dutch government has taken to encourage exploration and ongoing development on idle acreage.

Assets Description

In the Netherlands, the Oil and Gas Assets are located in the southern and eastern part of the Southern North Sea gas province and onshore northern Netherlands. The Netherlands is a mature gas province providing the IPC Subsidiaries in the Netherlands with low decline, long-term onshore and offshore production as well as providing upside potential through infill and exploration opportunities. The IPC Subsidiaries in the Netherlands have varying interests in 20 licences and concessions of which 18 are producing licences and concessions and two are exploration licences and concessions. All of the licences and concessions held in the Netherlands are non-operated interests and are displayed in the tables below. Operators of the assets are large exploration and production companies in the Netherlands including Vermilion Energy Netherlands BV ("**Vermilion NL**"), Total E&P Nederland BV ("**Total**"), Engie E&P Nederland BV ("**Engie**") and Oranje-Nassau Energie BV ("**ONE**"). Gas pricing in the Netherlands is significantly higher than North America due to the supply/demand balance of the regional gas market. In the Netherlands, the gas pricing is based upon the European gas base pricing reference point.



The administrative, accounting and technical affairs of the IPC Subsidiaries' activities in the Netherlands are managed from its office in The Hague. This portfolio provides stable cash flow with low overhead and general and administrative expenses and provides exposure to a variety of hydrocarbon plays with reservoir targets at Carboniferous, Rotliegendes, Zechstein, Triassic, Jurassic and Lower Cretaceous intervals. These fields produce by natural pressure depletion, aided by compression.

Gas production net to the IPC Subsidiaries from the Netherlands averaged 1,569 boe/d for 2016. The Dutch government continues to encourage investment through its small gas field policy. As a result, several development and exploration projects are ongoing which are intended to maintain and increase current production profiles. Most of the gas is sold to GasTerra, a company joint owned by the Dutch Government and Shell/ExxonMobil.

Operators in the Netherlands do not provide a long term outlook for the underlying assets and capital expenditure outlooks for non-operated partners seldom span more than one year. This makes it difficult to incorporate additional expenditures and the associated incremental volumes into the reserves forecasts.

Management believes that the Oil and Gas Assets are well-positioned for further commercial discoveries and field developments in the future, having an interest in platforms/facilities and infrastructure allowing for fast-track near-term developments.

The productive horizons in the Corporation's portfolio of gas fields will be generally of Permian or early Triassic age. In the offshore portfolio, the main reservoirs are the upper and lower Slochteren sandstones, and onshore the main reservoir is the Zechstein fractured carbonate with the secondary reservoirs being Vlieland and/or Rotliegend sandstones. Structurally, the fields, both onshore and offshore, tend to have faulting with the degree of compartmentalization varying from field to field.

Netherlands Onshore

The IPC Subsidiaries in the Netherlands have interests in seven onshore licences and concessions, five production licences and concessions and two exploration licences and concessions. All the licences and concessions are operated by Vermilion NL. The onshore blocks are located in the northern part of the Dutch mainland.

Netherlands Onshore Concession	Area (km²)	Licence Type	IPC Interest	Operator	Expiry	Partners
Follega	3	Exploration	9.300%	Vermilion NL	Does not expire	Vermilion NL 50.70%, EBN 40%
Gorredijk	629	Production	7.750%	Vermilion NL	Does not expire	Vermilion NL 42.25%, EBN 50%
Leeuwarden	614	Production	7.233%	Vermilion NL	Does not expire	Vermilion NL 92.7675%
Lemsterland	111	Exploration	9.300%	Vermilion NL	Does not expire	Vermilion NL 50.70%, EBN 40%
Oosterend	92	Production	7.750%	Vermilion NL	Does not expire	Vermilion NL 42.25%, EBN 50%

Netherlands Onshore Concession	Area (km²)	Licence Type	IPC Interest	Operator	Expiry	Partners
Slootdorp	161	Production	7.233%	Vermilion NL	Does not expire	Vermilion NL 92.7675%
Zuidwal	225	Production	7.796%	Vermilion NL	Does not expire	Vermilion NL 42.20405%, EBN 50%

The main onshore assets of the IPC Subsidiaries in the Netherlands are located in the Gorredijk and Slootdorp licences, where recent discoveries, such as the Vinkega and Langezwaag fields, and the Slootdorp 6 & 7 wells have made considerable contributions to field production. The onshore assets are expected to contribute approximately 40% of the IPC Subsidiaries' 2017 Dutch production.

The onshore fields have dedicated processing and dehydration treatment facilities in the vicinity of the concessions in the north of the Netherlands, which are operated by Vermilion NL. The IPC Subsidiaries in the Netherlands have an interest in the following treatment facilities: Harlingen Treatment Centre which supports the Zuidwal and Leeuwarden West fields, the Garijp Treatment Centre, which supports the Gorredijk, Oosterend and Leeuwarden East fields, plus third-party field users generating considerable sharing benefits and tariff income. The Slootdorp and associated fields are treated through their own facilities, the Middenmeer Treatment Facilities. Processed gas is directly exported from these treatment facilities into the Gasunie-operated sales gas network.

During 2015, the Slootdorp 6 and 7 exploration wells were successfully drilled. Due to existing infrastructure the wells were put on production shortly after the wells were completed. The Slootdorp wells have not been producing since late March 2017 due to operational issues, however the operator is working to bring the field back on production.

The Follega and Lemsterland exploration licences and concessions adjoin the Gorredijk licence.

Netherlands Offshore

The IPC Subsidiaries' offshore main portfolio in the Netherlands consists principally of acreage centred on the K and L blocks in which the predominant play is the Slochteren Formation of the Lower Permian. Elsewhere the F6 and F15 blocks are located at the southern extent of the Dutch Central Graben and block Q16a is located close to the Dutch mainland near the Rotterdam gas terminal.

The South Permian Basin of the Southern North Sea is the most important gas province in Europe. The basin is aligned broadly East-West extending from onshore England in the west to the eastern Polish border in the east. The prolific Rotliegendes gas play in this basin occurs where the three elements of Carboniferous Coal Measures source rocks, Permian Rotliegendes reservoirs and Permian Zechstein top seals are superimposed.

Netherlands Offshore Concession	Area (km²)	Licence Type	IPC Interest	Operator	Expiry	Partners
E16a	29	Production	1.440%	Engie	Aug-21	Engie 41.64%, EBN 40%, Total 16.92%
E17a & E17b	114	Production	1.200%	Engie	Aug-21	Engie 34.7%, EBN 50%, Total 14.1%

Netherlands Offshore Concession	Area (km ²)	Licence Type	IPC Interest	Operator	Expiry	Partners
F6a (oil)	8	Production	7.757%	Total	Sep-22	Total 92.243254%
F6a (gas)	8	Production	4.654%	Total	Sep-22	Total 55.346%, EBN 40%
F15a/d	238	Production	2.531%	Total	May-31	Total 32.468625%, Dyas 7.5%, EBN 50%, First Oil Exploration 7.5% ⁽¹⁾
K3b	7	Production	3.841%	Total	Jan-21	Total 56.158987%, EBN 40%
K3d	26	Production	3.841%	Total	Apr-24	Total 56.158987%, EBN 40%
K4b/K5a	305	Production	2.031%	Total	Jun-33	Total 36.3067%, Dyas 11.862%, EBN 50%
K6/L7	818	Production	3.841%	Total	Jun-20	Total 56.158987%, EBN 40%
L1e	12	Production	4.340%	Total	Jun-20	Total 55.6605%, EBN 40%
L1f	17	Production	6.000%	Total	Jan-33	Total 54%, EBN 40%
L4a	313	Production	4.340%	Total	Dec-21	Total 55.6605%, EBN 40%
Q16a	85	Production	1.814%	ONE	Dec-32	ONE 41.796, EBN 50%, Total 6.48649%

Note:

- (1) As of December 2015, First Oil Exploration went into liquidation. This resulted in the remaining partners increasing their interests proportionally. The IPC Subsidiaries increased their receipt of production and payment of cost to 2.9781%.

The offshore assets of the IPC Subsidiaries in the Netherlands represent approximately 60% of the current Dutch production of the Oil and Gas Assets. The IPC Subsidiaries in the Netherlands have interests in a number of offshore platforms, subsea developments, offshore wells and the related infrastructure. Broadly, offshore gas production is concentrated in a core area in the K, L and E blocks. Production from the K4a/K5b is treated at the K5-P platform and transported through the Wintershall-operated, Westgastransport (“WGT”) pipeline system to Den Helder.

In the K6, L7 area treated gas from the K6-PP platform, on K6-C, is transported to Uithuizen via the K9C A platform and the Engie-operated L10 platform where it enters the Noordgastransport (“NGT”) pipeline system. Production from the L4a fields is currently brought to the L7-C Central complex from which point the processed gas is also exported to the L10 complex and routed along the NGT pipeline. There are currently plans in place to re-route the L4 gas to the K6-C platform through a new 10-inch pipeline due to be completed and operational by the middle of 2017.

Gas production from the F15 and F3 fields is exported via the Northern Offshore Gas Transport (“NOGAT”) pipeline system, operated by Nederlandse Aardolie Maatschappij BV (“NAM”), to Den Helder. Gas production from the Q16-FA single well subsea development is tied back to a TAQA (the Abu Dhabi National Energy Company, PJSC)-operated platform and pipeline.

The K4b/K5a licence area is one of the most important assets of the IPC Subsidiaries in the Netherlands and represents approximately 30% of the IPC Subsidiaries' 2P Reserves in the Netherlands. The asset consists of a number of different fields within the K4b/K5a licence area which have been subject to unitization. The latest and final unitization process for the K4/K5 unit in which the K4b/K5a licence area has an interest was completed in 2012, resulting in an increase to the IPC Subsidiaries of approximately 18% in the K4/K5 unit. Whilst Lundin's licence equity in the K4b/K5a licence area did not change (remaining at 2.0313%), it resulted in an increased allocation of production. The effective date of the revised Unit equities was January 1, 2013.

Abandonment Obligations

The IPC Subsidiaries in the Netherlands are obliged to pay their proportion of the abandonment cost of their assets, facilities, pipelines and site restoration and are making site restoration provisions. The respective operators periodically carry out studies regarding the methodology to be applied together with the associated cost and provide abandonment cost estimates to partners.

In the offshore fields to date, other than the occasional abandonment of existing wells to make well slots available for new wells, there have been no planned field abandonments. The first field that is forecast to be abandoned is the L7 area facilities, and the operator (Total) is currently working on the abandonment plans. Production from the L7 area is expected to cease around mid 2017.

Total is currently considering the future of the F15 field and will present plans and recommendations to the partners during the first half of 2017.

The Vermilion NL-operated Zuidwal field is estimated to reach its end of economic life end in 2017 based on Proved plus Probable forecasts and costs. The Zuidwal field is located in the Waddenzee area in Northern Holland, an inland sea area. The field is therefore classified as an onshore field. The Zuidwal field commenced production in 1988 initially from three horizontal wells. The field today consist of an unmanned platform and 10 wells together with a pipeline running to the Harlingen Treatment Centre onshore. The water depth is shallow, tidal and with nearby channels. Access to the platform is by a seagoing vessel.

Although the current economics show the field will become uneconomic during 2017, work is ongoing by the operator through the installation of velocity strings, plant optimization and operating cost reduction initiatives to extend the field life. Any future abandonment will be done in close cooperation with the State Supervision of Mines in the Netherlands and be carefully planned over several years.

Infrastructure

Upstream Gas Pipelines

Two major offshore pipeline systems (NGT and WGT) were built during the 1970s to serve the central Netherlands offshore gas province. The third major trunkline (NOGAT) was constructed in the early 1990s to evacuate gas from the northern offshore sector.

The NGT pipeline is owned by Noordgastransport BV, a private limited liability company owned by PensionDenmark, Engie, InfraVia, ExxonMobil and Rosewood, and is operated by Engie.

The WGT pipeline is owned by EBN, NAM (a 50-50 joint venture of Shell and Exxon/Mobil), ONE, Total, Tullow Exploration & Production BV and Wintershall Noordzee BV, and is operated by NAM.

The NOGAT pipeline is owned by Northern Offshore Gas Transport BV, a private limited liability company owned by EBN, Engie, Total, Centrica Production Nederland BV and PGGM, and is operated by Engie.

Gas from the assets operated by Total is sent to the shore via WGT (Western licences, K4bK5a) and NGT (Eastern licences, K6L7, K5F, L4a) pipelines. Gas production from F3 (Engie-operated) and F15 (Total-operated) licenses transit via the NOGAT pipeline. Production from E17 (Engie-operated) is sent to shore via the NGT pipeline.

Domestic Gas Infrastructure and Interconnections

The Netherlands have a well-developed onshore gas network to serve household consumers, heavy industry and gas-fired power stations as well as servicing imports and exports of gas. The domestic gas pipeline infrastructure consists of high-pressure transmission gas pipelines to which regional distribution pipelines connect. The high-pressure network is owned by Gasunie and operated by the national gas transmission system operator Gasunie Transport Services BV, a wholly-owned subsidiary of Gasunie.

The regional networks are owned and operated by regional distribution system operators. Both the transmission system operator and distribution system operators are unbundled from production, trade and supply undertakings and manage the network subject to a fully regulated third party access regime, with conditions and tariffs set by the Netherlands Authority for Consumers & Markets, the designated national regulatory authority for the Dutch electricity and gas sector.

The Corporation's onshore assets use the domestic gas pipelines.

Gas Marketing

Natural gas is the most important energy source in the Netherlands. The Dutch government therefore plays an active role in the natural gas value chain through its policies and its shareholdings in Gasunie and GasTerra. With the discovery of the Groningen field in 1963, Gasunie was formed to handle the gas sales and transportation of Dutch gas. The ownership of Gasunie was Royal Dutch Shell (25%), Exxon (25%) and the Dutch government (50%). Due to the liberalization of the European gas market, transportation and trade and supply was separated into independent companies. In 2005, this separation took place, creating the trading company GasTerra and Gasunie became a natural gas transportation company. The ownership of the companies is Royal Dutch Shell (25%), Exxon (25%) and the Dutch government (50%) for GasTerra and the Dutch government (100%) for Gasunie.

GasTerra continues to trade the gas from the Groningen field as well as the gas from the majority of the small Dutch gas fields. The IPC Subsidiaries' Dutch assets form part of the small gas fields.

Historically, the gas pricing mechanism, referred to as NIP, was primarily linked to the price of oil; however, with the opening of the spot market for gas, the GasTerra pricing mechanism has from 2013 changed to a spot market-based pricing mechanism using the Title Transfer Facility (the "TTF") as a reference point. The TTF is a virtual trading point for gas sales in the Netherlands and is similar to the NBP (National Balancing Point) in the United Kingdom. The sellers can opt for different nomination regimes with each regime attracting a different pricing mechanism. These are: "as produced", "buyers nomination" and "sellers nomination". The Total- and Engie-operated fields sell under "sellers nomination". The Vermilion NL- and ONE-operated fields sell under "as produced". The "as produced" regime is used for smaller, more depleted fields where it is more difficult to forecast daily quantities.

GasTerra is obliged to purchase all the gas from gas fields in the Netherlands at market prices and conditions; however, the producers are not obliged to sell to GasTerra.

Lundin Netherlands BV sells all its gas, other than for the K4K5 and E17A field, to GasTerra. The K4K5 gas is sold to Total and the E17A field is sold to RWE Supply & Trading GmbH, both on a European gas spot basis. In all cases, Lundin Netherlands BV markets its gas jointly with its respective operators and partners.

Development Plans

The Dutch government continues to encourage investment through its small gas field policy. As a result, several development and exploration projects are ongoing which are intended to increase production. In 2017, a development well will be drilled in the E17ab licence and one exploration well will be drilled in the Gorredijk licence.

The operators of the Oil and Gas Assets in the Netherlands are currently working on reducing operating costs to extend field lives and to add volumes to the existing infrastructure through exploration and development activities with some success. The onshore business benefits from infrastructure owned by field joint venture partners that provides third party tariff income.

Geology

Overall, the Netherlands is a gas-prone hydrocarbon country with few oil fields. The thicknesses of coal-bearing, organic-rich Carboniferous sediments throughout the country have proved to be a prolific source rock. Post-Carboniferous sedimentation resulted in the burial of these source rocks to depths of some 4,000 to 6,000 metres. The generation of gas occurred over a wide area.

Discontinued Operations

The Corporation indirectly owns the Non-Material Assets, which are not material to the Corporation.

Indonesia

Lundin Gurita BV holds an interest in the Gurita Block PSC which has ceased operations. In 2013, the Indonesian fiscal authorities claimed taxes from Lundin Gurita BV of approximately \$22 million related to the surface area of the Gurita Block. Lundin Gurita BV disputes the validity of this claim and has challenged the tax in the Indonesian courts. Lundin Petroleum has agreed to indemnify Lundin Gurita BV in respect of any potential liability with respect to this dispute, see "*The Reorganization and the Spin-Off – The Reorganization*". Following resolution of the tax matter, the Gurita Block will be relinquished or disposed of and Lundin Gurita BV will be liquidated.

Lundin Baronang BV and Lundin Cakalang BV hold interests in the Baronang and Cakalang Block PSCs, which have ceased operations and for which notices of relinquishments have been made. Following relinquishment of the blocks, each of Lundin Baronang BV and Lundin Cakalang BV will be liquidated. Lundin Rangkas BV held an interest in the Rangkas Block, which has been relinquished. The Corporation expects that Lundin Rangkas BV will be liquidated prior to the end of 2017.

Tunisia

Lundin Tunisia BV is a party to the Oudna concession agreement and joint operating agreement related to the Oudna field, offshore Tunisia. Operations on the Oudna field ceased since 2012 and the field was abandoned with no remaining operational liabilities. Lundin Tunisia BV's interest in the Oudna agreements is expected to be terminated and the company will be liquidated following resolution of certain matters with the Tunisian authorities. In December 2015, the International Centre for Settlement of Investment Disputes in Paris ordered the Tunisian State to pay approximately \$22 million to Lundin Tunisia BV in respect of defaulted cash calls and past costs related to the Oudna field. The Tunisian fiscal authorities have made claims against Lundin Tunisia BV in respect of Tunisian taxes related to the Oudna field, which currently amounts to \$12 million plus penalties and interest. The Tunisian authorities have also claimed approximately \$2 million from a related company. Lundin Tunisia BV disputes these claims and will continue to discuss an amicable settlement to these matters and/or enforcement of the International Centre for Settlement of Investment Disputes decision.

Ikdam Production SA previously held an interest in the FPSO Bertam (then known as the Ikdam FPSO), which was contracted to operate at the Oudna field. The Tunisian fiscal authorities have made a claim against Ikdam Production SA in respect of Tunisian taxes. It is expected that these claims will be discussed in connection with the above-described Tunisian disputes with respect to Lundin Tunisia BV. Following resolution of those matters, Ikdam Production SA will be liquidated.

Management of the Corporation does not expect the Corporation to be liable for taxes claimed against either Lundin Tunisia BV or Ikdam Production SA and no contingency has been accounted for in the Financial Statements.

Cambodia

Lundin Cambodia BV held an interest in Block E, offshore Cambodia. The Block E PSC has expired. There was an outstanding well commitment in respect of this block amounting to approximately \$2.6 million, net to Lundin Cambodia BV, which is being discussed between the operator and the Cambodian authorities. Following final closure of the Block E PSC, Lundin Cambodia BV will be liquidated.

Republic of Congo (Congo-Brazzaville)

Lundin Marine SARL and Lundin Marine BV held interests in two blocks in the Republic of Congo, which have been sold and relinquished, with no further operational liabilities. The Corporation expects that each of Lundin Marine SARL and Lundin Marine BV will be liquidated prior to the end of 2017.

Jet Arrow SA

Jet Arrow SA held an interest in an airplane which was sold in 2016. The Corporation expects that Jet Arrow SA will be liquidated prior to the end of 2017.

Health, Safety and Environmental

The Corporation has procedures in place to ensure that the utmost care is taken in the day-to-day management of the Oil and Gas Assets, and that all government regulations and procedures will be followed in strict adherence to the law. Management believes in well abandonment and site restoration in a timely manner to ensure minimal damage to the environment and lower overall costs. The Corporation has an environmental management policy in place that meets Malaysian, French and Dutch environmental management guidelines.

The Corporation has implemented policies providing that the Corporation maintain a safe and environmentally responsible work place and provide training, equipment and procedures to all individuals in adhering to its policies. It also solicits and takes into consideration input from neighbours, communities and other stakeholders in regard to protecting people and the environment.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION REGARDING THE OIL AND GAS ASSETS

The following is a summary of Reserves data and other oil and gas information relating to the Oil and Gas Assets. The Reserves data associated with the Oil and Gas Assets describes crude oil Reserves in France, namely in the Paris Basin and the Aquitaine Basin, light oil (condensate) Reserves and natural gas Reserves in the Netherlands, and the Bertam field in Peninsular Malaysia. The Reserves data for the Oil and Gas Assets set forth below is based upon a report prepared by the Corporation and audited by ERCE (the "**Reserves Report**") with an effective date of December 31, 2016 and a preparation date of February 3, 2017. ERCE has independently audited the Reserves attributable to the Oil and Gas Assets in accordance with NI 51-101 and the COGE Handbook.

The information set forth herein summarizes the crude oil and natural gas Reserves and the net present values of future net revenue for such Reserves using forecast prices and costs as at December 31, 2016. The evaluation of future revenue contained in the Reserves Report is after the deduction of royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. All of the information below is in regard to production of the oil and natural gas Reserves of the Oil and Gas Assets and the net present values of future net revenue for such Reserves in rest of these assets only. Actual petroleum reserves may be greater than or less than the estimates provided herein. References to oil, reserves (gross, net, proved, probable, possible, developed, developed producing, developed non-producing, undeveloped), forecast prices and costs, operating costs, development costs, future net revenue and future income tax expenses have, unless expressly stated to be to the contrary, the meaning attributed to such terms as set out in NI 51-101, 51-101CP and all forms referenced therein.

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves.

In general, estimates of crude oil and natural gas Reserves and the future net revenues therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate Reserves recovery, timing and amount of capital expenditures, marketability of crude oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, among others, estimates of the economically recoverable crude oil and natural gas Reserves attributable to any particular group of properties, classification of such Reserves based on risk of recovery and estimates of future net revenues associated with Reserves may vary and such variations may be material. It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the Reserves. The actual production, revenues, taxes and development and operating expenditures with respect to the Reserves associated with the Oil and Gas Assets may vary from the information presented herein and such variations could be material. In addition, there is no assurance that the forecast price and cost assumptions contained in the Reserves Report will be attained and variances could be material. See "*Reserves Advisory*", "*Forward-Looking Statements*" and "*Risk Factors*".

In certain of the tables set forth below, the columns may not add due to rounding.

The Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor in Form 51-101F2 and the Report of Management and Directors on Oil and Gas Disclosure in Form 51-101F3 are attached as Schedule "F-1" and "F-2", respectively.

Reserves Data (Forecast Prices and Costs)

SUMMARY OF PROVED and PROBABLE and POSSIBLE RESERVES As at December 31, 2016 FORECAST PRICES AND COSTS

	LIGHT AND MEDIUM CRUDE OIL		CONVENTIONAL NATURAL GAS		OIL EQUIVALENT	
	Gross mmbbl	Net mmbbl	Gross bcf	Net bcf	Gross mmmboe	Net mmmboe
Proved Developed Producing						
France	7.61	7.25	-	-	7.61	7.25
Netherlands	0.01	0.01	4.81	4.81	0.81	0.81
Malaysia	4.64	3.99	-	-	4.64	3.99
	12.26	11.25	4.81	4.81	13.07	12.05
Proved Undeveloped						
France	3.69	3.50	-	-	3.69	3.50
Netherlands	0.00	0.00	0.38	0.38	0.06	0.06
Malaysia	0.21	0.18	-	-	0.21	0.18
	3.91	3.69	0.38	0.38	3.97	3.75
Total Proved						
France	11.30	10.75	-	-	11.30	10.75
Netherlands	0.01	0.01	5.20	5.20	0.88	0.88
Malaysia	4.86	4.18	-	-	4.86	4.18
	16.17	14.94	5.20	5.20	17.04	15.80
Total Probable						
France	6.72	6.42	-	-	6.72	6.42
Netherlands	0.01	0.01	5.76	5.76	0.97	0.97
Malaysia	4.68	4.01	-	-	4.68	4.01
	11.42	10.44	5.76	5.76	12.38	11.40
Total Proved Plus Probable						
France	18.02	17.17	-	-	18.02	17.17
Netherlands	0.02	0.02	10.95	10.95	1.85	1.85
Malaysia	9.54	8.18	-	-	9.54	8.18
	27.59	25.38	10.95	10.95	29.41	27.20

Total Possible

France	5.81	5.56	-	-	5.81	5.56
Netherlands	0.01	0.01	7.82	7.82	1.32	1.32
Malaysia	3.74	3.16	-	-	3.74	3.16
	9.56	8.73	7.82	7.82	10.87	10.04

Total Proved plus Probable plus Possible

France	23.83	22.73	-	-	23.83	22.73
Netherlands	0.04	0.04	18.78	18.78	3.17	3.17
Malaysia	13.28	11.34	-	-	13.28	11.34
	37.15	34.11	18.78	18.78	40.28	37.24

Notes:

- (1) "Gross Reserves" are the working interest (operating or non-operating) share of the IPC Subsidiaries before deducting royalties, local levy taxes and domestic market obligations. "Net Reserves" are the working interest (operating or non-operating) share of the IPC Subsidiaries after deduction of royalties, local levy taxes and domestic market obligations. The Oil and Gas Assets in France pay royalty and a local levy tax. The Oil and Gas Assets in the Netherlands are liable for royalty.
- (2) As at the effective date of the Reserves Report, the IPC Subsidiaries do not have developed non-producing reserves.
- (3) "Possible Reserves" are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of Proved plus Probable plus Possible Reserves.

SUMMARY OF NET PRESENT VALUE OF FUTURE NET REVENUE IN \$

As at December 31, 2016

FORECAST PRICES AND COSTS

	Before Deducting Income Tax, Discounted at:						After Deducting Income Tax, Discounted at:						Unit value before income tax, discounted at 10% \$/BOE
	0%	5%	8%	10%	15%	20%	0%	5%	8%	10%	15%	20%	
	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	
Proved Developed													
France	186.1	156.2	137.9	127.0	104.4	87.6	118.5	111.8	102.3	95.8	81.5	70.2	17.5
Netherlands	-40.9	-24.1	-17.7	-14.4	-8.5	-4.6	-40.9	-24.1	-17.7	-14.4	-8.5	-4.6	-17.8
Malaysia	188.3	176.1	169.5	165.5	156.3	148.1	188.3	176.1	169.5	165.5	156.3	148.1	41.5
	333.5	308.1	289.7	278.0	252.2	231.1	265.9	263.8	254.1	246.9	229.3	213.6	23.1
Proved Undeveloped													
France	140.5	78.9	56.7	45.8	27.7	17.1	89.9	51.8	37.0	29.7	17.3	10.0	13.1
Netherlands	-0.9	0.0	0.2	0.3	0.3	0.2	-0.9	0.0	0.2	0.3	0.3	0.2	4.2
Malaysia	7.5	7.1	6.9	6.7	6.4	6.1	7.5	7.1	6.9	6.7	6.4	6.1	36.5
	147.1	86.0	63.7	52.8	34.3	23.4	96.5	58.9	44.1	36.7	23.9	16.3	14.1
Total Proved													
France	326.6	235.0	194.6	172.8	132.1	104.8	208.4	163.6	139.3	125.5	98.8	80.2	16.1
Netherlands	-41.8	-24.1	-17.5	-14.2	-8.2	-4.4	-41.8	-24.1	-17.5	-14.2	-8.2	-4.4	-16.2
Malaysia	195.8	183.1	176.4	172.2	162.6	154.2	195.8	183.1	176.4	172.2	162.6	154.2	41.2
	480.6	394.1	353.5	330.9	286.5	254.5	362.3	322.6	298.2	283.6	253.2	229.9	20.9
Total Probable													
France	398.2	196.5	138.7	113.3	74.5	53.8	254.6	131.3	93.3	76.3	50.4	36.7	17.6
Netherlands	20.9	26.0	25.9	25.3	23.0	20.5	20.9	26.0	25.9	25.3	23.0	20.5	26.1
Malaysia	153.3	134.9	125.3	119.5	106.6	95.9	153.3	134.9	125.3	119.5	106.6	95.9	29.8
	572.4	357.4	289.9	258.1	204.2	170.2	428.8	292.2	244.5	221.1	180.1	153.1	22.6
Total Proved Plus Probable													
France	724.9	431.6	333.3	286.1	206.6	158.6	463.0	294.9	232.6	201.9	149.2	116.9	16.7
Netherlands	-20.9	1.9	8.4	11.1	14.8	16.1	-20.9	1.9	8.4	11.1	14.8	16.1	6.0
Malaysia	349.1	318.0	301.7	291.7	269.3	250.1	349.1	318.0	301.7	291.7	269.3	250.1	35.7
	1,053.0	751.5	643.4	588.9	490.7	424.8	791.2	614.8	542.7	504.7	433.3	383.0	21.7

Total Possible

France	458.1	204.7	142.8	116.9	78.5	58.3	297.1	135.2	94.8	77.8	52.7	39.5	21.0
Netherlands	28.7	34.1	31.0	28.5	22.7	18.3	22.4	28.3	25.6	23.3	17.9	13.9	21.6
Malaysia	213.5	180.1	164.1	154.7	134.9	119.1	189.3	160.0	146.0	137.7	120.4	106.6	49.0
	700.3	418.9	337.8	300.1	236.2	195.8	508.8	323.5	266.3	238.8	191.0	160.0	29.9

Total Proved plus Probable plus Possible

France	1,182.9	636.3	476.1	403.0	285.1	216.9	760.1	430.1	327.3	279.7	201.9	156.4	17.7
Netherlands	7.8	36.0	39.4	39.6	37.6	34.4	1.5	30.2	34.0	34.4	32.8	30.0	12.5
Malaysia	562.5	498.1	465.8	446.4	404.2	369.2	538.4	478.0	447.7	429.4	389.6	356.6	39.4
	1,753.3	1,170.4	981.2	889.0	726.8	620.6	1,299.9	938.3	809.0	743.5	624.3	543.0	23.9

Notes:

- (1) The negative net present values reported for the Netherlands are a function of the Oil and Gas Assets in the Netherlands being late-life assets. Despite being cash flow positive, the assets do not generate sufficient future revenue to offset the estimated decommissioning liability.
- (2) The net present values reported for Malaysia include the value of the FPSO Bertam income.

TOTAL FUTURE NET REVENUE (UNDISCOUNTED) IN \$

As at December 31, 2016

FORECAST PRICES AND COSTS

	Revenue	Royalties	Operating Costs	Development Costs	Abandonment Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Total Proved								
France	996.8	46.0	515.1	34.2	74.9	326.6	118.3	208.4
Netherlands	40.2	-	27.4	1.5	53.2	-41.8	-	-41.8
Malaysia	560.5	32.2	299.2	3.3	30.0	195.8	-	195.8
	1,597.6	78.3	841.6	39.0	158.0	480.6	118.3	362.3
Total Proved Plus Probable								
France	1,733.9	78.0	801.7	34.7	94.7	724.9	261.8	463.0
Netherlands	82.1	-	43.0	1.5	58.4	-20.9	-	-20.9
Malaysia	907.3	69.6	451.4	3.3	33.9	349.1	-	349.1
	2,723.2	147.6	1,296.1	39.5	187.0	1,053.0	261.8	791.2
Total Proved plus Probable plus Possible								
France	2,342.5	102.8	917.8	34.7	104.3	1,182.9	422.8	760.1
Netherlands	141.1	-	63.4	1.5	68.4	7.8	6.4	1.5
Malaysia	1,165.6	98.2	467.7	3.3	33.9	562.5	24.2	538.4
	3,649.3	201.0	1,448.8	39.5	206.6	1,753.3	453.4	1,299.9

FUTURE NET REVENUE PER PRODUCTION GROUP IN \$

Discounted at 10%, before income tax

As at December 31, 2016

FORECAST PRICES AND COSTS

Net Present Value of Future Net Revenue

Before Deducting Income Tax, Discounted at 10% p.a.

	LIGHT AND MEDIUM CRUDE OIL		CONVENTIONAL NATURAL GAS		OIL EQUIVALENT	
	\$MM	\$/bbl	\$MM	\$/mcf	\$MM	\$/boe
Total Proved						
France	172.8	16.1	-	-	172.8	16.1
Netherlands	-0.3	-28.3	-13.9	-2.7	-14.2	-16.2
Malaysia	172.2	41.2	-	-	172.2	41.2
	344.7	23.1	-13.9	-2.7	330.9	20.9
Total Proved Plus Probable						
France	286.1	16.7	-	-	286.1	16.7
Netherlands	0.2	11.0	10.9	1.0	11.1	6.0
Malaysia	291.7	35.7	-	-	291.7	35.7
	578.0	22.8	10.9	1.0	588.9	21.7
Total Proved, Plus Probable, Plus Possible						
France	403.0	17.7	-	-	403.0	17.7
Netherlands	-0.9	23.4	38.8	2.1	39.6	12.5
Malaysia	446.4	39.4	-	-	446.4	39.4
	850.2	24.9	38.8	2.1	889.0	23.9

Note:

- (1) As at the effective date of the Reserves Report, the IPC Subsidiaries do not have Proved Developed Non Producing Reserves.

Important Terminology Related to Reserves Data

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. Readers should review the estimates of individual classes of reserves and appreciate the differing probabilities of recovery associated with each class as defined in the section entitled "Glossary – Selected Defined Oil and Gas Terms".

Pricing Assumptions

Forecast Prices Used in Estimating Reserves Data

The price assumptions used for the forecasted price scenario (in \$) are as follows:

FORECAST PRICES USED IN ESTIMATES
As at December 31, 2016
2016 REALIZED PRICE + FORECAST PRICES AND COSTS

Year	Brent Reference	UK NBP Reference	France		Netherlands		Malaysia
	Light and Medium Crude Oil ⁽¹⁾	Conventional Natural Gas ⁽¹⁾	Light and Medium Crude Oil (Aquitaine Basin)	Light and Medium Crude Oil (Paris Basin)	Light and Medium Crude Oil	Conventional Natural Gas ⁽²⁾	Light and Medium Crude Oil
	<i>\$/bbl</i>	<i>p/therm</i>	<i>\$/bbl⁽³⁾</i>	<i>\$/bbl⁽³⁾</i>	<i>\$/bbl</i>	<i>\$/mcf</i>	<i>\$/bbl⁽³⁾</i>
2016	43.73	34.3	40.72	44.50	33.54	4.38	45.13
2017	55.00	44.9	54.75	53.57	55.00	5.79	57.00
2018	62.00	46.8	61.75	60.57	62.00	6.07	64.00
2019	69.00	48.8	68.75	67.57	69.00	6.34	71.00
2020	74.00	49.8	73.75	72.57	74.00	6.52	76.00
2021	77.00	50.8	76.75	75.57	77.00	6.67	79.00
2022	79.00	51.8	78.75	77.57	79.00	6.87	81.00
2023	80.00	52.8	79.75	78.57	80.00	7.00	82.00
2024	82.00	53.9	81.75	80.57	82.00	7.14	84.00
2025+	+2.0%	+2.0%	+2.0%	+2.0%	+2.0%	+2.0%	+2.0%

Notes:

- (1) Brent and UK NBP reference prices are taken from ERCE Oil Price Review 4Q 2016 inflated 2%/yr from 2025 onwards.
- (2) Netherlands gas prices are obtained by a formula based contracts and are calorific value dependent. They are here quoted on a volume basis, and the value calculated is the forecast weighted average achieved price in each period across Lundin Petroleum's portfolio of assets. These values assume Proved plus Probable production profiles.
- (3) The France and Malaysia price forecasts are derived by management from the reference Brent forecast adjusted as needed to reflect items such as crude quality or sales contracts.
- (4) Exchange rate assumptions:

<u>Rate</u>	<u>2017</u>	<u>2018 onwards</u>
\$/€	1.10	1.10
\$/£	1.30	1.30

Reconciliation of Changes in Reserves and Future Net Revenue

Neither the Corporation nor Lundin Petroleum reported reserves under NI 51-101 for the period ending December 31, 2015 and therefore no reserves reconciliation tables are reported here. See “*Exemptions from Certain Disclosure Requirements*”.

Additional Information Relating to Reserves Data

Undeveloped Reserves

Undeveloped Reserves are attributed in accordance with engineering and geological practices as defined under NI 51-101.

Proved undeveloped reserves are those Reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. These reserves have a 90% probability of being recovered. Historically, Lundin Petroleum has deferred ongoing development of proved undeveloped reserves due to a focus on Lundin Petroleum's Norwegian assets. With an increased and renewed focus on these assets the Corporation intends to develop a plan to develop these reserves over the next two years. The pace of development of these reserves will be influenced by many factors, including but not limited to, the outcomes of yearly drilling and reservoir evaluations, changes in commodity pricing, changes in capital allocations, changing technical conditions, regulatory changes and impact of future acquisitions and dispositions.

Probable undeveloped reserves are those reserves that are less certain to be recovered than Proved Reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. These reserves have a 50% probability of being recovered. As discussed above, the Corporation is in the process of developing a plan to develop these Reserves. In general, development of these reserves requires additional evaluation data to increase the probability of success to an acceptable level for the Corporation. This increases the timeline for the development of these reserves. This timetable may be altered depending on outside market forces, changes in capital allocations and impact of future acquisitions and dispositions.

The following tables set forth the proved undeveloped reserves and the probable undeveloped reserves, each by product type, first attributed by Lundin Petroleum to the Oil and Gas Assets in each of the following financial years. Prior to December 31, 2016, NI 51-101 reporting in respect of the Oil and Gas Assets did not occur.

TOTAL BOOKED AND FIRST ATTRIBUTED UNDEVELOPED RESERVES⁽¹⁾

As at December 31, 2016

FORECAST PRICES AND COSTS

	<u>LIGHT MEDIUM OIL</u>		<u>NATURAL GAS</u>		<u>OIL EQUIVALENT</u>	
	First Attributed	Total Booked	First Attributed	Total Booked	First Attributed	Total Booked
	<i>Company Gross mmbbl</i>	<i>Company Gross mmbbl</i>	<i>Company Gross bscf</i>	<i>Company Gross bscf</i>	<i>Company Gross mmboe</i>	<i>Company Gross mmboe</i>
Proved Undeveloped						
December 31, 2014	n/a	n/a	n/a	n/a	n/a	n/a
December 31, 2015	n/a	n/a	n/a	n/a	n/a	n/a
December 31, 2016	3.9	3.9	0.4	0.4	4.0	4.0
Probable Undeveloped						
December 31, 2014	n/a	n/a	n/a	n/a	n/a	n/a
December 31, 2015	n/a	n/a	n/a	n/a	n/a	n/a
December 31, 2016	3.2	3.2	0.9	0.9	3.3	3.3

Note:

- (1) Neither the Corporation nor Lundin Petroleum reported reserves under NI 51-101 for the periods ending December 31, 2015 or December 31, 2014.

Significant Factors or Uncertainties

Reserves included in this report are estimates only and should not be construed as being exact quantities. They may or may not actually be recovered, and if recovered, revenues therefrom and actual costs related thereto could be more or less than estimated amounts. Moreover, estimates of Reserves may increase or decrease as a result of future operations.

The Reserves were estimated using performance methods such as decline curve analysis and simulation modelling in those situations where the historical data indicated a definitive trend. In those situations where the historical data were insufficient to establish a definitive trend or where there were no production data, reserves were estimated using the volumetric method, by analogy or by simulation modelling.

As a result of both economic and political forces, there is significant uncertainty regarding the forecasting of future hydrocarbon prices. Recoverable Reserves and the income attributable thereto have a direct relationship with hydrocarbon prices actually received; therefore, volumes of Reserves actually recovered and amounts of income actually received may differ significantly from the estimated quantities presented.

Other than the risks and uncertainties that participants in the oil and gas industry are exposed to generally as described above, management of the Corporation is unable to identify any important economic factors or significant uncertainties that will affect any particular components of the Reserves data disclosed herein.

Future Development Costs (\$)

The following table sets forth development costs deducted in the estimation of the future net revenue attributable to the Reserves categories noted below.

FUTURE DEVELOPMENT COSTS								
As at December 31, 2016								
Undiscounted and Discounted at 10%								
	2017	2018	2019	2020	2021	2022	Total for all years undiscounted	Total for all years discounted at 10%
	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM	\$MM
Proved								
France	3.4	4.1	25.6	1.2	-	-	34.2	27.8
Netherlands	1.5	-	-	-	-	-	1.5	1.5
Malaysia	3.3	-	-	-	-	-	3.3	3.1
	8.2	4.1	25.6	1.2	-	-	39.0	32.3
Total Proved Plus Probable								
France	3.9	4.1	25.6	1.2	-	-	34.7	28.2
Netherlands	1.5	-	-	-	-	-	1.5	-
Malaysia	3.3	-	-	-	-	-	3.3	3.1
	8.7	4.1	25.6	1.2	-	-	39.5	31.3
Total Proved Plus Probable Plus Possible								
France	3.9	4.1	25.6	1.2	-	-	34.7	28.2
Netherlands	1.5	-	-	-	-	-	1.5	1.5
Malaysia	3.3	-	-	-	-	-	3.3	3.1
	8.7	4.1	25.6	1.2	-	-	39.5	32.8

The Corporation expects to fund the development costs of its reserves through a combination of internally generated cash flow, debt and equity issuances. There can be no guarantee that funds will be available

or that the Board will allocate funding to develop all of the reserves attributed in the Reserves Report. Failure to develop those reserves could have a negative impact on the Corporation's future cash flow.

The interest or other costs of external funding are not included in the Reserves and future net revenue estimates set forth above and would reduce the Reserves and future net revenue to some degree depending upon the funding sources utilized. The Corporation does not anticipate that interest or other funding costs would make further development of any of the Oil and Gas Assets uneconomic.

Other Oil and Gas Information

Oil and Gas Properties and Wells

The following table sets forth the properties and number of wells in the Oil and Gas Assets as at December 31, 2016.

OIL AND GAS PROPERTIES & WELLS
PROPERTIES WITH RESERVES ATTRIBUTED
Summary at December 31, 2016

Property	Lundin Working Interest	Location	Gross Producing Oil Wells	Gross Non Producing Oil Wells	Gross Producing Gas Wells	Gross Non Producing Gas Wells	Net Producing Oil Wells	Net Non Producing Oil Wells	Net Producing Gas Wells	Net Non Producing Gas Wells
France			123.0	-	-	-	116.3	-	-	-
Amaltheus	100%	Onshore	1.0	-	-	-	1.0	-	-	-
Courdemanges	100%	Onshore	2.0	-	-	-	2.0	-	-	-
Dommartin Lettrée	43.01%	Onshore	3.0	-	-	-	1.3	-	-	-
Fontaine Au Bron	100%	Onshore	3.0	-	-	-	3.0	-	-	-
Genievre	100%	Onshore	1.0	-	-	-	1.0	-	-	-
Grandville	100%	Onshore	9.0	-	-	-	9.0	-	-	-
La Motte Noire	100%	Onshore	1.0	-	-	-	1.0	-	-	-
Merisiers	100%	Onshore	1.0	-	-	-	1.0	-	-	-
Soudron	100%	Onshore	14.0	-	-	-	14.0	-	-	-
Vert La Gravelle	100%	Onshore	4.0	-	-	-	4.0	-	-	-
Villeperdue	100%	Onshore	73.0	-	-	-	73.0	-	-	-
Villeseneux	100%	Onshore	1.0	-	-	-	1.0	-	-	-
Arbousiers	50%	Onshore	2.0	-	-	-	1.0	-	-	-
Courbey	50%	Onshore	3.0	-	-	-	1.5	-	-	-
Mimosas	50%	Onshore	1.0	-	-	-	0.5	-	-	-
Pins	50%	Onshore	3.0	-	-	-	1.5	-	-	-
Tamaris	50%	Onshore	1.0	-	-	-	0.5	-	-	-
Netherlands			4.0	-	83.0	-	0.0	-	3.5	-
Gorredijk	7.75%	Onshore	-	-	7.0	-	-	-	0.5	-
Leeuwarden	7.2325%	Onshore	-	-	9.0	-	-	-	0.7	-
Oosterend	7.75%	Onshore	-	-	-	-	-	-	-	-
Slootdorp	7.2325%	Onshore	-	-	2.0	-	-	-	0.1	-

Zuidwal	7.79595%	Onshore	-	-	7.0	-	-	-	0.5	-
E16a	1.44%	Offshore	-	-	-	-	-	-	-	-
E17a & E17b	1.20%	Offshore	-	-	3.0	-	-	-	0.0	-
F6a (oil) LMG Unit	0.39381%	Offshore	4.0	-	-	-	0.0	-	-	-
F6a (gas) UGS Unit	0.03689%	Offshore	-	-	-	-	-	-	-	-
F15a/d	2.53%	Offshore	-	-	2.0	-	-	-	0.1	-
F15a/d SoleRisk	2.98%	Offshore	-	-	1.0	-	-	-	0.0	-
K3b	3.841%	Offshore	-	-	-	-	-	-	-	-
K3d	3.841%	Offshore	-	-	-	-	-	-	-	-
K4b/K5a (excl K5F) *	2.030%	Offshore	-	-	17.0	-	-	-	0.2	-
K5F Unit	2.040%	Offshore	-	-	2.0	-	-	-	0.0	-
K6/L7	3.841%	Offshore	-	-	22.0	-	-	-	0.8	-
L1 e	4.340%	Offshore	-	-	-	-	-	-	-	-
L1f	4.340%	Offshore	-	-	-	-	-	-	-	-
L4a	4.340%	Offshore	-	-	10.0	-	-	-	0.4	-
Q16a	1.814%	Offshore	-	-	1.0	-	-	-	0.0	-

* Net Producing Gas Wells reflect Unit equity (K4bK5a has 59.883301% in the K4K5 Unit)

Malaysia			12.0	1.0	-	-	9.0	-	-	-
Bertam	75%	Offshore	12.0	1.0	-	-	9.0	-	-	-

Notes:

- (1) Gross wells include all wells in which the Corporation will have a direct or indirect ownership interest.
- (2) Net wells are calculated based on the Corporation's ownership interest.
- (3) This table does not include unproved properties.

Properties With No Attributed Reserves

The following table sets out exploration licences and concessions forming part of the Oil and Gas Assets as at December 31, 2016.

PROPERTIES WITH NO ATTRIBUTED RESERVES

Work commitments and general information

Summary at December 31, 2016

Property	Operator	Lundin Working Interest	Location	Gross Area (ha)	Net Area (ha)	Nature of Outstanding Commitment	Detail of Work Commitments	Outstanding Work Commitments			End of Commitment Period
								Gross Amount (\$MM)	Amount Planned in 2017 (\$MM) Towards Commitments	Amount Planned after 2017 (\$MM) Towards Commitments	
France											
Est Champagne	Lundin	100.00%	Onshore	131,800	131,800	none	-	-	-	-	n/a
Esth�ria	Lundin	100.00%	Onshore	4,300	4,300	none	-	-	-	-	n/a
Pays du Saulnois	Lundin	40.00%	Onshore	19,800	7,920	none	-	-	-	-	n/a
Plaines du Languedoc	Lundin	100.00%	Onshore	234,800	234,800	none	-	-	-	-	n/a
Plivot	Lundin	100.00%	Onshore	19,800	19,800	none	-	-	-	-	n/a
Val des Marais	Lundin	100.00%	Onshore	3,700	3,700	none	-	-	-	-	n/a
Netherlands											
Follega	Vermilion	9.30%	Onshore	300	28	none	-	-	-	-	
Lemsterland	Vermilion	9.30%	Onshore	11,100	1,032	none	-	-	-	-	
Malaysia											
PM328	Lundin	35.00%	Offshore	560,000	196,000	none	-	-	-	-	n/a
SB303 GHA	Lundin	55.00%	Offshore	3,000	1,650	none	-	-	-	-	n/a
PM307 GHA	Lundin	75.00%	Offshore	10,800	8,100	none	-	-	-	-	n/a

The PM328 licence in Malaysia is scheduled to expire in 2017. Lundin Malaysia BV is currently seeking a six-month extension to the “drill or drop” option and a one-year extension to the exploration period.

The areas of the PM307 licence not contained within the GHA or the Bertam field area are not reported here and are in the relinquishment process, subject to final Petronas approval for such relinquishment.

Forward Contracts

The Corporation has no oil or gas price hedging arrangements in place.

Costs Incurred

Exploration and Development costs for the Oil and Gas Assets in which Lundin Petroleum participated during the year 2016 are set out in the following tables.

2016 EXPLORATION EXPENDITURE

Quarterly Exploration Expenditure in \$MM

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2016</u>
France	0.0	0.1	0.1	-0.1	0.1
Netherlands	0.1	0.1	0.4	0.0	0.6
Malaysia	21.5	-3.9	3.2	-6.4	14.4
Total	21.6	-3.7	3.7	-6.5	15.1

2016 APPRAISAL EXPENDITURE

Quarterly Appraisal Expenditure in \$MM

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2016</u>
France	0.1	0.0	0.0	0.1	0.2
Netherlands	0.0	0.0	0.0	0.0	0.0
Malaysia	-0.2	0.0	0.0	0.0	-0.2
Total	-0.1	0.0	0.0	0.1	0.0

2016 DEVELOPMENT EXPENDITURE

Quarterly Development Expenditure in \$MM

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2016</u>
France	0.9	0.6	0.4	0.9	2.8
Netherlands	0.7	0.8	0.5	0.5	2.5
Malaysia	6.8	9.3	-0.7	-0.2	15.2
Total	8.4	10.7	0.2	1.2	20.5

Exploration and Development Activities

The following table sets forth the gross and net wells on the Oil and Gas Assets in which Lundin Petroleum participated during the year 2016.

SUMMARY OF 2016 EXPLORATION AND DEVELOPMENT ACTIVITIES

Wells that finished drilling on or before December 31, 2016

	France	Netherlands	Malaysia	Total
2016 Exploratory Wells, Gross Basis	-	-	-	-
Stratigraphic Test Wells - Appraisal	-	-	-	-
Stratigraphic Test Wells - Exploration	-	-	-	-
commercial or potentially commercial discoveries	-	1.0	-	1.0
uncommercial discoveries	-	-	-	-
dry holes	-	-	3.0	3.0
2016 Exploratory Wells, Working Interest Basis	-	-	-	-
Stratigraphic Test Wells - Appraisal	-	-	-	-
Stratigraphic Test Wells - Exploration	-	-	-	-
commercial or potentially commercial discoveries	-	0.1	-	0.1
uncommercial discoveries	-	-	-	-
dry holes	-	-	2.3	2.3
2016 Development Wells, Gross Basis	-	1.0	-	1.0
Oil Wells	-	-	1.0	1.0
Gas Wells	-	1.0	-	1.0
Service Wells	-	-	-	-
Stratigraphic Test Wells	-	-	-	-
Dry Holes	-	-	-	-
2016 Development Wells, Working Interest Basis	-	0.0	-	0.0
Oil Wells	-	-	0.75	0.8
Gas Wells	-	0.0	-	0.02
Service Wells	-	-	-	-
Stratigraphic Test Wells	-	-	-	-
Dry Holes	-	-	-	-

2017 Planned Development and Exploration Activities

Malaysia

Plans to increase the flow rates from some of the Bertam wells will be carried out during the 2017 summer shutdown. A range of instrumentation and equipment with a higher pressure rating will be put in place to allow for an increase on the wells which are currently constrained due to pressure limitations.

The Corporation plans to re-evaluate the Bertam reservoir in 2017 through dynamic reservoir simulation studies and through reprocessing of the three dimensional seismic dataset. The scope of the evaluation will be to investigate near-field exploration potential or infill drilling opportunities that can offset decline rates.

France

The Corporation has plans for a five-well drilling campaign in the 100%-operated Vert La Gravelle field in the Paris Basin. This is a continuation of a programme that was halted in 2015 as a result of the changing economic climate. The facility and flow line work is complete and the remaining project scope covers drilling and completing the new production and injection wells. This project is considered in the undeveloped reserves base and is projected to kick off in the second half of 2018, impacting production levels from 2019.

Infrastructure investments in the short term will include a maintenance program in the central part of the Villeperdue field and a provision for future pipeline work in the Les Arbousiers field in the Aquitaine Basin.

Netherlands

In 2017, a development well will be drilled in the E17ab licence and one exploration well will be drilled in the Gorredijk licence.

2017 Production Estimates

The following table sets out the volume of working interest production estimated for the Oil and Gas Assets for the year ended December 31, 2016 on a company interest basis.

2017 PRODUCTION ESTIMATION As at December 31, 2016 FORECAST PRICES AND COSTS

	LIGHT AND MEDIUM CRUDE OIL		CONVENTIONAL NATURAL GAS		OIL EQUIVALENT	
	Total mboe/d	of which Bertam	Total mboe/d	of which Bertam	Total mboe/d	of which Bertam
Total Proved						
France	1.9	-	-	-	1.9	-
Netherlands	-	-	0.9	-	0.9	-
Malaysia	5.9	5.9	-	-	5.9	5.9
	<u>7.8</u>	<u>5.9</u>	<u>0.9</u>	<u>-</u>	<u>8.7</u>	<u>5.9</u>
Total Proved Plus Probable					-	-
France	2.1	-	-	-	2.1	-
Netherlands	-	-	1.2	-	1.2	-
Malaysia	6.7	6.7	-	-	6.7	6.7
	<u>8.8</u>	<u>6.7</u>	<u>1.2</u>	<u>-</u>	<u>10.0</u>	<u>6.7</u>
Total Proved, Plus Probable, Plus Possible					-	-
France	2.6	-	-	-	2.6	-
Netherlands	-	-	1.5	-	1.5	-
Malaysia	7.6	7.6	-	-	7.6	7.6
	<u>10.1</u>	<u>7.6</u>	<u>1.5</u>	<u>-</u>	<u>11.6</u>	<u>7.6</u>

Note:

- (1) 100% of the volumes reported for Malaysia relate to the Bertam field.

Production History

The following table summarizes certain information in respect of production, prices received, royalties paid, operating expenses and resulting netback associated with the Oil and Gas Assets for the periods indicated below:

PRODUCTION HISTORY					
2016 Production before Royalties					
	Q1	Q2	Q3	Q4	2016
Oil mbopd					
France	2.6	2.6	2.5	2.6	2.6
Netherlands	-	-	-	-	-
Malaysia	8.5	8.7	8.9	8.3	8.6
TOTAL	11.1	11.3	11.4	10.9	11.2
Gas mcfpd					
France	-	-	-	-	-
Netherlands	10.2	9.3	9.2	8.9	9.4
Malaysia	-	-	-	-	-
TOTAL	10.2	9.3	9.2	8.9	9.4
Oil Equivalent mboe/d					
France	2.6	2.6	2.5	2.6	2.6
Netherlands	1.7	1.6	1.5	1.5	1.6
Malaysia	8.5	8.7	8.9	8.3	8.6
TOTAL	12.8	12.9	12.9	12.4	12.8

2016 Hydrocarbon Average Price per Unit of Volume (U.S. \$/boe)

	France	Netherlands ⁽¹⁾	Malaysia
Q1-16			
(1) Price Received	33.88	26.03	35.21
(2) Other Income	1.34	1.53	0.00
(3) Royalties Paid	2.75	0.00	0.14
(4) Production Costs	19.46	16.94	9.65

(5) Netback	13.01	10.62	25.42
Q2-16			
(1) Price Received	44.77	25.36	46.71
(2) Other Income	2.29	2.72	0.00
(3) Royalties Paid	2.76	0.30	0.23
(4) Production Costs	22.79	19.57	8.14
(5) Netback	21.51	8.21	38.34
Q3-16			
(1) Price Received	45.61	25.85	46.64
(2) Other Income	1.29	2.38	0.00
(3) Royalties Paid	2.96	0.02	0.26
(4) Production Costs	19.82	16.12	5.43
(5) Netback	24.12	12.09	40.95
Q4-16			
(1) Price Received	51.44	31.10	51.01
(2) Other Income	1.81	4.33	0.00
(3) Royalties Paid	2.63	-0.05	0.19
(4) Production Costs	22.58	16.38	9.62
(5) Netback	28.04	19.10	41.20
2016			
(1) Price Received	43.98	27.06	45.13
(2) Other Income	1.68	2.69	0.00
(3) Royalties Paid	2.77	0.07	0.21
(4) Production Costs	21.16	17.25	8.16
(5) Netback	21.73	12.43	36.76

Notes:

- (1) Hydrocarbon netbacks shown in U.S. \$/boe, divided by volumes produced.
- (2) All boe's are oil except for 100% gas in Netherlands.
- (3) Production costs exclude inventory movements.
- (4) Other income in Malaysia excludes the FPSO third party lease income.

THE MALAYSIAN, FRENCH AND DUTCH INDUSTRY OVERVIEWS AND REGULATORY REGIMES

The following industry overview describes the Corporation's market in terms of size, development and prospects for future growth. The information contained in the Section below originates from the Corporation, unless expressly stated otherwise. The Corporation has obtained this information from several sources, including industry publications and market surveys from third parties as well as publicly available information. The information obtained from third parties has been accurately reproduced, and as far as Corporation is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Malaysian Country Overview²

Industry Summary

Malaysia's upstream sector has been built upon the oil and gas fields in the shallow waters off Peninsular Malaysia and Sarawak, which have been the focus of development activity since the 1960s. As production in this region has matured, the attention of major operators switched to the deepwater potential off of Borneo in the Sarawak and Sabah basins. This change in focus has led to large oil discoveries such as Kikeh and Gumusut, offshore of Sabah. In recent years, the Malaysian state oil company Petronas and other operators have discovered large gas accumulations in carbonate pinnacle reef structures in Sarawak.

Oil production in Malaysia began in the early part of the 20th century. In the 1960s, exploration activity moved offshore and the first significant fields were brought onstream. Since reaching a peak of 770,500 bbl/d in 1995, liquids production has declined. Malaysia is now considered a relatively mature oil producer.

Gas is an increasingly important component of the energy economy of Malaysia, as evidenced by the comparison of liquids and gas production through time. Gas production in Malaysia can be split into peninsular production, supplied for domestic consumption in peninsular Malaysia, and Borneo production, the majority of which is converted to liquefied natural gas for export at the Bintulu plant in Sarawak.

Regulatory Framework

Key Legislation

Petroleum Development Act

The Petroleum Development Act 1974 (the “**PDA**”) and the Petroleum Regulation 1974 enacted pursuant to the PDA (the “**Petroleum Regulation**”) are the key legislative enactments that govern oil and gas exploration activities both onshore and offshore in Malaysia. The PDA came into force on October 1, 1974. Pursuant to the PDA, the entire ownership in, and the exclusive rights, powers, liberties, privileges of exploring, winning and obtaining petroleum onshore and offshore were vested in Petronas, Malaysia's national oil company. The vesting of the ownership, rights, powers, liberties and privileges from Malaysia to Petronas is in perpetuity and irrevocable. The PDA and the Petroleum Regulation also set out the licensing requirements for upstream activities and the downstream activities of refining, marketing and distributing oil products.

Petroleum (Income Tax Act) 1967

The Petroleum (Income Tax) Act 1967 (“**PITA**”) governs the taxation of petroleum income in Malaysia.

² The “Malaysian Country Overview” section was based on Fariz Abdul Aziz, “Malaysia” in Christopher B. Strong, ed, *The Oil and Gas Law Review* (November 2016, 4th ed) 162. The parts of this disclosure reproduced or taken from the chapter have been reproduced with the permission of the author and Law Business Research Ltd.

Environmental and Decommissioning

Decommissioning of oil and gas facilities and pipelines is governed by a number of laws due to the variety of activities that are required to undertake abandonment and decommissioning. Such laws include the Continental Shelf Act 1966, the Exclusive Economic Zone Act 1984, the Petroleum (Safety Measures) Act 1984, the Environmental Quality Act 1974, the Occupational Safety and Health Act 1994, the Fisheries Act 1985, the Merchant Shipping Ordinance 1952 and the Merchant Shipping (Oil Pollution) Act 1994. In summary, the laws require that the abandonment and decommissioning activities be carried out safely, not cause any environmental degradation and not interfere with other offshore activities such as fishing.

Other Key Legislation

The Petroleum (Safety Measures) Act 1984 (the “**PSMA**”) and the regulations thereunder govern the transportation, storage and handling of oil and oil products. The Environmental Quality Act 1974 (the “**EQA**”) is the main legislation governing the protection of the environment and the protection of oil spills and pollutants on land and in Malaysian waters.

Many of Malaysia’s oilfields are situated in its exclusive economic zone. The exclusive Economic Zone Act (1984) governs activities in Malaysia’s exclusive economic zone.

Regulatory Body

As a result of the PDA, Petronas exercises regulatory powers in respect of the upstream sector. Any person wishing to engage in exploration activities is required to be authorized to do so by Petronas, either by entering into a PSC or by obtaining a licence from Petronas to provide services to the upstream industry.

The construction and operation of petroleum pipelines is governed by the PSMA and the Petroleum (Safety Measures) (Transportation of Petroleum by Pipelines) Regulations 1985, which is under the purview of the Petroleum Safety Unit of the Ministry of Domestic Trade, Co-operatives and Consumerism.

Licensing

Production Sharing Contracts

Since the enactment of the PDA, a person seeking to obtain rights to explore, develop and produce petroleum is required to enter into a PSC with Petronas.

Almost all licences in Malaysia are presently governed by PSCs. The terms and scope of the rights granted are entirely contained in the PSC and such rights are enforceable under Malaysian law. The terms of the PSC provide that the party to the PSC (the “**PSC Contractor**”) is solely responsible for the provision of all funds required directly or indirectly for petroleum operations. The PSC Contractor is then entitled to recover costs related to petroleum operations and a share of profits from the production of crude oil or natural gas in kind, based on a defined formula contained in the PSC.

PSCs also set out specific responsibilities for decommissioning and abandonment. The terms of the PSC require that PSC Contractors make payments to a fund for abandonment and decommissioning operations known as the “abandonment cess”. Payment of the abandonment cess commences upon commercial production of petroleum and is payable on an annual basis. Such payments are cost recoverable under the terms of the PSC.

State Participation in Oil and Gas Production

As a matter of policy, Petronas’ exploration arm, PCSB, must be a party to all PSCs awarded by Petronas, with a view to allowing the state a direct interest in the PSC awarded as well as the ability to

derive knowledge from the other PSC Contractors. Under current PSC terms, PCSB has the right to a carried interest in any exploration block during the exploration period. The interest is negotiable, but it usually varies between 15% and 25%. Once a commercial discovery has been made, PCSB must elect whether or not to become a working partner in any development.

Production Restrictions

Petronas reserves the right to restrict a PSC Contractor from holding Malaysian crude oil in any form of buffer stock that is contrary to a PSC Contractor's normal market operations.

In respect of crude oil exports, PSC Contractors are free to export their respective of crude oil produced, subject to obtaining the relevant customs approvals and complying with the reporting obligations to Petronas. In terms of gas sales, PSC Contractors are required to sell their entitlement of natural gas produced on a joint dedicated basis with Petronas.

While there are generally no requirements for PSC Contractors to sell any portion of oil produced to the local market, this is subject to provisions contained in the PSC that apply to times of general shortage of supplies of petroleum in countries that are from time to time members of the Association of Southeast Asian Nations Council on Petroleum or its successor, or to Malaysian refineries and petrochemical plants. In such times, PSC Contractors are required to give preference to prospective buyers in such countries and to Malaysian refineries and petrochemical plants provided that the prices and other terms of purchase offered are competitive.

Fiscal Terms

Petroleum (Income Tax Act) 1967

Petroleum income tax is charged on the income of every "chargeable person" derived from "petroleum operations" in Malaysia at a rate of 38%. The "chargeable persons" under PITA are Petronas, the Malaysia-Thailand Joint Authority and PSC Contractors in respect of each PSC. PSC Contractors are taxed on a per-PSC basis on the profit oil and profit gas, less allowable deductions and capital allowances, produced from its operations in Malaysia. PITA allows qualifying exploration expenditures and expenditures wholly and exclusively incurred in the production of gross income to be deducted from gross income.

Tax Incentives

To encourage the development of marginal fields, enhanced oil recovery, high carbon dioxide gas, high-pressure, high-temperature, and deep water projects, the government introduced new tax incentives through the following subsidiary legislation:

- Petroleum (Income Tax) (Exemption) Order 2013 (the "**Exemption Order**");
- Petroleum (Income Tax) (Accelerated Capital Allowances) (Marginal Field) Rules 2013 (the "**ACA Rules**");
- Petroleum (Income Tax) (Marginal Field) Regulations 2013; and
- Petroleum (Income Tax) (Investment Allowance) Regulations (the "**IA Regulations**", and collectively, the "**New Tax Incentives**").

The New Tax Incentives took effect in November 2010. The ACA Rules allow for accelerated capital allowance on qualifying plant expenditures incurred for petroleum operations in a marginal field. Applying the accelerated capital allowance rate, capital allowance on qualifying plant expenditures can be fully claimed within five years as opposed to ten years based on conventional capital allowance rates. Under

the Exemption Order, the Minister exempts a portion of the statutory income derived from petroleum operations in a marginal field, which results in “chargeable income” derived from marginal fields being taxed at 24.966% instead of 38%.

The IA Regulations provide for an investment allowance equal to 60% of qualifying capital expenditures incurred in a period for a year of assessment within a period of ten years in respect of a qualifying project; or on an infrastructure asset as determined by the Minister. A “qualifying project” is a project that carries out either enhanced oil recovery, high carbon dioxide gas, high-pressure, high-temperature, or any combination thereof; or a project in an area under a PSC in respect of a deep water project. This results in a 60% investment allowance in addition to capital allowance, and 70% of statutory income from a qualifying project is tax exempted equal to the investment allowance available.

Royalties

The PDA expressly stipulates that in return for the vesting of ownership and rights in the petroleum resources, Petronas is to make cash payments to the federal government and the government of the state in which petroleum is produced. The payments are made by Petronas in the form of royalty payments to the federal government, which are in turn distributed to the applicable state governments. The source of these payments is the production of oil and gas under various PSCs. Under the PSC framework, 10% of all petroleum won and saved by PSC Contractors is paid to Petronas in order to satisfy payment of royalties under the PDA.

Profit Sharing

Apart from the royalty payments, PSC contractors are also required to share a certain proportion of profit oil or profit gas from crude oil and natural gas produced with Petronas, based on a predetermined formula. In order to share in any upside in the price of oil, PSC Contractors are required to make supplemental cash payments to Petronas for such portion of the PSC Contractor’s portion of the profit oil or profit gas that exceeds the specified base price agreed in the PSC.

France Country Overview

Industry Summary

France is a mature hydrocarbon country. French production originates from three main sedimentary basins known as the Aquitaine, Paris and Alsace basins. Nearly all of the Oil and Gas Assets in France are located in the Paris Basin and the Aquitaine Basin.

Commercial oil production began in France in 1950 and peaked in 1988, when rising production from the Paris Basin exceeded the decline from the Aquitaine Basin fields. The bulk of current oil production in France comes from the Paris Basin.

Regulatory Regime Summary

As there are no formal licensing rounds in France, companies can make individual applications for unlicensed areas. There are essentially two types of licence: exploration and production. All licensing regulations are controlled by the General Department of Energy and Climate in conjunction with the General Council of Mines.

The fiscal terms which apply to the upstream oil and gas industry in France are based on a concession system. Business tax and royalties are payable to the government and further local levies are payable to the local authorities where the fields are situated. There is a corporate tax rate of 33.3% and a social surtax of 3.3% on net profits over \$2.23 million, resulting in a marginal tax rate of up to 34.43%.

In 2011, the French government imposed a ban on hydraulic fracturing. This ban remains in place and effectively prohibits exploration for and development of unconventional oil and gas deposits in France.

Regulatory Framework

Key Legislation

In France, all mining resources from the subsoil, including oil and gas, belong to the state. The 2011 Mining Code, which came into force on March 1, 2011, allows the government to delegate to companies the right to explore the subsoil and produce oil and gas. Certain provisions of the Mining Code that were in effect prior to the 2011 Mining Code remain in force until the publication of the regulatory provisions of the 2011 Mining Code. The 2011 Mining Code defines the process by which exploration permits (*permis exclusifs de recherches*) and production licences (*concessions*) may be granted and how royalties should be set. In addition, the General Code of Taxation (*Code général des impôts*) details how Communal and Departmental taxes, as well as corporate income tax payable to the state, are calculated.

Management of the Corporation understands that a reform of the 2011 Mining Code was launched by the French government in 2013. However, the bill in relation to that reform has not yet been released.

Regulatory Body

The Minister of Environment, Energy and Sea, together with the Minister of the Economy, Industry and Digital Economy, who are jointly in charge of mining, are responsible for granting the licenses. License applications are processed by the General Department of Energy and Climate (*Direction Générale de l'Énergie et du Climat*) and, more specifically, the Oil & Gas Department (*Bureau Exploration-Production des Hydrocarbures*) of the Ministry of Environment, Energy and Sea. Regulation and administration of the mining activities are carried out through the local state representatives.

Exploration Permits (permis exclusif de recherches)

As there are no formal licensing rounds, companies can make individual applications for unlicensed areas. Applications must give information relating to the identity of the applicant, its technical and financial capacities, a technical notice, cartographical documents, a financial commitment referring to a work programme, an assurance that the work programme is within the environment protection regulations (*notice d'impact indiquant les incidences éventuelles des travaux projetés sur l'environnement et les conditions dans lesquelles l'opération projetée prend en compte les préoccupations d'environnement*) and, as the case may be, the consent of the holder of an existing mining licence.

Once awarded, the project (*projet d'attribution*) is submitted to the General Council of Economy, Industry, Energy and Technology (*Conseil général de l'économie, de l'industrie, de l'énergie et des technologies*) which has to issue an opinion. The exploration permit is then granted by an order (*arrêté*) of the Minister in charge of mining.

Exploration permits are awarded for an initial period of five years or less. In every case, there is a financial commitment referring to an agreed work programme. There are no rental payments for holding exploration permits. The permit may be renewed twice, each time for five years or less.

Applications for extension of exploration permits are submitted to the Minister in charge of mining. If the initial work programme requirements have been completed, renewals are not generally rejected. The extension of exploration permits is granted by an order (*arrêté*) of the Minister in charge of mining.

Any transfer to a new permit holder must be submitted to the Minister in charge of mining for approval. Any project for a change of control of the exploration permit holder must be prior notified to the Minister in charge of mining, who has a two-month period, that may be renewed once, to oppose the project.

Production Licences (Concessions)

The concession is granted for a period of not more than 50 years and could be renewed several times for 25 years or less. However, the initial period of the concession is flexible and is generally shorter for smaller developments, it being specified that the maximum duration of the concession shall not exceed 50 years. It should be noted that production can commence from a new field on an exploration permit prior to the award of a concession.

As for the award of exploration permits, the award of concessions is subject to a specific procedure involving competition, except in the case where the applicant has already been granted an exploration permit on the corresponding area. This specific procedure differs from that one relating to the award of exploration permits, in particular as it involves a public enquiry (*enquête publique*). The concession is granted by decree (*décret en Conseil d'Etat*).

French Decree 2006-648 dated June 2, 2006 relating to mining licences stipulates, in particular, the following:

- any project which may involve a change of control of the licence-holding company (whether direct or indirect) needs to be notified to the Minister of Mines in advance. The Minister of Mines has a two-month period (which can be extended to four months) to oppose the project; and
- any project which involves a material modification to the financial and technical capabilities taken into consideration at the time when the licence was granted must be notified to the Minister of Mines.

Fiscal Terms

Mineral rights in France belong to the French State, and production of hydrocarbons occurs under a concession regime. Holders of a concession or production licence must pay the French tax authorities a royalty proportional to the value of the products extracted. This royalty is paid starting from production. The royalty regime distinguishes between “old production” (i.e., quantities extracted from wells “*puits*” put in service before January 1, 1980) and “new production” (other extracted quantities) and is ring-fenced by production concession. Under the current French Mining Code, the royalty payable is progressive and depends on annual production levels. Royalty rates applicable to oils are currently ranging between (i) 0% (for the portion of the production below 50,000 tonnes, i.e., 1,014 bbl/d) and 12% (above 300,000 tonnes, i.e., 6,082 bbl/d) for “new production”, and (ii) 8% (below 50,000 tonnes, i.e., 1,014 bbl/d) and 30% (above 100,000 tonnes, i.e., 2,027 bbl/d) for “old production”.

Local mining taxes, or RCDM (*redevance communale et départementale des mines*), are also payable to the applicable administrative French country and municipality on whose territory the oil is produced. Each local tax is determined by multiplying production by a unit rate, which is set each year by the Ministry of the Environment and Energy. The local mining tax is payable in arrears (production of 2015 is reported in 2016 and the corresponding tax is paid, after receipt of the notice of payment, generally end 2016 or beginning 2017), is ring-fenced by well, and the regime distinguishes between fields entered into production before and after January 1, 1992. For 2017, the RCDM has been set at €22.511 per net tonne of oil equivalent for fields that commenced production prior to 1992, with a reduced rate of €6.406 per net tonne of oil equivalent for fields that started production post-1992. The 2017 offshore rate is €2.129/tonne. Each of the taxes is deductible when determining the profit subject to French corporate tax. The amounts of the local mining taxes applicable since 2013 are as follows (100 net tonnes equals 740 bbl):

Years	Royalties (in €) per 100 net extracted tonnes		
	Communal tax	Departmental tax	Total
2013			

Prior to January 1, 1992	812.70	1 044.00	1 856.70
From January 1, 1992	248.00	315.40	563.40
2014			
Prior to January 1, 1992	831.40	1 068.00	1 899.40
From January 1, 1992	251.20	319.50	570.70
2015			
Prior to January 1, 1992	847.20	1 088.30	1 935.50
From January 1, 1992	253.50	322.40	575.90
2016			
Prior to January 1, 1992	868.40	1 115.50	1.983.90
From January 1, 1992	256.00	325.60	581.60

Netherlands Country Overview

Industry Summary

The Netherlands is the second largest gas producer in Europe. It is now a mature hydrocarbon country as onshore production began in the 1950s and offshore production began in the 1960s. Gas production is dominated by the large onshore Groningen field, which was discovered in 1959. It is the largest gas field in Europe and among the 10 largest gas fields in the world.

Regulatory Regime Summary

The MEA is responsible for the optimal development of oil and gas resources in the Netherlands. All oil and gas activity is governed by the terms outlined in the 2003 Mining Law, which provides the statutory framework for (*inter alia*) licensing, decommissioning and abandonment, Dutch State participation and financial obligations of licensees. The Netherlands introduced an open licensing system in 1995 in an effort to maintain exploration activity levels on the Dutch continental shelf. Under this system, all unlicensed acreage is available for allocation at any time during the year.

State participation occurs in the Netherlands via EBN, which acts as an independent partner in the majority of Dutch fields.

Regulatory Framework

Key Legislation

2003 Mining Act

The current Mining Act (the “**2003 Mining Act**”) became effective on January 1, 2003. The 2003 Mining Act, together with a Mining Decree and a Mining Regulation, has significantly reduced the administrative burden on companies operating in the Dutch upstream industry, due to the simplification of the legislation.

2000 Dutch Gas Act

The Dutch Gas Act, which became effective in 2000, as amended from time to time, implemented European Union regulations on market liberalization, security of supply, independent and non-discriminatory gas network operation, a fully-regulated third party access regime for access to domestic gas pipelines, domestic gas network ownership unbundling and the designation of an independent regulatory authority.

Corporation Income Tax Act 1969

Corporate income taxation is based on the Corporation Income Tax Act 1969 (“**CITA 1969**”).

Regulatory Bodies

Ministry of Economic Affairs

The Energy Directorate of the MEA is responsible for ensuring optimal development of oil and gas resources in the Netherlands and sustainable use of the “deep subsurface”. It is assisted by the *Bouw en Ondergrond* (Construction and Subsurface) department of TNO (the Dutch Geological Survey), which advises the Ministry on geological matters and handles the processing of information relating to exploration and production. Furthermore, the MEA may rely on technical and commercial advice of the state participation company EBN.

State Supervision of Mines

The State Supervision of Mines, a division of the MEA, has the task of ensuring compliance to Mining regulations and cooperation in the preparation of new Mining legislation.

State Participation in Oil and Gas Production

Based on the 2003 Mining Act and its predecessors the state is entitled to participate directly in production activities through EBN. EBN acts as an independent partner in the majority of Dutch fields. Pursuant to the 2003 Mining Act it has a right to participate with a 40% interest. In a number of older licences and concessions (issued between 1976 and 1995) this is 50%. At the acquisition of its participating interest EBN must reimburse the licence holder, at a percentage equal to EBN's interest (i.e., under current legislation, 40%), for the expenditures the licence holder incurred in exploration for and appraisal of the prospect, and any further capital investment in production facilities. This is commonly referred to as contribution reimbursement (*inbrengvergoeding*). The reimbursement as a rule includes the following: (i) investments in business assets, (ii) exploration expenses and (iii) an interest component. Each of those may lead to a taxable event for the purpose of CITA 1969 and State Profit Share (see below, Fiscal Terms).

Government Gas Fields Depletion Policy

Historical Overview

GasTerra, as successor to the former Gasunie's trade and supply business, still dominates the Dutch gas market, although sellers of gas from the Small Fields are allowed to sell gas to other buyers than GasTerra. GasTerra contracts can be terminated through contract provisions which are exercisable every three years. GasTerra has four main categories of customers to whom it sells gas directly. These are foreign companies, large industrial consumers, gas distribution companies within the Netherlands and abroad, and power generators. With the onset of liberalization, some of these customers have negotiated supply contracts with suppliers other than GasTerra.

Small Fields Policy

The government decided that from 1974 it would encourage exploration and development of smaller gas fields (Small Fields Policy). Small fields are exploited preferentially in order to reduce the load on Groningen, which is mainly used as a gas balancing field. In the winter, when gas demand is high, Groningen supplies additional gas as required. This has led to the Groningen field being conserved as a strategic reserve and for use as a swing producer. This priority of buying any domestic gas available for sale has helped to encourage exploration activity in the Netherlands. It has been consolidated in the Dutch Gas Act, which lays down the statutory obligation for GasTerra to purchase the gas produced from small fields against a market conforming price, if and when the gas is offered to it. Two exceptions to this general obligation exist. First, the MEA may temporarily release GasTerra from the obligation to purchase gas offered to it for economic or financial reasons. Second, in the event and to the extent that the specifications of the gas would require adjustments in the transmission system that are considered

uneconomic to its operator, Gasunie Transport Services BV, it is released from its statutory obligation to accept the gas in the transmission system and in such case GasTerra is equally released from its obligation to purchase the gas. In addition, it should be noted that Gasunie Transport Services BV is entitled to unilaterally set conditions regarding the feeding in into the transmission system of natural gas produced by mining companies.

GasTerra Offtake Terms for Small Fields – Quantities

All gas purchase contracts signed with the domestic producers over the past decade have been for the life of the reserves by field or block. To calculate the depletion rate of a field the producer must stipulate to GasTerra the economically recoverable reserves of a field or a licence (generally on a field basis).

GasTerra Offtake Terms for Small Fields – Pricing

GasTerra has a considerable number of gas contracts with domestic gas producers. GasTerra's aim has been to market the gas at competing prices for specific sectors of the market, e.g., heavy fuel oil for power stations and industry and gas oil to the domestic user. With this pricing scenario, GasTerra has effectively been giving the domestic producers its best price for the gas after taking a reasonable profit margin, and still managing to keep demand for gas high.

GasTerra's gas contracts with producers will typically vary in price; however, the basis of the contract pricing is similar. The gas price in a contract with a producer is based on the spot market prices of the Dutch TTF and to a lesser extent the UK's National Balancing Point (NBP), have become part of the pricing formula.

Licensing

The 2003 Mining Act introduced a uniform licensing regime for onshore and offshore licensing, thereby ending the previously existing distinction between (onshore) concessions and (offshore) licences and concessions.

There are four types of licence for onshore and offshore activities:

- *Exploration* – Licence that incorporates exploration activities by means of drilling.
- *Production* – Licence awarded when a company wishes to extract hydrocarbons.
- *Gas storage* – Licence awarded when a company wishes to store hydrocarbons.
- *CO₂ storage* – Licence awarded when a company wishes to store carbon dioxide.

Offshore Licensing

The total area available for licensing offshore the Netherlands is 57,200 km². The offshore sector is divided into quadrants of 1° latitude by 1° longitude, designated by letters. Each of the quadrants is subdivided into 18 blocks, measuring around 23 kilometres by 18 kilometres (approximately 410 km²) on a 3 x 6 grid.

Offshore Exploration Licences and Concessions

Under the conditions of the current licensing regime under the 2003 Mining Act, licence periods reflect the work commitments offered rather than being fixed as for historic licences and concessions.

An exploration licence may be retained after the expiry date only if the company has an application for a production licence outstanding on the licence with the approval of the government. A production licence is awarded only if it is probable that the minerals in the licence area are economically recoverable. The definition of a commercial discovery was extremely debatable under the 1967 Royal Decree legislation

whilst under 1976 (and later) legislation the definition takes into account production cost, size of resource, sales price etc.

Offshore Production Licences and Concessions

On award of a production licence, the exploration licence is converted. In jointly held licences, the statutory obligation to remove the mining installation rests on the operator of the licence. The state may require the provision of a financial guarantee for removal costs of installations in the event an administrative enforcement order has been issued to enforce the obligation to remove the mining installations. The liability amongst the joint venture parties is arranged contractually.

When a production licence is awarded the MEA announces it in the State Gazette (*Staatscourant*). The licence decision enters into operation the after its publication.

Onshore Licensing

Fallow Covenant

In order to stimulate activity on licensed offshore fallow acreage, the Dutch authorities introduced new provisions in the 2003 Mining Act that empower the Minister of Economic Affairs to review the delineation of a licence area if no significant activities have taken place in that area for two consecutive years.

Financial Provisions

Rental Fees

The 2003 Mining Act applies rental fees to all Dutch exploration and production licences (onshore and offshore) and concessions. Rental fees are indexed (commensurate with a wage index as defined in a Royal Decree).

Fiscal Terms

Profits realized by companies involved with the onshore and offshore hydrocarbon E&P activities in the Netherlands and on the Dutch continental shelf are subject to both general corporation income taxation (“CIT”) based on CITA 1969 and State Profit Share (“SPS”) based on the 2003 Mining Act. Production licence turnover is subject to royalty (*cijns*) based on the 2003 Mining Act. In addition, in respect of onshore activities a fee (*afdracht aan de Provincie*) is due to provinces, based on the 2003 Mining Act.

CIT

The corporation income tax rate is currently 25%, for taxable profits of the company exceeding €200,000 (below this threshold a rate of 20% applies). The CIT tax base of a Dutch resident taxpayer includes (as a principle) all domestic and worldwide income. Examples of (industry relevant) costs that can be taken into account for CIT purposes are: (a) *cijns* (Royalties); (b) operating costs (under circumstances, this may include interest); (c) exploration costs; (d) depreciation; and (e) abandonment costs (deduction for anticipated future abandonment costs through the “abandonment provision”).

The amount of SPS which is payable after taking into account the Creditable Amount (see below under “SPS”) can also be deducted for CIT purposes.

Losses are normally available for one year carry back and nine years carry forward.

SPS

SPS is a profit based tax, specific to the upstream E&P industry. SPS is levied from the holder or co-holder of a production licence on the profit that can be allocated to the "extraction enterprise". The profits derived from the "extraction enterprise" consist of the results that can be directly and indirectly allocated to the extraction of hydrocarbons (the so-called "ring fence"). The allocation principles have been established in practice and through case law.

The rate of SPS is 50%. In the 2003 Mining Act, reference is made to the calculation of profits for CIT purposes, whereby a correlation is created between these levies. SPS is in principle calculated in a similar manner as CIT with the exception that (most) expenses are "uplifted" by an additional 10%. In order to avoid an accumulation of CIT and SPS, a notionally calculated CIT amount ("**Creditable Amount**") can be credited against SPS.

Losses for the purposes of the SPS calculation are available for a three years carry back and indefinite carry forward.

As per 16 September 2010 a marginal field SPS incentive applies. Provided certain conditions are met, a 25% deduction can be taken into account in respect of investments in new business assets that are used for marginal fields.

Royalties (Cijns)

For onshore production activities royalty rates based on the turnover apply. The turnover is determined by production volume (except volume used during exploration / production for processing and transport) and selling price. For offshore activities, these rates are set at 0%.

The rate is determined according to the following volume brackets:

<u>Produced volume of gas (in millions m³)</u>	<u>Produced Percentage</u>
0-200	0
200-600	2
600-1200	3
1200-2000	4
2000-4000	5
4000-8000	6
> 8000	7

<u>Produced volume of oil (in thousands m³)</u>	<u>Produced Percentage</u>
0-200	0
200-600	2
600-1200	3
1200-2000	4
2000-4000	5
4000-8000	6
> 8000	7

In addition to the rates mentioned above, the following applies:

1. The rates mentioned above will be increased by 25% if the oil prices are higher than €25 per barrel; and
2. If EBN does not participate in a licence, the rates above will be increased by 100% (regardless of the increase mentioned under 1).

Fees to the Province (*afdracht aan de Provincie*)

For producing hydrocarbons in onshore areas a one-time fee to the province (*Afdracht aan de provincie*) is due. The basis for levying the fee is the size of the area in use for the production installations (not the area to which the production licence pertains). The rate for 2003 was €4.50 per m². It is indexed (commensurate with a wage index as defined in a Royal Decree) and collected by the Provincial Executive.

Mining Damage Guarantee Fund

The mining companies, insofar as they are active in onshore mining activities, are under an obligation to annually contribute to the Mining Damage Guarantee Fund (*Waarborgfonds mijnbouwschade*). The fund pays out as a matter of last resort (i.e., in cases of insolvency or where the liable company has ceased to exist). It only pays out to natural persons having incurred property damage as a result of mining activities.

On September 6, 2013, around 40 Dutch private and semi-public parties reached a covenant on the development of renewable growth in the Netherlands (the “**Energy Agreement**”). The core feature of the Energy Agreement is a set of broadly supported provisions regarding energy saving, clean technology, and climate policy. The Energy Agreement implemented a comprehensive climate and energy policy programme aimed at long-term sustainability and set out agreed short to medium-term measures in 10 pillars. One of these pillars is the increase of renewable energy production from the current 4.3% to 14% in 2020, and 16% in 2023.

DIVIDEND POLICY

The Corporation does not currently anticipate paying any dividends on its Common Shares. The Corporation currently intends to utilize its earnings to finance the growth and development of its business and to otherwise reinvest in its business. Any decision to pay dividends on the Common Shares in the future will be made by the Board on the basis of the Corporation’s earnings and financial requirements as well as other conditions existing at such time. Unless the Corporation commences the payment of dividends, holders of Common Shares will not be able to receive a return on their Common Shares unless they sell them. See “*Risk Factors – Risks Relating to the Common Shares – No Prior Public Market for Common Shares*”.

CONSOLIDATED CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the expected consolidated capitalization and indebtedness of the Corporation before and after giving effect to the Spin-Off.

	Authorized	Outstanding as at the date hereof	Expected amount outstanding after giving effect to the Spin-Off
Common Shares	Unlimited	113,462,148	113,462,148
Preferred Shares	Unlimited	Nil	Nil
Credit Facility	\$100 million	Nil	Nil

Working Capital

In the opinion of the Board, the Corporation's working capital is sufficient for the Corporation's requirements for the next twelve months.

Recent Trends in the Industry

The oil and gas industry continues to remain dynamic in response to global macroeconomic trends, including the rise of US shale production and the US' recently achieved net exporter status, as well as slowing emerging market growth. As a result of the increased supply and reduced demand growth, the oil price fell from a peak of around \$115/bbl in June 2014 to \$26/bbl in January 2016. Reactions to the fall in price ran contrary to market expectations, as OPEC maintained production output and high-cost US shale producers were able to largely survive the lower price environment. OPEC eventually announced a pledge to remove 1.2 mmbbl/d of production in November 2016 and the oil price has since plateaued above \$50/bbl. The industry is now watching to see whether OPEC members are able to abide by their production quotas and the speed at which US shale producers are able to ramp up production.

Management believes that the recent low oil price environment has driven asset divestitures by exploration and production companies struggling with liquidity issues, while also limiting the ability of balance sheet-constrained competitors to acquire such assets. Management believes that the oil majors and large international oil and gas companies are increasingly focused on larger volumes in new frontier basins, not long-life, low decline assets in established basins, and will continue to dispose of high quality assets to meet their public divestment undertaking. Similarly, there are few independent operators of the size that the Corporation will be following the Reorganization, with its expected operational capabilities and financial capacity to capitalize on these opportunities in this attractive market.

The producing Oil and Gas Assets in Malaysia, France and the Netherlands performed well during the first quarter of 2017, in line with expectations of prior management, with excellent facility uptime. Furthermore, the price of oil has been stable since the year end and remains over \$50/bbl. See "*The Business – Technical Business Plan for the Oil and Gas Assets – The Strengths of the Oil and Gas Assets*". There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Corporation's activities for the current financial year.

Significant Changes after December 31, 2016

There have been no significant changes in the operations or operating results of the Oil and Gas Assets since December 31, 2016 up to the date of this Company Description.

SELECTED OPERATIONAL AND FINANCIAL INFORMATION

The combined historical financial information that is presented below has been derived from the audited combined carve-out financial statements for the Oil and Gas Assets for the financial years ended December 31, 2014, 2015 and 2016 (the “**Financial Statements**”). The Financial Statements, which have been audited by the auditor of Lundin Petroleum, PricewaterhouseCoopers AG, have been prepared in accordance with IFRS as adopted by the International Accounting Standards Board and are attached to this Company Description as Schedule “B”, namely, the Oil and Gas Assets. The following information should be read in conjunction with such financial statements and the accompanying notes. Rounding-off differences may arise in all tables.

Combined Statements of Operations

Combined Statements of Operations (A Carve-Out of Lundin Petroleum AB)

For the Financial Year Ended December 31

\$ Thousands	Audited 2016	Audited 2015	Audited 2014
Revenue	204,598	172,094	153,485
Cost of sales			
Production costs	(57,795)	(41,474)	(49,913)
Depletion	(85,187)	(92,573)	(32,790)
Depreciation of other assets	(31,073)	(23,685)	–
Exploration costs	(14,443)	(37,638)	(20,396)
Impairment costs	(125,965)	(191,758)	–
Gross profit/(loss)	(109,865)	(215,034)	50,386
Other income	4,804	–	–
General, administration and depreciation expenses	(14,937)	(18,046)	(25,825)
Profit/(loss) before net financial items	(119,998)	(233,080)	24,561
Finance income	23,813	54,337	61,138
Finance costs	(3,697)	(3,826)	(3,162)
Net financial items	20,116	50,511	57,976
Profit/(loss) before tax	(99,882)	(182,569)	82,537
Income tax	(925)	1,004	(16,212)
Net result	(100,807)	(181,565)	66,325
Net result attributable to:			
Shareholders of the Parent Company	(100,815)	(181,571)	66,285
Non-controlling interest	8	6	40
	(100,807)	(181,565)	66,325

Combined Statements of Comprehensive Income/(Loss) (A Carve-Out of Lundin Petroleum AB)

For the Financial Year Ended December 31

\$ Thousands	Audited 2016	Audited 2015	Audited 2014
Net result	(100,807)	(181,565)	66,325
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Currency translation difference	8,733	10,034	(21,246)
Other comprehensive income	8,733	10,034	(21,246)
Total comprehensive income/(loss)	(92,074)	(171,531)	45,079
Total comprehensive income/(loss) attributable to:			
Shareholders of the Parent Company	(92,082)	(171,537)	45,039
Non-controlling interest	8	6	40
	(92,074)	(171,531)	45,079

Combined Balanced Sheets

Combined Balance Sheets (A Carve-Out of Lundin Petroleum AB)

At December 31

	Note	2012 Audited Aud2012016d	2011 Audited 2015
\$ Thousands			
ASSETS			
Non-current assets			
Producing oil and gas properties		304,684	382,918
Non-producing oil and gas properties		16,026	137,221
Other tangible fixed assets		152,345	186,612
Financial assets		6	5
Deferred tax assets		11,653	12,331
Total non-current assets		484,714	719,087
Current assets			
Inventories		25,067	31,005
Trade and other receivables		40,556	40,629
Current tax		386	3,470
Cash and cash equivalents		12,464	24,373
Total current assets		78,473	99,477
TOTAL ASSETS		563,187	818,564
EQUITY IN NET ASSETS AND LIABILITIES			
Shareholders' equity		392,196	592,889
Non-controlling interest		(285)	(277)
Net parent company investment		391,911	592,612
Non-current liabilities			
Provisions		98,474	113,661
Deferred tax liabilities		50,366	49,316
Total non-current liabilities		148,840	162,977
Current liabilities			
Trade and other payables		22,436	62,530
Current tax liabilities		–	445
Total current liabilities		22,436	62,975
TOTAL EQUITY IN NET ASSETS AND LIABILITIES		563,187	818,564

Combined Statements of Cash Flows

Combined Statements of Cash Flows (A Carve-Out of Lundin Petroleum AB)

For the Financial Year Ended December 31

	Audited	Audited	Audited
\$ Thousands	2016	2015	2014
Cash flow from operations			
Net result	(100,807)	(181,565)	66,325
Adjustments for non-cash related items:			
Depletion, depreciation and amortization	117,376	117,403	33,619
Exploration costs	14,443	37,638	20,396
Impairment costs	125,965	191,758	–
Current tax	(2,203)	1,699	11,374
Deferred tax	3,129	(2,703)	4,838
Long-term incentive plans	1,728	1,015	7,357
Foreign currency exchange	(23,731)	(53,621)	(60,846)
Interest expense	8	19	88
Other	3,559	3,112	2,698
	<hr/> 139,467	<hr/> 114,755	<hr/> 85,849
Long-term incentive plans	(783)	(740)	(31,044)
Interest received	2	62	227
Interest paid	0	(4)	(88)
Income taxes (paid)/refunded	2,173	(3,044)	(9,412)
Changes in working capital	3,639	(44,252)	51,727
Total cash flow from operating activities	<hr/> 144,498	<hr/> 66,777	<hr/> 97,259
Cash flow used in investing activities			
Investment in oil and gas properties	(34,136)	(177,055)	(214,345)
Investment in other fixed assets	–	(31,122)	(121,182)
Investment in other shares and participations	–	–	9,274
Other payments	(9,710)	(2,976)	(695)
Total cash flow used in investing activities	<hr/> (43,846)	<hr/> (211,153)	<hr/> (326,948)
Cash flow from financing activities			
Parent Company net investment/(proceeds)	(109,142)	134,893	231,210
Dividend paid to non-controlling interest	–	–	(117)
Total cash flow from financing activities	<hr/> (109,142)	<hr/> 134,893	<hr/> 231,093
Change in cash and cash equivalents	(8,490)	(9,483)	1,404
Cash and cash equivalents at the beginning of the year	24,373	25,108	8,678
Currency exchange difference in cash and cash equivalents	(3,419)	8,748	15,026
Cash and cash equivalents at the end of the year	<hr/> 12,464	<hr/> 24,373	<hr/> 25,108

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The main business of the Corporation is exploring for, developing and producing oil and gas. The Corporation maintains a portfolio of oil and gas production assets and development projects in Malaysia, France and the Netherlands with exposure to exploration opportunities. The Corporation has a number of legacy non-producing interests, including in Indonesia, Tunisia, Cambodia and the Republic of Congo (i.e., the Discontinued Operations), which are in the process of being relinquished.

This MD&A has been prepared in respect of the Oil and Gas Assets only and consequently covers the results of Lundin Petroleum's Malaysian, French and Dutch operations for the years ended December 31, 2016, 2015 and 2014 and the financial position as at December 31, 2016 and 2015.

Basis of Preparation

The financial statements relating to the Oil and Gas Assets have been carved out from Lundin Petroleum's historical consolidated financial statements for the Malaysian, French and Dutch operations prior to the Reorganization and prepared in accordance with prevailing IFRS. The presentation currency of the financial statements is US dollars. Refer to the Financial Statements in Schedule B for additional information on the Basis of Preparation.

Performance Measurement

To measure financial performance, management's primary focus is on the operating results and capital expenditure at a country and asset level. Production and sales volumes and revenues are monitored and managed on a hydrocarbon product level, as is common in the oil and gas industry.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Operational Review

Malaysia

Peninsular Malaysia

Average daily net production from the Bertam field on Block PM307 (WI 75%) during 2016 was ahead of forecast at 8,607 boe/d with an uptime of 99%. 2016 production increased by 58% relative to 2015, when full year average daily net production was 5,480 boe/d. The main reason for the material improvement in 2016 compared to 2015 is that the Bertam field was onstream for only a part of 2015, as first oil was achieved in April 2015. The Bertam field was producing from 11 wells as of mid-October 2015 with one additional well, the A15 long-reach well, commencing production in June 2016 following the successful Bertam-3 appraisal well from 2015, which was drilled northeast of the Bertam field. The A15 well results were better than forecast, with production being constrained by facilities limitations. Overall field performance was better than forecast due to better than expected reservoir performance. However, this outperformance was partially offset by the shut-in of two production wells in 2016 in relation to replacement of downhole electrical submersible pumps and for production shut-ins due to rig moves.

In October 2015, Lundin Petroleum drilled one exploration well on PM307 targeting the Mengkuang prospect, around 75 kilometres northwest of the Bertam field. The well identified non-commercial gas volumes in nine-metre high-quality reservoir sands.

In 2015, Lundin Petroleum was assigned 40% of JX Nippon Oil and Gas Corporation's equity in PM308A, taking Lundin Petroleum's working interest to 75%. Subsequent to this licence assignment in 2015,

Lundin Petroleum drilled the Selada prospect straddling blocks PM307 and PM308A; however, the well failed to encounter any hydrocarbons.

Lundin Petroleum relinquished blocks PM308A and PM319 in 2016 due to a lack of prospectivity in the blocks.

Sabah, East Malaysia

Lundin Petroleum completed the drilling of the Imbok well on Block SB307/308 (WI 65%) in early January 2016. The well encountered only oil shows in Miocene sands and was plugged and abandoned as dry. Following drilling of the Imbok well, the rig was moved to drill the Bambazon prospect, also on Block SB307/308, which encountered 15 metres of net reservoir pay with oil shows. However, no moveable oil was recovered from sampling and the well was plugged and abandoned as dry. The West Prospero rig subsequently moved to the Maligan prospect on Block SB307/308 and, while gas shows were encountered, the well was plugged and abandoned as dry.

Farm-Out Agreements

Lundin Petroleum signed a farm-out agreement with Dyas in December 2015 whereby Lundin Petroleum has transferred a 20% working interest in Block SB307/308 (WI 65% after farm-out) and a 20% working interest in Block SB303 (WI 55% after farm-out), located offshore Sabah, East Malaysia. In addition, Dyas acquired from Lundin Petroleum a 15% working interest in Block PM328 (WI 35% after farm-out), located offshore Peninsular Malaysia.

France

Average daily net production in 2016 from France was slightly above forecast at 2,565 boe/d, but was 6% below the 2015 net production levels. 2015 average daily net production was 2,730 boe/d, which was substantially in line with expectations. Good production performance during 2016 was achieved from the Vert La Gravelle field (WI 100%) in the Paris Basin and the fields in the Aquitaine Basin (WI 50%).

In August 2015, it was established that production flowlines on the Villeperdue field in the Paris Basin had failed a pressure test and as a precautionary measure these flowlines were shut-in. The majority of the production reliant upon the shut-in flowlines was re-routed to a water injection flowline and thus most of the shut-in production was resumed through the water injection flowline within a few weeks from shutting-in the production flowlines.

In the Aquitaine Basin a pipeline failure in July 2015 led to trucking operations being put in place. Such trucking operations will remain in place until the pipeline has been repaired.

In 2015, the construction of onshore facilities and the drilling and completion of two development wells on the Vert la Gravelle re-development project in the Paris Basin was finalized and the wells commenced production according to expectations. Due to the lower oil price environment in 2015, it was decided to defer the remaining five wells of the Vert la Gravelle re-development until the oil price recovers.

The Netherlands

Average daily net production in 2016 from the Netherlands was ahead of forecast at 1,569 boe/d. 2016 average daily net production decreased by 11% relative to 2015 average daily net production of 1,746 boe/d, with 2015 also being ahead of expectations due to good performance from the new Slootdorp 6 and 7 development wells, which commenced production in July 2015.

The Langezwaag-3 well (WI 7.75%), on the onshore Gorredijk licence, was drilled during the third quarter 2016 and put on production in November 2016.

The drilling of the offshore K5-F3 development well was completed and the well was put on production in the third quarter of 2016.

The F3-B106 side-track well commenced drilling in December 2016 and was drilling ahead at year end. During the fourth quarter of 2016 the installation of compression on the E17a platform was completed and successfully started up.

The K5-A5 development well within the K4/K5 unit (WI 1.216%) was successfully drilled in 2014 and commenced production in May 2015. The E17-A5 (WI 1.20%) development well was successfully drilled and completed during the in 2015 and commenced production in July 2015. The K5-A6 development well within the K4/K5 unit (WI 1.216%) was drilled during 2015; however, the reservoir was found to be depleted and the well was plugged and abandoned.

Production

Average daily net production for the year ended December 31, 2016 increased by 28% to 12,742 boe/d compared to 9,955 boe/d for the year ended December 31, 2015. The increase was mainly due to a full year of production from the Bertam field in Malaysia, which came onstream in April 2015 with further development wells drilled during 2015, partly offset by natural reservoir decline in France and the Netherlands.

	Twelve months ended		Change %
	2016	2015	2016 vs 2015
Crude Oil (bbls)			
France	938,872	996,465	-6%
Netherlands	1,228	1,153	7%
Malaysia	3,150,388	2,000,104	58%
Total Crude Oil (bbls)	4,090,488	2,997,722	36%
Total Crude Oil (boe/d)	11,176	8,213	
Gas Production (mcf)			
Netherlands	3,438,325	3,816,207	-10%
Total Gas (mcf) ⁽¹⁾	3,438,325	3,816,207	-10%
Total Gas (mcf/d)	9,394	10,455	
Total			
Quantity in boe	4,663,542	3,633,757	28%
Quantity in boe/d	12,742	9,955	28%

Note:

(1) Gas production in boe: 2016, 573,054 boe and 2015, 636,035 boe using 6 mcf:1 boe.

Financial Review

During the year ended December 31, 2016, the Oil and Gas Assets generated revenue of \$204.6 million, compared to \$172.1 million for the year ended December 31, 2015. This increase was primarily related to higher production in 2016 compared to 2015, partially offset by realized sales prices that were 11% lower.

Net result for the financial year 2016 amounted to \$(100.8) million, compared with \$(181.6) million for 2015. The net result in 2016 was reduced by non-cash \$126.0 million after-tax impairment charges in

relation to the impairment of gas discoveries in Malaysia compared to the net result in 2015, which included a non-cash \$167.2 million after-tax impairment charge relating to the Bertam field and exploration blocks.

Total cash flow from operations for the financial year 2016 amounted to \$144.5 million, compared to \$66.8 million for 2015. The increase is due to higher production revenues and favourable changes in working capital balances. Investment in oil and gas properties amounted to \$34.1 million for 2016 compared to \$177.1 million for 2015. The decrease is attributable to the continued Bertam field development incurred in 2015.

Total assets amounted to \$563.2 million at December 31, 2016, compared to \$818.6 million at December 31, 2015. This decrease was primarily related to a reduction in the value of the oil and gas properties following the impairment charges and the FPSO Bertam following a year of annual depreciation. Total liabilities amounted to \$171.8 million at December 31, 2016, compared to \$229.8 million at December 31, 2015. The decrease in total liabilities was primarily related to a decrease in the abandonment retirement obligation provision, a decrease in deferred tax liabilities and a decrease in ongoing trade payables. Net assets amounted to \$391.9 million at December 31, 2016 compared to \$592.6 million at December 31, 2015.

Income Statement

Revenue

Total revenue for the financial year 2016 amounted to \$204.6 million, compared with \$172.1 million for 2015. The following table summarizes the components of total revenue for the 12 months ended 2016 and 2015, respectively.

\$ thousands	Twelve months ended		Change %
	2016	2015	2016 vs 2015
Crude oil sales	165,752	121,842	36%
Gas and NGL sales	15,695	24,620	-36%
Change in under/overlift position	217	-353	n/a
Other operating revenue	22,935	25,984	-12%
Total Revenue	204,598	172,094	19%

Crude Oil Sales

Crude oil sales for the financial year 2016 amounted to \$165.8 million, compared with \$121.8 million for 2015, representing an increase of 36%. The volumes sold in 2016 were 52% higher than in 2015 primarily due to a full year of contribution of sales from the Bertam field in Malaysia, which commenced production in April 2015. The average realized sales price achieved in 2016 was \$44.85/bbl compared to \$50.18/bbl in 2015, a reduction of 11%. The average realized sales price is based on quoted Brent crude prices. The average market Brent crude price was \$43.73/bbl in 2016 and \$52.39/bbl in 2015.

Gas and NGL Sales

All gas and NGL sales were attributable to the Netherlands assets. Gas and NGL sales for the financial year 2016 amounted to \$15.7 million, compared with \$24.6 million for 2015. The lower revenue in 2016 reflected lower prevailing gas prices compared to 2015. The average realized sales price achieved in 2016 was \$27.04/boe compared to \$38.88/boe in 2015. The following table summarizes the components of crude oil and gas and NGL sales for the 12 months ended 2016 and 2015, respectively.

Average price per boe expressed in \$	Twelve months ended		Change %
	2016	2015	2016 vs 2015
Crude oil sales			
Malaysia			
- Revenue in \$ thousands	125,823	71,208	77%
- Quantity in bbls	2,787,829	1,455,630	92%
- Average price realized per bbl	45.13	48.92	-8%
France			
- Revenue in \$ thousands	39,887	50,577	-21%
- Quantity in bbls	907,023	971,362	-7%
- Average price realized per bbl	43.98	52.07	-16%
Netherlands			
- Revenue in \$ thousands	41	58	-29%
- Quantity in bbls	1,228	1,153	7%
- Average price realized per bbl	33.54	50.20	-33%
Total			
- Revenue in \$ thousands	165,752	121,842	36%
- Quantity in bbls	3,696,080	2,428,145	52%
- Average price realized per bbl	44.85	50.18	-11%
Gas and NGL sales			
Netherlands			
- Revenue in \$ thousands	15,695	24,620	-36%
- Quantity in boe	580,394	633,270	-8%
- Average price realized per boe	27.04	38.88	-30%
Total			
- Revenue in \$ thousands	181,447	146,463	24%
- Quantity in Mboe	4,276,474	3,061,415	40%
- Average price realized per boe	42.43	47.84	-11%

Change in Under/Overlift Position

An under/overlift position occurs where a partner in a field sells less (underlift) or more (overlift) than its share of liftings of production as determined by such partner's Working Interest in the relevant field. In other words, one partner will have taken more than its share (overlifted) and another will have taken less than its share (underlifted). An underlift of production from a field is included as a receivable in the balance sheet and an overlift of production is included as a liability, both valued at the reporting date market price or prevailing contract price. The change in the underlift or overlift position is recorded through the income statement as revenue. Sales versus production volume timing differences due to under/overlift of entitlement quantities amounted to a \$0.2 million credit to the income statement in 2016 compared with a \$0.4 million charge in 2015.

Other Operating Revenue

Other operating revenue amounted to \$22.9 million for 2016, compared to \$26.0 million for 2015, and included third party FPSO Bertam lease income, tariff income from France and the Netherlands, income for maintaining strategic inventory levels in France and service income for services provided by Lundin Petroleum BV mainly to the Norwegian operations of Lundin Petroleum. Other operating revenue included FPSO Bertam lease income (which began to be received in April 2015) of \$15.6 million in 2016 compared to \$11.3 million in 2015 and this increase in 2016 was offset by lower service income of \$4.5 million in 2016 compared to \$11.4 million in 2015 due to less capital project activity.

Production Costs

Production costs amounted to \$57.8 million for 2016, compared to \$41.5 million for 2015. The following table summarizes production costs for the 12 months ended 2016 and 2015, respectively.

Per boe expressed in \$	Twelve months ended		Change %
	2016	2015	2016 vs 2015
Cost of Operations			
<u>Malaysia</u>			
- Cost of operations in \$ thousands	25,389	13,638	86%
- Cost of operations per boe	8.06	6.82	18%
<u>France</u>			
- Cost of operations in \$ thousands	17,958	20,498	-12%
- Cost of operations per boe	19.13	20.57	-7%
<u>Netherlands</u>			
- Cost of operations in \$ thousands	8,199	9,421	-13%
- Cost of operations per boe	14.28	14.78	-3%
<u>Total</u>			
- Cost of operations in \$ thousands	51,546	43,557	18%
- Cost of operations per boe	11.05	11.99	-8%
Tariff and transportation expenses			
<u>Malaysia</u>			
- Tariff and transportation expenses in \$ thousands	321	-	-
- Tariff and transportation expenses per boe	0.10	-	-
<u>France</u>			
- Tariff and transportation expenses in \$ thousands	1,912	1,993	-4%
- Tariff and transportation expenses per boe	2.04	2.00	2%
<u>Netherlands</u>			
- Tariff and transportation expenses in \$ thousands	1,710	2,227	-23%
- Tariff and transportation expenses per boe	2.98	3.49	-15%
<u>Total</u>			
- Tariff and transportation expenses in \$ thousands	3,943	4,219	-7%
- Tariff and transportation expenses per boe	0.85	1.16	-27%
Direct production taxes			
<u>Malaysia</u>			
- Direct production taxes in \$ thousands	657	490	34%
- Direct production taxes per boe	0.21	0.25	-15%
<u>France</u>			
- Direct production taxes in \$ thousands	2,605	2,685	-3%
- Direct production taxes per boe	2.77	2.69	3%
<u>Netherlands</u>			
- Direct production taxes in \$ thousands	39	298	-87%
- Direct production taxes per boe	0.07	0.47	-86%
<u>Total</u>			
- Direct production taxes in \$ thousands	3,300	3,474	-5%
- Direct production taxes per boe	0.71	0.96	-26%

Per boe expressed in \$	Twelve months ended		Change %
	2016	2015	2016 vs 2015
Change in inventory provision			
<u>Malaysia</u>			
- Change in inventory provision in \$ thousands	975	-9,731	n/a
- Change in inventory provision per boe	0.31	-4.87	n/a
<u>France</u>			
- Change in inventory provision in \$ thousands	-1,969	-45	n/a
- Change in inventory provision per boe	-2.10	-0.04	n/a
<u>Netherlands</u>			
- Change in inventory provision in \$ thousands	-	-	-
- Change in inventory provision per boe	-	-	-
<u>Total</u>			
- Change in inventory provision in \$ thousands	-994	-9,776	n/a
- Change in inventory provision per boe	-0.21	-2.69	n/a
Total Production Costs			
<u>Malaysia</u>			
- Total production costs in \$ thousands	27,342	4,397	522%
- Total production costs per boe	8.68	2.20	295%
<u>France</u>			
- Total production costs in \$ thousands	20,507	25,131	-18%
- Total production costs per boe	21.84	25.22	-13%
<u>Netherlands</u>			
- Total production costs in \$ thousands	9,947	11,945	-17%
- Total production costs per boe	17.32	18.75	-8%
<u>Total</u>			
- Total production costs in \$ thousands	57,795	41,474	39%
- Total production costs per boe	12.39	11.41	9%

Cost of Operations

The cost of operations in Malaysia amounted to \$25.4 million in 2016, compared to \$13.6 million in 2015. The increased costs in 2016 were primarily related to a full year of costs of operations from the Bertam field, which came onstream in April 2015. Two production wells that were shut-in during the first half of 2016 were successfully worked over, which also resulted in an increase in cost of operations.

The cost of operations in France amounted to \$18.0 million in 2016, compared to \$20.5 million in 2015, and in the Netherlands amounted to \$8.2 million in 2016, compared to \$9.4 million in 2015. The decreases in 2016 compared to 2015 are largely attributable to cost reduction initiatives in the lower oil price environment, including optimization of operations and maintenance activities.

Tariff and Transportation Expenses

Total tariff and transportation expenses amounted to \$3.9 million in 2016 compared to \$4.2 million in 2015. The decrease in 2016 compared to 2015 is primarily due to the lower volumes produced in France and the Netherlands.

Direct Production Taxes

Direct production taxes amounted to \$3.3 million in 2016 compared to \$3.5 million in 2015 and mainly represent government royalties levied on French production.

Change in Inventory

The change in inventory position amounted to a \$1.0 million credit to the income statement in 2016 compared to a \$9.8 million credit to the income statement in 2015. The inventory levels on the FPSO Bertam at the end of 2016 were similar to those at the end of 2015 and so there was not a significant movement through the income statement in respect of 2016.

Depletion

The total depletion charge amounted to \$85.2 million for 2016 compared to \$92.6 million for 2015. The following table summarizes the components of depletion charges for the 12 months ended 2016 and 2015, respectively.

Per boe expressed in \$	Twelve months ended		Change %
	2016	2015	2016 vs 2015
Depletion			
<u>Malaysia</u>			
- Depletion in \$ thousands	61,086	66,399	-8%
- Depletion per boe	19.39	33.20	-42%
<u>France</u>			
- Depletion in \$ thousands	14,380	15,473	-7%
- Depletion per boe	15.32	15.53	-1%
<u>Netherlands</u>			
- Depletion in \$ thousands	9,721	10,701	-9%
- Depletion per boe	16.93	16.79	1%
<u>Total</u>			
- Depletion in \$ thousands	85,187	92,573	-8%
- Depletion per boe	18.27	25.48	-28%

The decrease in the total depletion charge for 2016 compared to 2015 is mainly due the lower depletion rate on the Bertam field in Malaysia following the impairment taken at the end of 2015, despite the lower rate being applied to a higher production volume from the field. In respect of France and the Netherlands, the depletion rates are calculated on a field-by-field basis and the overall charge is the weighted average of the depletion rate and production contribution for each field. In France and the Netherlands, the decreased charge in 2016 compared to 2015 is attributable to lower production volumes with the average depletion charge per boe relatively unchanged.

Depreciation of Other Assets

The total depreciation of other assets amounted to \$31.1 million for 2016, compared to \$23.7 million for 2015, and related to the depreciation of the FPSO Bertam, which is being depreciated on a straight line basis over the six year lease period which commenced in April 2015.

Exploration Costs

Total expensed exploration costs amounted to \$14.4 million for 2016 compared to \$37.6 million for 2015. In 2016, costs related to the unsuccessful Bambazon and Maligan exploration wells drilled in the first quarter of 2016 on the SB307/308 licence in Malaysia were expensed and amounted to \$13.1 million. A

further \$1.3 million relating to the K5-F3 well in the Netherlands was expensed in the fourth quarter of 2016.

In 2015, the expensed exploration costs related mainly to three unsuccessful exploration wells drilled in Malaysia on the blocks PM308A (Selada), PM307 (Mengkuang) and SB307/308 (Imbok).

Exploration and appraisal costs are capitalized as they are incurred. When exploration drilling is unsuccessful, the capitalized costs are expensed. All capitalized exploration costs are reviewed on a regular basis and are expensed where there is uncertainty regarding their recoverability.

Impairment Costs

Impairment costs amounted to \$126.0 million for 2016, compared to \$191.8 million for 2015, and mainly related to the gas discoveries in the Sabah region offshore East Malaysia and the Tembakau gas discovery in PM307 offshore Peninsular Malaysia. While these discoveries will remain in the portfolio of the Corporation, management considers it unlikely that any of these discoveries can be commercialized within a reasonable timeframe and therefore deems it prudent to impair the carried costs.

Other Income

Other income for 2016 amounted to \$4.8 million (2015 – nil). The amount received related to a final settlement of a 2007 legal dispute in France.

General, Administrative and Depreciation Expenses

The general, administrative and depreciation expenses for 2016 amounted to \$14.9 million, compared to \$18.0 million for 2015. The decrease in 2016 is primarily due to reduced management fees recharged from Lundin Petroleum which amounted to \$12.5 million in 2016 compared with \$17.3 million in 2015.

Financial Income

Financial income for 2016 amounted to \$23.8 million, compared to \$54.3 million for 2015. Included in these amounts are net foreign exchange gains amounting to \$23.7 million in 2016 and \$53.6 million in 2015. The foreign exchange gains mainly related to revaluation of US Dollar intra-group loans lent by a subsidiary whose functional currency is the Euro.

Financial Expenses

Financial expenses for 2016 amounted to \$3.7 million, compared to \$3.8 million for 2015, and is comprised mainly of the unwinding of the discount rate on the asset retirement obligations. Asset retirement obligations estimates are discounted back to a present value when reflected in the balance sheet and the discounting is unwound through the income statement.

Income Tax

The corporate income tax charge for 2016 was \$0.9 million, compared to a \$1.0 million credit for 2015.

Fourth Quarter 2016

The net result for the fourth quarter of 2016 is particularly impacted by the non-cash impairment charge related to the gas discoveries in Malaysia, which amounted to \$126.0 million after tax. For further information, refer to the “*Impairment Costs*” section above.

Financial Condition, Capital Resources and Liquidity

Non-Current Assets

Oil and Gas Properties

As at December 31, 2016, oil and gas properties amounted to \$320.7 million, with \$130.6 million capitalized in Malaysia, \$171.0 million capitalized in France and \$19.1 million capitalized in the Netherlands.

Development and exploration and appraisal expenditure incurred in 2016 was as follows:

\$ millions	Development	Exploration
Malaysia	15.2	14.2
France	2.8	0.3
Netherlands	2.5	0.6
	<hr/>	<hr/>
	20.5	15.1

In Malaysia, \$15.2 million in development expenditures were incurred primarily on the drilling and facilities tie-in work of the Bertam A15 development well. The exploration expenditure of \$14.2 million mainly related to the Bambazon and Maligan exploration wells on block SB307/308.

Other Tangible Assets

Other tangible fixed assets amounted to \$152.3 million as at December 31, 2016, which included \$150.0 million in respect of the FPSO Bertam.

Deferred Tax Assets

Deferred tax assets amounted to \$11.7 million as at December 31, 2016 and mainly related to the Bertam field.

Current Assets

As at December 31, 2016, current assets amounted to \$78.5 million and is primarily comprised of \$40.6 million in trade receivables due on oil and gas sales of, cash balances of \$12.5 million and hydrocarbon and well inventory positions of \$25.1 million.

Non-Current Liabilities

As at December 31, 2016, provisions amounted to \$98.5 million. The asset retirement obligation provision as at December 31, 2016, amounted to \$91.0 million, with \$22.6 million relating to the Bertam field in Malaysia, \$27.4 million relating to the French assets and \$41.0 million relating to the Dutch assets. This amount is net of a \$8.8 million payment that Lundin Malaysia BV made into an abandonment fund administered by the Malaysian authorities in respect of the eventual decommissioning of the Bertam field. The farm-in payment provision amounted to \$5.0 million and related to a provision for payments towards historical costs based on production milestones on the Bertam field.

The deferred taxes liability amounted to \$50.4 million as at December 31, 2016, and mainly arises on the excess of the accounting book value over the tax value of oil and gas properties.

Current Liabilities

As at December 31, 2016, current liabilities amounted to \$22.4 million and is primarily comprised of amounts owed to joint operations creditors of \$14.2 million and accrued expenses of \$3.7 million.

Selected Annual Financial Information

The following table sets out financial information for the Oil and Gas Assets for the periods indicated. The financial information set out below has been derived from the Financial Statements. The following information should be read in conjunction with such financial statements and the accompanying notes. See "*Risk Factors*".

	Year ended December 31, 2016	Year ended December 31, 2015	Year ended December 31, 2014
Production Quantity in Boe	4,663,542	3,633,757	1,754,039
Average price realized, \$/boe	\$ 42.43	\$ 47.84	\$ 76.87
<u>\$ thousands</u>			
Total revenue	\$ 204,598	\$ 172,094	\$ 153,485
Profit/(loss) after tax	\$ (100,807)	\$ (181,565)	\$ 66,325
Total assets	\$ 484,714	\$ 719,087	\$ 869,451
Total non-current financial liabilities	\$ 98,474	\$ 113,661	\$ 110,230

Note:

- (1) As the Financial Statements are combined carve-out of the historic financial statements, there is no share capital available to calculate financial results on a per share and diluted per share basis.

Summary of the Principal Changes in the Annual Financial Information

Production volumes in 2016 were 28% higher than in 2015 following a full year's contribution from the Bertam field in Malaysia, which came onstream in April 2015. The Bertam field is also the main reason for the 107% increase in production volumes in 2015 compared to 2014. However, revenues in 2016 and 2015 were negatively affected compared to 2014 following the fall in global oil prices. A loss after tax of \$100.8 million in 2016 was primarily driven by a non-cash impairment charge after tax of \$126.0 million, primarily related to gas discoveries in Malaysia. In 2015, the reported loss after tax was reported at \$181.6 million which included a non-cash impairment charge of \$167.2 million, mainly relating to the Bertam field following the decline in oil prices.

Total assets reported are mainly represented by oil and gas properties and the FPSO Bertam and are reported at \$484.7 million at the end of 2016. This is 67% of the total assets reported at the end of 2015 with the reduction mainly being attributable to the impairment charge during 2016 as well as depletion of the oil and gas properties and the depreciation of the FPSO Bertam. Total non-current financial liabilities reported at the end of 2016 amounted to \$98.5 million of which \$91.0 million related to the asset retirement obligation. This compared to the total non-current financial liabilities reported at the end of 2015 of \$113.7 million of which \$106.7 million related to the asset retirement obligation. The lower total non-current financial liabilities at the end of 2016 compared to 2015 is mainly due to a reduction in the discounted estimate to retire the assets as well as a \$8.8 million payment to the Bertam decommissioning fund which has netted against the liability. The Oil and Gas Assets had no external debt associated with them at the end of 2016.

Summary of Quarterly Results

The following is a summary of the quarterly results of the Oil and Gas Assets over the last eight quarters:

\$ thousands unless stated	2016					2015				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Production boe/d	12,742	12,357	12,986	12,812	12,815	9,955	13,593	12,789	8,783	4,617
Revenue	204,598	60,853	49,257	54,388	40,100	172,094	47,055	53,842	48,325	22,873
Production costs	(57,795)	(18,450)	(9,620)	(13,757)	(15,969)	(41,474)	(11,236)	(13,548)	(10,291)	(6,398)
Depletion, depreciation and amortization	(116,260)	(28,198)	(29,697)	(29,272)	(29,093)	(116,258)	(41,603)	(39,546)	(28,199)	(6,910)
Expensed exploration and impairment costs	(140,408)	(127,307)	(75)	3,612	(16,638)	(229,396)	(228,919)	201	(466)	(212)
Gross profit/(loss)	(109,865)	(113,102)	9,866	14,972	(21,600)	(215,034)	(234,704)	948	9,368	9,353
General, administration and other financial items	9,983	38,464	(5,428)	14,598	(37,650)	32,465	14,051	(4,836)	(25,865)	49,114
Profit/(loss) before tax	(99,882)	(74,638)	4,438	29,570	(59,251)	(182,570)	(220,652)	(3,888)	(16,497)	58,467
Income tax	(925)	(2,562)	(183)	532	1,288	1,004	(266)	2,909	(238)	(1,401)
Net result	(100,807)	(77,200)	4,255	30,101	(57,963)	(181,565)	(220,918)	(979)	(16,735)	57,066

Note:

- (1) As the Financial Statements are combined carve-out financial statements, there is no share capital available to calculate financial results on a per share and diluted per share basis.

The Bertam field came onstream in April 2015, and, following ramp-up, production has since remained steady at over 12,000 boe/d on an average quarterly basis. Gross profit/(loss) for the fourth quarter of 2016 and 2015 and the first quarter of 2016 was particularly impacted by the expensed exploration and impairment costs. Quarterly depletion seen in the second half of 2015 of around \$40 million was reduced throughout 2016 to just under \$30 million following the impairment of the book value of the Bertam field at the end of 2015. General, administration and other financial items varies from quarter to quarter due mainly to the impact of foreign currency movements on the revaluation of intragroup loans. Quarterly tax is minimal due to the low oil and gas price environment as well as tax pools brought forward.

Liquidity

Refer to the combined statements of cash flows. Liquidity requirements for the Oil and Gas Assets arise primarily from the need to fund capital expenditures and working capital balances in relation to existing operational activities. In 2014 and 2015, the IPC Subsidiaries mainly invested in Malaysia in the development of the Bertam field, including the refurbishment of the FPSO Bertam facilities, as well as on exploration drilling activities. Amounts of \$134.9 million and \$231.2 million were invested in the Oil and Gas Assets by Lundin Petroleum in 2015 and 2014 respectively. In 2016, a surplus of \$109.1 million from the Oil and Gas Assets was paid back to Lundin Petroleum as there were no longer any significant capital requirements in the Oil and Gas Assets.

Management of the Corporation uses cash flow generated by the Oil and Gas Assets to fund the minimal capital requirements of the Oil and Gas Assets and to grow the business. In addition, certain subsidiaries of the Corporation are expected to benefit from a revolving Credit Facility to which certain of the IPC Subsidiaries are expected to become party and under which the Corporation is expected to be a guarantor, as described in "The Business – Credit Facility".

Financial Risk Management

As an international oil and gas exploration and production company, the Corporation is exposed to financial risks such as interest rate risk, currency risk, credit risk, liquidity risks as well as the risk related to the fluctuation in the oil price. The Corporation seeks to control these risks through sound management practice and the use of internationally accepted financial instruments, such as oil price, interest rate and foreign exchange hedges. Financial instruments will be solely used for the purpose of minimizing risks in the business. During the year ended December 31, 2016, Lundin Petroleum had entered into no financial instruments in respect of the Oil and Gas Assets.

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

Capital Management

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern and to meet its committed work programme requirements in order to create shareholder value. The Corporation may put in place new credit facilities, repay debt, or pursue other such restructuring activities as appropriate. Management of the Corporation will continuously monitor and manage the Corporation's capital, liquidity and net debt position in order to assess the requirement for changes to the capital structure to meet the objectives and to maintain flexibility.

Interest Rate Risk

Interest rate risk is the risk to earnings due to uncertain future interest rates.

As there was no external debt associated with the Oil and Gas Assets during the reporting period the business relating to such assets was not exposed to interest rate risk on debt and Lundin Petroleum therefore had no need to consider hedging the interest rate.

Currency Risk

The Corporation's policy on currency rate hedging is, in the case of currency exposure, to consider fixing the rate of exchange for known costs in non-US dollar currencies to US dollars in advance so that future US dollar costs can be forecast with a reasonable degree of certainty. The Corporation will take into account the current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge.

Lundin Petroleum did not enter into any currency rate hedges in respect of the Oil and Gas Assets during the reporting period.

Price of Oil and Gas

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

Based on analysis of the circumstances, the Corporation assesses the benefits of forward hedging monthly sales contracts for the purpose of establishing cash flow. If management believes that a hedging contract will enhance cash flow then it may choose to enter into a commodity price hedge.

Lundin Petroleum did not enter into any oil price hedges in respect of the Oil and Gas Assets during the years ended December 31, 2016 and 2015.

Credit Risk

The Corporation may be exposed to third party credit risk through contractual arrangements with counterparties who buy the Corporation's crude products. The Corporation's policy is to limit credit risk by only entering into oil and gas sales agreements to major oil and gas and trading companies. Where it is determined that there is a credit risk for oil and gas sales, the Corporation's policy is to require an irrevocable letter of credit for the full value of the sale. The Corporation's policy on joint venture parties is to rely on the provisions of the underlying joint operating agreements to take possession of the licence or the joint venture partner's share of production for non-payment of cash calls or other amounts due. In addition, cash is to be held and transacted only through major banks.

As at December 31, 2016, trade receivables amounted to \$40.6 million and there is no recent history of default. Other long-term and short-term receivables are considered recoverable. Cash and cash equivalents are maintained with banks that have strong long-term credit ratings.

Capital Resources

As at the date of the Financial Statements, all licence commitments for capital expenditures were satisfied and so any capital expenditure on the existing asset base is at management's discretion. The 2017 discretionary capital programme is budgeted at \$7.8 million for development costs and \$2.2 million for exploration and appraisal costs. 50% of this budget is assigned to the French assets, 29% to the Dutch assets and 21% to Malaysia. The \$10 million capital budget will be funded from cashflow generation. See "*Management's Discussion and Analysis – Liquidity*".

Off-Balance Sheet Arrangements

Lundin Petroleum did not enter into any off-balance sheet events in respect of the Oil and Gas Assets during 2016 and therefore had no off-balance sheet arrangements in respect of such assets as at December 31, 2016.

Related Party Transactions

In the normal course of business, the IPC Subsidiaries that own the Oil and Gas Assets have entered into various transactions with related parties on an arms-length basis, which transactions are reflected in the Financial Statements.

Management fees of \$12.5 million were charged from Lundin Petroleum in 2016 and are reflected in the general administration and depreciation expenses line of the income statement. These fees relate to the direct and indirect costs of management and personnel in Lundin Petroleum that were managing the Oil and Gas Assets but not charging to the entities on a direct basis such as timewriting.

Lundin Petroleum BV received a head office contribution which is reflected in other operating revenue of \$4.1 million from its subsidiary, Lundin Norway AS. This represents 2% of total revenue for 2016. Lundin Norway AS itself does not form part of the Financial Statements as it is not held by the Corporation. Consequently, this type of revenue is not received from Lundin Norway AS.

There are no other material related party transactions.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Operational Review

Malaysia

Peninsular Malaysia

Average daily net production from the Bertam field on Block PM307 (WI 75%) during 2015 was 5,480 boe/d, which was substantially in line with expectations. The Bertam field commenced production in April 2015 from four pre-drilled wells and by October 2015 the field had 11 development wells in production. There was no production in Malaysia in 2014.

In the third quarter of 2014, the pre-drilling of the Bertam development wells commenced, and the construction of the topside of the wellhead platform at the TH Heavy Engineering yard was successfully installed on the steel jacket during October 2014.

The FPSO Bertam (formerly the Ikdam FPSO) upgrade and life extension work continued through 2014 with mechanical completion at the Keppel shipyard in Singapore achieved in early 2015. The FPSO Bertam was successfully moored and hooked up to the wellhead platform during the first quarter 2015.

In 2015, a successful appraisal well, the Bertam-3, was drilled north east of the Bertam field on PM307.

The Tembakau-2 appraisal well, also drilled on PM307 in 2015, was successfully completed, with production test results from the I10 and I20 sands yielding 15.9 and 15.8 mmscf/d respectively. Conceptual development studies were completed and any development decision will likely be dependent on achievable gas prices.

During the third quarter of 2014, Lundin Petroleum entered into a farm-in agreement with PCSB, whereby Lundin Petroleum has acquired a 50% working interest and operatorship in PM328. The PM328 Block is located northeast of PM307 and spans 5,600 km². The initial PSC term covers three years with a work programme commitment of acquiring 600 km² of 3D seismic within the first 18 months.

In October 2015, Lundin Petroleum drilled one exploration well on PM307 targeting the Mengkuang prospect, around 75km northwest of the Bertam field. The well found non-commercial gas volumes in 9 metres high-quality reservoir sands.

In 2015, Lundin Petroleum was assigned 40% of JX Nippon Oil and Gas Exploration's equity in PM308A, taking Lundin Petroleum's working interest to 75%. Subsequent to this licence assignment in 2015 Lundin Petroleum drilled the Selada prospect straddling blocks PM307 and PM308A, however the well failed to encounter any hydrocarbons.

Sabah, East Malaysia

The Kitabu prospect, on SB307/SB308 (WI 42.5%), was drilled during the fourth quarter of 2014, but the well failed to encounter any hydrocarbons.

Farm-out agreements

Lundin Petroleum signed a farm-out agreement with Dyas in December 2015 whereby Lundin Petroleum transferred a 20% working interest in Block SB307/308 (WI 65% after farm-out) and a 20% working interest in Block SB303 (WI 55% after farm-out), located offshore Sabah, East Malaysia. In addition, Dyas acquired from Lundin Petroleum a 15% working interest in Block PM328 (WI 35% after farm-out), located offshore Peninsular Malaysia.

France

Average daily net production in 2015 from France was substantially in line with forecast at 2,730 boe/d but was 6% below the 2014 production levels. The 2014 production was 2,915 boe/d, which was substantially in line with expectations. In 2014 the Grandville (WI 100%) redevelopment in the Paris Basin, which was completed in 2013, was positively impacting the production levels, which was offset by natural decline from the other fields. Development drilling on the Vert la Gravelle (WI 100%) re-development project commenced in the fourth quarter of 2014 with two production wells being drilled with production from these wells commencing in 2015. Due to a weak oil price environment it was decided to defer the drilling of the remaining five planned developments on Vert la Gravelle.

The Hoplites exploration well on the Est Champagne concession (WI 100%) was completed during the fourth quarter of 2014, with no hydrocarbons encountered.

In August 2015, it was established that production flowlines on the Villeperdue field in the Paris Basin had failed a pressure test and as a precautionary measure these flowlines were shut-in. The majority of the production reliant upon the shut-in flowlines was re-routed to a water injection flowline and thus most of the shut-in production was resumed through the water injection flowline within a few weeks from shutting-in the production flowlines.

In the Aquitaine Basin, a pipeline failure in July 2015 led to trucking operations being put in place. Such trucking operations will remain in place until the pipeline has been repaired.

In 2015, the construction of onshore facilities and the drilling and completion of two development wells on the Vert la Gravelle re-development project in the Paris Basin was finalized and the wells commenced production according to expectations. Due to the lower oil price environment in 2015, it was decided to defer the remaining five wells of the Vert la Gravelle re-development until the oil price recovers.

The Netherlands

Average daily net production in 2015 from the Netherlands was ahead of forecast at 1,746 boe/d due to good performance from the new Slootdorp 6 and 7 development wells. The 2015 production decreased by 8% relative to the 2014 production of 1,890 boe/d with the 2014 production being in line with expectations.

The K5-A5 (Licence Interest 2.03%) development well was successfully drilled during 2014 and commenced production in May 2015. The K5-A6 (Licence Interest 2.03%) development well was also drilled in 2014, however the reservoir was found to be depleted and the well was plugged and abandoned.

The E17-A5 A6 (WI 1.20%) development well was drilled and completed early in 2015 and commenced production in July 2015.

The Hempens-1 onshore exploration well on the Leeuwarden licence (WI 7.2325%) was completed in 2014 as a dry hole. The LW102ST development well also drilled on the Leeuwarden licence in the first quarter of 2014 was declared unsuccessful following testing.

The drilling of the Lambertschaag-2 onshore exploration well on the Slootdorp licence (WI 7.2325%) was completed in 2014 and while gas was found in a shallower interval, the well was non-commercial.

The Langezwaag-2 exploration well on the Gorredijk licence (WI 7.75%) was completed in 2014 and gas was found in two intervals. The well commenced production in January 2015.

Production

Total production for the year ended December 31, 2015 increased by 107% to 9,955 boe/d compared to 4,806 boe/d for the year ended December 31, 2014. The increase was mainly due to the coming onstream of the Bertam field in Malaysia in April 2015, partly offset by natural reservoir decline in France and the Netherlands.

	Twelve months ended		Change %
	2015	2014	2015 vs 2014
Crude Oil (bbls)			
France	996,465	1,063,905	-6%
Netherlands	1,153	1,118	3%
Malaysia	2,000,104	-	-
Total Crude Oil (bbls)	2,997,722	1,065,023	181%
Total Crude Oil (boe/d)	8,213	2,918	
Gas Production (mcf)			
Netherlands	3,816,207	4,134,098	-8%
Total Gas (mcf)*	3,816,207	4,134,097	-8%
Total Gas (mcf/d)	10,455	11,326	
Total			
Quantity in boe	3,633,757	1,754,039	107%
Quantity in boe/d	9,955	4,806	107%

* Gas production in boe: 2015, 636,035 boe and 2014, 689,016 boe using 6 mcf:1 boe

Financial Review

During the year ended December 31, 2015, the Oil and Gas Assets generated revenue of \$172.1 million, compared to \$153.5 million for the year ended December 31, 2014. The increase was primarily related to higher production in 2015 compared to 2014, partially offset by realized sales prices that were significantly lower due to lower world market prices.

Net result for the financial year 2015 amounted to \$(181.6) million, compared with \$66.3 million for 2014. The net result in 2015 was reduced by non-cash \$167.2 million after-tax impairment charges in Malaysia, as well as increased depletion charges following first production from the Bertam field in April 2015.

Total cash flow from operations for the financial year 2015 amounted to \$66.8 million, compared to \$97.3 million for 2014. The decrease in 2015 is mainly due to lower revenues as a result of lower oil prices. Investment in oil and gas properties amounted to \$177.1 million for 2015, compared to \$271.7 million for 2014, the decrease is attributable to the main part of the Bertam field development expenditure which was in 2015.

Total assets amounted to \$818.6 million at December 31, 2015, compared to \$973.8 million at December 31, 2014. This decrease was primarily related to a reduction in the value of oil and gas properties following the impairment of the Bertam field, the expensing of unsuccessful exploration costs and depreciation of the FPSO Bertam. Total liabilities amounted to \$229.8 million at December 31, 2015, compared to \$344.8 million at December 31, 2014. The decrease in total liabilities was primarily related to a reduction in accrued expenses and payables following the completion of the Bertam development

project and additionally, at the end of 2014, a \$48.5 million liability was recognized relating to a payment due on the Bertam licence for past costs due and settled on first oil from the field. Net assets amounted to \$592.6 million at December 31, 2015, compared to \$629.0 million at December 31, 2014.

Income Statement

Revenue

The total revenue for the financial year 2015 amounted to \$172.1 million, compared with \$153.5 million for 2014. The following table summarizes the components of total revenue for the 12 months ended 2015 and 2014, respectively.

\$ thousands	Twelve months ended		Change %
	2015	2014	2015 vs 2014
Crude oil sales	121,842	96,887	26%
Gas and NGL sales	24,620	35,156	-30%
Change in under/overlift position	-353	-1,045	-66%
Other operating revenue	25,984	22,487	16%
Total Revenue	172,094	153,485	12%

Crude Oil Sales

Crude oil sales revenue for the financial year 2015 amounted to \$121.8 million, compared with \$96.9 million for 2014, representing an increase of 26%. The volumes sold in 2015 were 136% higher than in 2014 due to the contribution of sales from the Bertam field in Malaysia, which commenced production in April 2015. However, due to the significant fall in the oil price seen worldwide at the end of 2014, the average realized sales price achieved in 2015 was \$50.18/bbl compared to \$94.08/bbl in 2014, a reduction of 47%. The average realized sales price is based on quoted Brent crude prices. The average market Brent crude price in 2015 was \$52.39/bbl and in 2014 was \$98.95/bbl.

Gas and NGL Sales

All gas and NGL sales were attributable to the Netherlands assets. Gas and NGL sales revenue for the financial year 2015 amounted to \$24.6 million, compared with \$35.2 million for 2014, primarily due to the lower average realized sales price achieved in 2015 of \$38.88/boe compared to \$51.11/boe in 2014. The following table summarizes the components of crude oil and gas and NGL sales for the 12 months ended 2015 and 2014, respectively.

Average price per boe expressed in \$	Twelve months ended		Change %
	2015	2014	2015 vs 2014
Crude oil sales			
<u>Malaysia</u>			
- Revenue in \$ thousands	71,208	-	-
- Quantity in bbls	1,455,630	-	-
- Average price realized per bbl	48.92	-	-
<u>France</u>			
- Revenue in \$ thousands	50,577	96,784	-48%
- Quantity in bbls	971,362	1,028,745	-6%
- Average price realized per bbl	52.07	94.08	-45%
<u>Netherlands</u>			
- Revenue in \$ thousands	58	102	-44%
- Quantity in bbls	1,153	1,118	3%
- Average price realized per bbl	50.20	91.64	-45%
<u>Total</u>			
- Revenue in \$ thousands	121,842	96,887	26%
- Quantity in bbls	2,428,145	1,029,863	136%
- Average price realized per bbl	50.18	94.08	-47%
Gas and NGL sales			
<u>Netherlands</u>			
- Revenue in \$ thousands	24,620	35,157	-30%
- Quantity in boe	633,270	687,901	-8%
- Average price realized per boe	38.88	51.11	-24%
Total			
- Revenue in \$ thousands	146,462	132,044	11%
- Quantity in Mboe	3,061,415	1,717,764	78%
- Average price realized per boe	47.84	76.87	-38%

Change in Under/Overlift Position

Sales versus production volume timing differences due to under/over lift of entitlement quantities amounted to a \$0.4 million charge to the income statement in 2015, compared with a \$1.0 million charge

in 2014. See "Management's Discussion and Analysis – Year Ended December 31, 2016 Compared to Year Ended December 31, 2015 – Income Statement – Revenue – Change in Under/Overlift Position".

Other Operating Revenue

Other operating revenue amounted to \$26.0 million for 2015, compared to \$22.5 million for 2014 and included third party FPSO Bertam lease income from April 2015, tariff income from France and the Netherlands and income for maintaining strategic inventory levels in France and service income for services provided by Lundin Petroleum BV mainly to the Norwegian operations of Lundin Petroleum. The increase in 2015 was primarily related to FPSO Bertam lease income of \$11.3 million in 2015 (2014 – nil) and partly offset by lower service income in 2015 of \$11.4 million compared to \$18.6 million in 2014 due to less capital project activity.

Production Costs

Production costs amounted to \$41.5 million for 2015, compared to \$49.9 million for 2014. The following table summarizes production costs for the 12 months ended 2015 and 2014, respectively.

Per boe expressed in \$	Twelve months ended		Change %
	2015	2014	2015 vs 2014
Cost of Operations			
<u>Malaysia</u>			
- Cost of operations in \$ thousands	13,638	-	-
- Cost of operations per boe	6.82	-	-
<u>France</u>			
- Cost of operations in \$ thousands	20,498	27,860	-26%
- Cost of operations per boe	20.57	26.19	-21%
<u>Netherlands</u>			
- Cost of operations in \$ thousands	9,421	13,629	-31%
- Cost of operations per boe	14.78	19.75	-25%
<u>Total</u>			
- Cost of operations in \$ thousands	43,557	41,489	5%
- Cost of operations per boe	11.99	23.65	-49%
Tariff and transportation expenses			
<u>Malaysia</u>			
- Tariff and transportation expenses in \$ thousands	-	-	-
- Tariff and transportation expenses per boe	-	-	-
<u>France</u>			
- Tariff and transportation expenses in \$ thousands	1,993	2,442	-18%
- Tariff and transportation expenses per boe	2.00	2.29	-13%
<u>Netherlands</u>			
- Tariff and transportation expenses in \$ thousands	2,227	3,196	-30%
- Tariff and transportation expenses per boe	3.49	4.63	-25%
<u>Total</u>			
- Tariff and transportation expenses in \$ thousands	4,219	5,638	-25%
- Tariff and transportation expenses per boe	1.16	3.21	-64%
Direct production taxes			
<u>Malaysia</u>			
- Direct production taxes in \$ thousands	490	-	-
- Direct production taxes per boe	0.25	-	-
<u>France</u>			
- Direct production taxes in \$ thousands	2,685	3,585	-25%
- Direct production taxes per boe	2.69	3.37	-20%
<u>Netherlands</u>			
- Direct production taxes in \$ thousands	298	-	-
- Direct production taxes per boe	0.47	-	-

Per boe expressed in \$	Twelve months ended		Change %
	2015	2014	2015 vs 2014
Total			
- Direct production taxes in \$ thousands	3,474	3,585	-3%
- Direct production taxes per boe	0.96	2.04	-53%
Change in inventory provision			
<u>Malaysia</u>			
- Change in inventory provision in \$ thousands	-9,731	-	n/a
- Change in inventory provision per boe	-4.87	-	n/a
<u>France</u>			
- Change in inventory provision in \$ thousands	-45	-799	n/a
- Change in inventory provision per boe	-0.04	-0.75	n/a
<u>Netherlands</u>			
- Change in inventory provision in \$ thousands	-	-	-
- Change in inventory provision per boe	-	-	-
Total			
- Change in inventory provision in \$ thousands	-9,776	-799	n/a
- Change in inventory provision per boe	-2.69	-0.46	n/a
Total Production Costs			
<u>Malaysia</u>			
- Total production costs in \$ thousands	4,397	-	-
- Total production costs per boe	2.20	-	-
<u>France</u>			
- Total production costs in \$ thousands	25,131	33,088	-24%
- Total production costs per boe	25.22	31.10	-19%
<u>Netherlands</u>			
- Total production costs in \$ thousands	11,945	16,825	-29%
- Total production costs per boe	18.75	24.38	-23%
Total			
- Total production costs in \$ thousands	41,474	49,913	-17%
- Total production costs per boe	11.41	28.46	-60%

Cost of Operations

The cost of operations in Malaysia amounted to \$13.6 million in 2015 (2014 – nil) and related to the Bertam field which came onstream in April 2015.

The cost of operations in France amounted to \$20.5 million in 2015, compared to \$27.9 million in 2014. The decrease is due to a reduction in project work including workovers and stimulation of existing wells and cost reduction initiatives.

The cost of operations in the Netherlands amounted to \$9.4 million in 2015, compared to \$13.6 million in 2014. The decrease in 2015 is attributable to a reduction in project activity related to the lower oil price.

Tariff and Transportation Expenses

Total tariff and transportation expenses amounted to \$4.2 million in 2015, compared to \$5.6 million in 2014. The decrease in 2015 is primarily due to the weaker US Dollar versus the Euro and lower production volumes.

Direct Production Taxes

The direct production taxes amounted to \$3.5 million in 2015, compared to \$3.6 million in 2014, and mainly represents government royalties levied on French production.

Change in Inventory

The change in inventory position amounted to a \$9.8 million credit to the income statement in 2015, compared to a \$0.8 million credit to the income statement in 2014. The 2015 movement relates to Bertam field production in Malaysia that was not lifted and that formed part of the inventory position on the FPSO Bertam at the end of 2015.

Depletion

The total depletion charge amounted to \$92.6 million for 2015, compared to \$32.7 million for 2014. The following table summarizes the components of depletion charges for the 12 months ended 2015 and 2014, respectively.

Per boe expressed in \$	Twelve months ended		Change %
	2015	2014	2015 vs 2014
Depletion			
Malaysia			
- Depletion in \$ thousands	66,399	-	-
- Depletion per boe	33.20	-	-
France			
- Depletion in \$ thousands	15,473	16,795	-8%
- Depletion per boe	15.53	15.79	-2%
Netherlands			
- Depletion in \$ thousands	10,701	15,898	-33%
- Depletion per boe	16.79	23.04	-27%
Total			
- Depletion in \$ thousands	92,573	32,693	183%
- Depletion per boe	25.48	18.64	37%

The increase in the total depletion charge for 2015 compared to 2014 is mainly due to the contribution of the depletion associated with the Bertam field in Malaysia. In respect of France and the Netherlands, the depletion rates are calculated on a field-by-field basis and the overall charge is the weighted average of the depletion rate and production contribution for each field. In France, the average depletion charge per boe decreased by 2% in 2015 compared to 2014, while production levels decreased by 6%. This resulted in a depletion charge in France that was 8% lower in 2015 compared to 2014. In the Netherlands, the average depletion charge per boe decreased by 27% in 2015 compared to 2014 primarily due to the reduced depletion rate on the K6/L7 field which is one of the largest contributors to the production from the Netherlands. Production levels also decreased by 8%. These factors resulted in a 33% lower depletion charge in the Netherlands in 2015 compared to 2014.

Depreciation of Other Assets

The total depreciation of other assets amounted to \$23.7 million for 2015, compared to nil for 2014, and related to the depreciation of the FPSO Bertam, which is being depreciated on a straight line basis over the six-year lease period which commenced in April 2015.

Exploration Costs

Total expensed exploration costs amounted to \$37.6 million for 2015, compared to \$20.5 million for 2014. In 2015, expensed exploration costs were \$36.3 million and related mainly to three unsuccessful exploration wells drilled in Malaysia on the blocks PM308A (Selada), PM307 (Mengkuang) and SB307/308 (Imbok).

In 2014, the expensed exploration costs mainly related to the unsuccessful Kitabu exploration well drilled on block SB307/308 in Malaysia for an amount of \$14.0 million, the Hoplites exploration well drilled in France for an amount of \$4.5 million and three exploration wells drilled in the Netherlands for a total amount of \$1.4 million.

Exploration and appraisal costs are capitalized as they are incurred. When exploration drilling is unsuccessful, the capitalized costs are expensed. All capitalized exploration costs are reviewed on a regular basis and are expensed where there is uncertainty regarding their recoverability.

Impairment Costs

Impairment costs amounted to \$191.8 million for 2015 (2014 – nil), of which \$165.9 related to the pre-tax impairment of the Bertam field following the dramatic fall in market oil prices. An associated tax credit of \$24.6 million was released against the Bertam impairment charge through the deferred tax line of the income statement, giving a net after tax charge of \$141.3 million. In addition impairments were taken on Malaysian exploration blocks which amounted to \$25.9 million.

General, Administrative and Depreciation Expenses

The general, administrative and depreciation expenses for 2015 amounted to \$18.0 million, compared to \$25.8 million for 2014. In 2014, there was a one-off charge of \$6.8 million relating to the vesting of a five-year long term incentive payment scheme for management awarded in 2009.

Financial Income

Financial income for 2015 amounted to \$54.3 million, compared to \$61.1 million for 2014. Included in these amounts are net foreign exchange gains amounting to \$53.6 million in 2015 and \$60.8 million in 2014. The foreign exchange gains mainly related to revaluation of US Dollar intra-group loans lent by a subsidiary whose functional currency is the Euro.

Financial Expenses

Financial expenses for 2015 amounted to \$3.8 million, compared to \$3.2 million for 2014 and is comprised mainly of the unwinding of the discount rate on the asset retirement obligation provision.

Income Tax

The corporate income tax charge for 2015 amounted to a \$1.0 million credit to the income statement compared to a \$16.2 million charge for 2014. The corporate income tax charge in each year mainly related to the charge on the profit of the French activities. The Netherlands operations corporate income tax is largely reduced by the utilization of the tax losses brought forward.

Fourth Quarter 2015

The net result for the fourth quarter of 2015 was impacted by the non-cash impairment charge in relation to the Bertam field, which amounted to \$141.3 million after tax and a further non-cash impairment charge of \$25.9 million in relation to Malaysian exploration blocks. For further information, refer to the "Impairment Costs" section above.

Financial Condition, Capital Resources and Liquidity

Non-Current Assets

Oil and Gas Properties

As at December 31, 2015, oil and gas properties amounted to \$520.1 million with \$301.6 million capitalized in Malaysia, \$187.0 million capitalized in France and \$31.5 million capitalized in the Netherlands.

Development and exploration & appraisal expenditure incurred in 2015 was as follows:

\$ millions	Development	Exploration
Malaysia	130.1	33.3
France	16.9	0.4
Netherlands	2.7	1.5
	<hr/>	<hr/>
	149.6	35.3

In Malaysia, \$130.1 million in development expenditures were incurred primarily on the drilling and facilities tie-in work on the Bertam field. Exploration expenditures of \$33.3 million mainly related to the Selada, Mengkuang and Imbok exploration wells.

In France, \$16.9 million in development expenditures were incurred mainly on the Vert-La-Gravelle field redevelopment project, which commenced in 2014.

Other Tangible Assets

Other tangible fixed assets amounted to \$186.6 million as at December 31, 2015, which included \$183.5 million in respect of the FPSO Bertam.

Deferred Tax Assets

Deferred tax assets amounted to \$12.3 million as at December 31, 2015 and mainly related to the Bertam field.

Current Assets

As at December 31, 2015, current assets amounted to \$99.5 million and is primarily comprised of \$40.6 million in trade receivables due on oil and gas sales, cash balances of \$24.4 million, hydrocarbon and well inventory positions of \$31.0 million and a current tax receivable of \$3.5 million in France.

Non-Current Liabilities

As at December 31, 2015, provisions amounted to \$113.7 million. The asset retirement obligation provision as at December 31, 2015 amounted to \$106.7 million with \$34.4 million relating to the Bertam field, Malaysia, \$26.9 million relating to the French assets and \$45.4 million relating to the Dutch assets.

The farm-in payment provision amounted to \$4.6 million and related to a provision for payments towards historical costs based on production milestones on the Bertam field.

The deferred taxes liability amounted to \$49.3 million as at December 31, 2015, and mainly arises on the excess of the accounting book value over the tax value of oil and gas properties.

Current Liabilities

As at December 31, 2015, current liabilities amounted to \$62.5 million and was primarily comprised of amounts owed to joint operations creditors of \$50.4 million and accrued expenses of \$6.4 million, which largely related to the Malaysian operations.

Liquidity

Refer to the combined statements of cash flows. Liquidity requirements for the Oil and Gas Assets arise primarily from the Corporation's need to fund capital expenditures and working capital balances in relation to its existing operational activities. In 2014 and 2015, investments in the Oil and Gas Assets mainly occurred mainly in Malaysia in the development of the Bertam field, including the refurbishment of the FPSO Bertam facilities, as well as on exploration drilling activities. Amounts of \$134.9 million and \$231.2 million were invested in the Oil and Gas Assets by Lundin Petroleum in 2015 and 2014, respectively.

Financial Risk Management

For a discussion of the Corporation's financial risk management practices, see "*Management's Discussion and Analysis – Year Ended December 31, 2016 Compared to Year Ended December 31, 2015 – Financial Risk Management*". There were no hedging instruments entered into by Lundin Petroleum in respect of the Oil and Gas Assets during 2015.

Off-Balance Sheet Arrangements

Lundin Petroleum did not enter into any off-balance sheet events in respect of the Oil and Gas Assets during 2015 and therefore had no off-balance sheet arrangements in respect of such assets as at December 31, 2015.

Related Party Transactions

In the normal course of business, the IPC Subsidiaries that own the Oil and Gas Assets entered into various transactions with related parties on an arms-length basis, which transactions are reflected in the Financial Statements.

Management fees of \$17.3 million were charged from Lundin Petroleum in 2015 and are reflected in the general administration and depreciation expenses line of the income statement. These fees relate to the direct and indirect costs of management and personnel in Lundin Petroleum that were managing the Oil and Gas Assets but not charging to the entities on a direct basis such as timewriting.

Lundin Petroleum BV received a head office contribution which is reflected in other operating revenue of \$9.9 million from its subsidiary, Lundin Norway AS. This represents 6% of total revenue for 2015. Lundin Norway AS itself does not form part of the Financial Statements as it is not held by the Corporation. Consequently, this type of revenue is not received from Lundin Norway AS.

There are no other material related party transactions.

Principal Ongoing and Future Investments

The Corporation is currently estimating net 2017 oil and gas capital expenditures of \$10 million with 50% allocated to France for pipeline and pump repair and maintenance and reservoir studies, 29% allocated to the Netherlands for one development and one exploration well and 21% allocated to Malaysia for a facility debottlenecking project and reservoir studies. The capital expenditure programme is discretionary and will be funded from cash flow from the existing Oil and Gas Assets. As of the date of the Company Description, the Corporation has not resolved upon, or committed to make any other investments than stated above.

Critical Accounting Estimates and Judgments

Management of Lundin Petroleum has to make estimates and judgments when preparing the financial statements. Uncertainties in the estimates and judgments could have an impact on the carrying amount of assets and liabilities and the financial result.

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 management uses its best estimates and judgement, actual results could differ from these estimates.

The most important estimates and judgments in relation thereto are set out below.

Estimates of Oil and Gas Reserves

Estimates of oil and gas reserves are used in the calculations for impairment tests and accounting for depletion and site restoration. Standard recognized evaluation techniques are used to estimate 2P Reserves. These techniques take into account the future level of development required to produce the reserves. An independent qualified reserves auditor reviews these estimates. The estimation of reserves is a subjective process. Estimates are based on engineering data, projected future rates of production, and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. Reserves estimates can be revised upward or downward based on the results of future drilling, testing, production levels and economics of recovery.

Changes in estimates of 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 of 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

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.

Key assumptions in the impairment models relate to prices and costs that are based on forward curves and the related long-term corporate assumptions. Annual impairment tests are performed on an asset basis and in conjunction with the annual reserves audit process. The calculation of the impairment requires the use of estimates. The assumptions that management uses to estimate the future cash flows for value-in-use are expected future oil and gas prices and expected production volumes. These assumptions, and the judgments 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. The discount rate applied is reviewed throughout the year.

Provision for Asset Retirement Obligation

Asset retirement obligations are legal obligations of the Corporation to retire tangible long-lived assets such as producing well sites and offshore production platforms 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 from the amount recorded as provision for asset retirement obligations. To reflect the effects of changes in legislation, regulatory requirements, technology and relevant price levels, the carrying amounts of asset retirement obligation provisions are reviewed on a regular basis.

On fields where there is an obligation to contribute to asset retirement obligation costs, a provision is recorded to recognise 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.

These estimates will impact net earnings through accretion of the asset retirement obligation in addition to depletion of the asset retirement cost included in property, plant and equipment. Actual expenditures incurred are charged against the accumulated asset retirement obligation.

Changes in Accounting Policies

For the years 2014 to 2016, there have been no significant changes in the accounting policies adopted.

As from January 1, 2014, the following accounting standards have been applied:

- IFRS 10, "Consolidated financial statements": The objective of the standard is to build on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the combined financial statements.
- IFRS 11, "Joint arrangements": The standard is focusing on the rights and obligations of the joint arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest.
- IFRS 12, "Disclosures of interests in other entities": The standard introduced a range of new and expanded disclosure requirements. These require the disclosure of significant judgements and assumptions made by management in determining whether there is joint control and if there is a joint venture, a joint operation or another form of interest.

- IFRS 13, “Fair value measurement”.

The Corporation has not adopted the following standards and interpretations that are not yet mandatory:

- IFRS 9 “Financial instruments”: The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. Effective from January 1, 2018.
- IFRS 15 “Revenue from contract with customers”: The standard addresses revenue recognition and establishes principles for reporting useful information to users of financial statements. Effective from January 1, 2018. This standard is not expected to have any significant impact on the financial statements of the current business.
- IFRS 16 “Leases”: This standard will replace IAS 17 “Leases” and requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. Effective from January 1, 2019.

The Corporation is still assessing the full impact of these standards.

DESCRIPTION OF SHARE CAPITAL

The Corporation is authorized to issue an unlimited number of Common Shares without par value, of which 113,462,148 Common Shares are currently issued and outstanding, an unlimited number of Class A Preferred Shares (the “**Class A Preferred Shares**”), none of which is issued and outstanding and an unlimited number of Class B Preferred Shares (the “**Class B Preferred Shares**”), issuable in series, none of which is issued and outstanding. All of the Common Shares outstanding are fully paid and non-assessable. Immediately following the Spin-Off, there are expected to be an aggregate of 113,462,148 million Common Shares and no Class A Preferred Shares or Class B Preferred Shares issued and outstanding. Following completion of the Offer (see “*The Reorganization and the Spin-Off – Post-Spin-Off Offer*”), it is the Corporation’s intention to issue the Class A Preferred Shares to its subsidiary, Lundin Petroleum BV, as sole consideration for the purchase for cancellation from Lundin Petroleum BV of the Common Shares acquired by Lundin Petroleum BV pursuant to the Offer. The Common Shares are issued, and, if issued, the Class A Preferred Shares will be issued, in accordance with the BCBCA.

The TSX has conditionally approved the listing of the Common Shares under the symbol “IPCO”. Listing is subject to the Corporation fulfilling all of the requirements of the TSX on or before July 4, 2017. Nasdaq First North has conditionally approved the listing of the Common Shares under the symbol “IPCO”. The ISIN for the Common Shares is CA46016U1084. All Common Shares traded on Nasdaq First North will be registered by Euroclear Sweden and will not be represented by physical share certificates. In connection with the Spin-Off, the Common Shares will be issued electronically through the non-certificated inventory system and held by, or on behalf of, the Depositary, as custodian for the direct and indirect participants of the Depositary. The Common Shares are denominated in Canadian dollars.

Holders of Common Shares are entitled to dividends, if, as and when declared by the Board, to receive notice of meetings of shareholders of the Corporation, to one vote per share at meetings of the shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the votes eligible to vote at a meeting of shareholders may elect all the directors of the Corporation standing for election. Dividends, if any, will be paid on a *pro rata* basis only from funds legally available therefor. The rights set out herein are subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the holders of the Common Shares with respect to dividends or liquidation. The Common Shares do not carry any preemptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

The Common Shares are not subject to any offer made due to a mandatory bid obligation, redemption right or redemption obligation, nor have the Common Shares been subject to a public takeover offer during the current or the past financial year. The Corporation's articles will not impose any transfer restrictions on the Common Shares following the Spin-Off.

The Class A Preferred Shares, if issued, will be redeemable by the holders of the Class A Preferred Shares and retractable by the Corporation, in each case, at a redemption price or retraction price (as applicable) of C\$1.00 per share (as adjusted in accordance with the articles of the Corporation) (the "**Redemption Amount**"). Holders of Class A Preferred Shares will be entitled to non-cumulative dividends at a rate of 5% per year (in priority to dividends on all other classes of shares of the Corporation), if, as and when declared by the Board; and no dividends may be declared or paid to holders of any other class of shares of the Corporation without the consent of the majority of the holders of the Class A Preferred Shares, acting together as a class, if the declaration and payment of such dividend would impede the ability of the Corporation to satisfy the aggregate Redemption Amount in respect of the Class A Preferred Shares. Dividends, if any, will be paid on a *pro rata* basis only from funds legally available therefor. Holders of the Class A Preferred Shares will not be entitled to receive notice of or vote at meetings of shareholders of the Corporation. Upon liquidation, holders of Class A Preferred Shares will only be entitled to receive, in priority to any payments to any holders of any other class of shares of the Corporation, an amount equal to such holders *pro rata* entitlement to the aggregate Redemption Amount in respect of the Class A Preferred Shares plus any dividends declared but unpaid as at the time of liquidation. These rights will be subject to the special rights and restrictions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the holders of the Class A Preferred Shares with respect to dividends or liquidation.

The Class B Preferred Shares, if issued, will have priority over the Common Shares with respect to dividends and other distributions, including the distribution of assets upon liquidation, dissolution or winding-up of the Corporation. Unless required by law or by applicable stock exchanges, the Board has the authority without further shareholder authorization to issue from time to time the Class B Preferred Shares in one or more series, to fix the terms, special rights and restrictions of each series and to make any necessary alterations to its articles to effect the change.

PRIOR SALES AND HISTORIC SHARE CAPITAL

The following table sets forth the Common Shares issued by the Corporation since incorporation:

<u>Date</u>	<u>Number of Common Shares Issued</u>	<u>Issue Price Per Share (C\$)</u>	<u>Aggregate Issue Price (C\$)</u>	<u>Nature of Consideration</u>
January 13, 2017	1	\$1.00	\$1.00	Cash
April 7, 2017	113,462,147	\$4.77	\$541,214,440	The Oil and Gas Assets

PRINCIPAL SECURITYHOLDERS

To the knowledge of the Corporation, no person or corporation owns or controls or directs, directly or indirectly, more than 10% of the issued and outstanding Common shares other than as set out below:

Name	Ownership	Number and Percentage of Common Shares⁽²⁾ held as of the date hereof	Number and Percentage of Common Shares⁽²⁾ after giving effect to the Spin-Off
Lundin Petroleum AB	Of record and beneficially	113,462,148 (100%)	Nil
Nemesia S.à.r.l. ⁽¹⁾	Of record and beneficially	Nil	29,062,512 ⁽³⁾ (25.6%)
Statoil ASA	Of record and beneficially	Nil	22,805,892 ⁽³⁾ (20.1%)

Notes:

- (1) An investment company wholly owned by a Lundin family trust. In addition, an investment company wholly owned by a trust whose settlor is Ian H. Lundin, will own a further 3,546,817 (3.1%) of the Common Shares after giving effect to the Spin-Off.
- (2) All Common Shares carry the same voting rights.
- (3) Assuming 113,462,148 Common Shares outstanding immediately following the Spin-Off.

DIRECTORS AND EXECUTIVE OFFICERS

The following table provides the name, municipality of residence, positions held with the Corporation, number of Common Shares beneficially owned or controlled or directed as of the date of this Company Description and principal occupation during the preceding five years of each of the directors and executive officers of the Corporation.

Each director will hold office until the next annual meeting of shareholders or until his successor is duly elected unless his office is earlier vacated in accordance with the Corporation's articles. The executive officers' respective appointments will not be time limited and can only be terminated in accordance with their respective employment agreements or under applicable employment law.

Name and Province and Country of Residence	Offices Held and Time as Director or Officer	Number of Common Shares Beneficially Owned or Controlled	Principal Occupation (for last 5 years)
Lukas H. Lundin ⁽¹⁾	Chair	nil	Businessman
Mike Nicholson	CEO, Director	nil	CFO, Lundin Petroleum until April 23, 2017 (expected)
C. Ashley Heppenstall ⁽²⁾⁽³⁾⁽⁴⁾	Director	nil	President & CEO, Lundin Petroleum until 2015
Donald Charter ⁽¹⁾⁽²⁾⁽⁴⁾	Director	nil	President & CEO, Corsa Coal Corp. until 2013
Chris Bruijnzeels ⁽²⁾⁽³⁾⁽⁴⁾	Director	nil	President & CEO, ShaMaran Petroleum Corp. since 2015; prior thereto, Senior Vice President Development of Lundin Petroleum
Torstein Sanness ⁽¹⁾⁽³⁾	Director	nil	Managing Director of Lundin Norway until 2014

Name and Province and Country of Residence	Offices Held and Time as Director or Officer	Number of Common Shares Beneficially Owned or Controlled	Principal Occupation (for last 5 years)
Christophe Nerguararian	CFO	nil	Vice-President Corporate Finance, Lundin Petroleum until April 23, 2017 (expected)

Notes:

- (1) Member of Compensation Committee.
- (2) Member of Audit Committee.
- (3) Member of Reserves Committee.
- (4) Member of Nominating and Corporate Governance Committee.

As at the date hereof, the directors and executive officers of the Corporation, as a group, do not beneficially own, directly or indirectly, or exercise control or direction over any Common Shares.

Biographies of Executive Officers and Directors

Lukas H. Lundin, Chair of the Board

Place of Residence: Switzerland

Born in 1958, Lukas H. Lundin graduated from the New Mexico Institute of Mining and Technology (engineering) in 1981.

In 1982, Mr. Lundin headed International Petroleum Corporation's oil and gas operations and was based in Dubai, U.A.E. From 1990 to 1995, he was President of International Musto Exploration Limited and was responsible for Musto's acquisition of the Bajo de la Alumbrera deposit. Bajo de la Alumbrera was the subject of a \$500 million takeover by Rio Algom and North Limited. Mr. Lundin was also responsible for Argentina Gold and the discovery of the multi-million ounce Veladero gold deposit. Veladero was the subject of a \$300 million takeover by Homestake in 1999. In addition, Mr. Lundin was a senior director of Lundin Oil and was instrumental in the \$480 million takeover of Lundin Oil by Talisman Energy in 2001.

Mr. Lundin currently serves as chairman and director of a number of publicly traded natural resource-based companies. Mr. Lundin currently serves as Executive Chairman, Chairman and Director of Denison Mines Corp.; Chairman and Director of Filo Mining Corp.; Chairman and Director of Lundin Gold Inc. (formerly Fortress Minerals Corp.); Chairman and Director of Lucara Diamond Corp.; Chairman and Director of Lundin Mining Corporation; Director of Lundin Petroleum; and Chairman and Director of NGEx Resources Inc. (formerly Canadian Gold Hunter Corp.).

During the past five years, Mr. Lundin has been, but is no longer, a Director of Newmarket Gold Inc.; Chairman and Director of RB Energy Inc. (formerly Sirocco Mining Inc./Canada Lithium Corp. and prior thereto, Atacama Minerals Corp.); Chairman and Director of Vostok Gas Ltd.; and Chairman and Director of Vostok Nafta Investment Ltd.

Mr. Lundin is not considered independent due to his involvement with management of the Corporation. See Schedule "C" – *Corporate Governance Disclosure*.

Mike Nicholson, CEO and Director

Place of Residence: Switzerland

Born in Scotland in 1971, Mike Nicholson graduated from Aberdeen University where he obtained a

degree in Economics and Management Studies.

Between 1994 and 1996, Mr. Nicholson worked as a consulting economist for AUPEC Ltd in Aberdeen. From 1996 to 2004, he worked in various economics, financial and banking roles with Veba Oel, Canadian Imperial Bank of Commerce and Marathon Oil in London.

Mr. Nicholson joined Lundin Petroleum in 2005 as Group Economics and Commercial Manager. He became General Manager of the Malaysia business in 2008 and Managing Director of the South East Asia business in 2012. He was appointed CFO in 2013. Mr. Nicholson has not served as a director and/or executive officer of any other company in the last 5 years.

Mr. Nicholson is not independent for the purposes of NI 58-101 because he is part of management of the Corporation. See Schedule "C" – *Corporate Governance Disclosure*.

C. Ashley Heppenstall, Director

Place of Residence: Hong Kong

Born in England in 1962, Ashley Heppenstall is a graduate of Durham University where he obtained a degree in Mathematics.

From 1984 until 1990, he worked in the banking sector where he was involved in project financing of oil and mining businesses. In 1990, Mr. Heppenstall was a founding director and shareholder of Sceptre Management Limited.

Mr. Heppenstall has worked with public companies associated with the Lundin family since 1993. In 1998 he was appointed Finance Director of Lundin Oil AB. Following the acquisition of Lundin Oil by Talisman Energy in 2001, Lundin Petroleum was formed and he was appointed President & CEO in 2002 until he stood down in 2015. Mr. Heppenstall currently serves as a director of Africa Energy Corp. Etrion Corp., Filo Mining Corp., Lundin Gold Corp., Lundin Petroleum AB and ShaMaran Petroleum Corp.

During the past five years, Mr. Heppenstall has been, but is no longer, a director of Vostok Nafta Investment Ltd.

Mr. Heppenstall is independent for the purposes of NI 58-101. See Schedule "C" – *Corporate Governance Disclosure*.

Donald Charter, Director

Place of Residence: Canada

Donald Charter became the Chairman of the Board of Directors of IAMGOLD Corporation on May 11, 2015. An experienced corporate director, he serves on four public company boards, which, in addition to IAMGOLD, include Lundin Mining, Dream Office REIT and Sprott Resources Holdings Inc. Mr. Charter has extensive senior executive leadership experience, most recently, as President and CEO of Corsa Coal, a public metallurgical coal company with operations in the US that he successfully built from a non-operating startup to an established domestic and international supplier of US low vol metallurgical coal. Mr. Charter's business experience includes financial services, mining (precious metals, base metals, iron ore, coal) and real estate.

Mr. Charter is a graduate of McGill University with degrees in Economics and Law. He began his career in Toronto, building a successful business law practice. Mr. Charter left law and joined the Dundee group of companies as an Executive Vice President with capital markets related responsibilities. He became the founding Chairman and CEO of the Dundee Securities group of companies, and oversaw its growth from a startup to a major independent financial services company. After ten years, Mr. Charter left this group and, in addition to Corsa, has focused his attention on consulting (he has had consulting roles in the private, private equity and hedge fund sectors), and corporate directorships. In addition to his executive leadership positions, Mr. Charter has extensive board level experience having been involved in several corporate boards and having sat on and chaired a number of audit, compensation, governance, special,

independent and strategic committees in various corporate situations. He has completed the Institute of Corporate Directors, Directors Education Program and is a member of the Institute. Mr. Charter currently serves as a director of Sprott Resources Holdings Inc., Dream Office REIT, IAMGOLD Corporation and Lundin Mining Corporation.

During the past five years, Mr. Charter has been, but is no longer, a director of Corsa Coal Corp.

Mr. Charter is independent for the purposes of NI 58-101. See Schedule "C" – *Corporate Governance Disclosure*.

Chris Bruijnzeels, Director

Place of Residence: Switzerland

Chris Bruijnzeels became President and CEO of ShaMaran Petroleum Corp. in July 2015. Mr. Bruijnzeels previously acted as Senior Vice President Development of Lundin Petroleum. Mr. Bruijnzeels was born in the Netherlands in 1959 and is a graduate of Delft University where he obtained a degree in Mining Engineering. Mr. Bruijnzeels joined Lundin Petroleum in 2003 and was responsible for Lundin Petroleum's operations, reserves and the development of its asset portfolio. From 1985 until 1998, Mr. Bruijnzeels worked for Shell International in the Netherlands, Gabon and Oman in several reservoir engineering functions. In 1998, he joined PGS Reservoir Consultants in the UK where he worked as Principal Reservoir Engineer and Director of Evaluations. Mr. Bruijnzeels has over 31 years of experience in the oil and gas industry. Mr. Bruijnzeels currently serves as a director of General Exploration Partners, Inc. and ShaMaran Petroleum Corp.

During the past five years, Mr. Bruijnzeels has been, but is no longer, the Senior VP of Development of Lundin Petroleum.

Mr. Bruijnzeels is independent for the purposes of NI 58-101. See Schedule "C" – *Corporate Governance Disclosure*.

Torstein Sanness, Director

Place of Residence: Norway

Torstein Sanness is currently the Chairman of Lundin Norway. Previously, he held positions with Saga Petroleum and Norske Oljeselskap AS.

Mr. Sanness is a graduate of the Norwegian Institute of Technology in Trondheim where he obtained a Master of Engineering (geology, geophysics and mining engineering).

Mr. Sanness currently serves as a director and/or officer of Panoro Energy ASA, TGS-NOPEC ASA and Lundin Norway.

Mr. Sanness is independent for the purposes of NI 58-101. See Schedule "C" – *Corporate Governance Disclosure*.

Christophe Nerguararian, CFO

Place of Residence: Switzerland

Christophe Nerguararian was born in France in 1975 and has an Engineering degree from Ecole Centrale de Lyon and a Masters in Finance from Université Lyon II.

From 1998 to 2011, Mr. Nerguararian worked in various banking and finance roles for BNP Paribas in Paris and Geneva, most recently as Head of the Upstream Finance team for Central and Eastern Europe.

Mr. Nerguararian joined Lundin Petroleum in 2012 as Head of Corporate Debt and Commercial Manager and was appointed Vice President Corporate Finance in 2016.

Mr. Nerguararian has not served as a director and/or executive officer of any other company, other than various subsidiaries of Lundin Petroleum, in the past five years.

All members of the Board or executive officers of the Corporation have their business address at 5 chemin de la Pallanterie, 1222 Vérenaz, Switzerland, with the exception of:

- Lukas H. Lundin, whose business address is 6 rue de Rive, Geneva, Switzerland;
- C. Ashley Heppenstall;
- Donald Charter, whose business address is 36 Strath Ave., Toronto, Ontario, Canada; and
- Torstein Sanness, whose business address is Strandveien 4, Lysaker, Norway.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No current or proposed director or executive officer or securityholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has, within the last 10 years prior to the date of this document, been a director, chief executive officer or chief financial officer of any issuer (including the Corporation) that, (i) while the person was acting in the capacity as director, chief executive officer or chief financial officer, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or (ii) was subject to an order that resulted, after the director, executive officer or securityholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation ceased to be a director, chief executive officer or chief financial officer of an issuer, in the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days, which resulted from an event that occurred while that person was acting as a director, chief executive officer or chief financial officer of the issuer.

Except as set forth in the following paragraph, no current or proposed director or officer or securityholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has, within the last 10 years prior to the date of this document, been a director or executive officer of any company (including the Corporation) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt or liquidated, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement for compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Lundin was a director of Sirocco Mining Inc. until January 31, 2014, at which time he resigned in connection with its amalgamation with Canada Lithium Corp. Sirocco Mining Inc. was financially solvent at the time of Mr. Lundin's resignation. In October 2014, the resulting entity, RB Energy Inc., filed for protection under the *Companies' Creditors Arrangement Act*. Mr. Lundin has never been a director, officer or control person of RB Energy Inc., however, RB Energy Inc. filed for protection under the *Companies' Creditors Arrangement Act* within 12 months of Mr. Lundin ceasing to be a director of Sirocco Mining Inc. The amalgamation of Sirocco Mining with Canada Lithium Corp. to form RB Energy Inc. was approved at a meeting of the board of directors of Sirocco Mining Inc. on December 3, 2013. Mr. Lundin voted against the transaction, pursuant to which Sirocco Mining Inc. and Canada Lithium Corp. would complete a business combination by way of a statutory plan of arrangement under the *Canada Business Corporations Act*. The plan of arrangement was approved by shareholders and completed on January 31, 2014. The final step in the transaction was the amalgamation of Canada Lithium Corp. and Sirocco Mining Inc. to form RB Energy Inc. On October 13, 2014, RB Energy Inc.'s board of directors approved an

application for the filing of an initial order for creditor protection under the *Companies' Creditors Arrangement Act*. The Quebec Superior Court issued the requested order in respect of RB Energy Inc. and its subsidiaries on October 14, 2014.

No current or proposed director or executive officer or securityholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has, within the last 10 years prior to the date of this document, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or securityholder.

No current or proposed director or executive officer or securityholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court, regulatory body or other authority that would likely be considered important to a reasonable investor in making an investment decision.

No director of the Corporation or any of the executive officers has been disqualified by a court from acting as a member of the administrative, management or supervisory body of a company or from acting as the management or conducting of the affairs of a company during the past five years, or has been evicted of any fraudulent acts.

Conflicts of Interest

Circumstances may arise where members of the Board or officers of the Corporation are directors or officers of companies, which are in competition to the interests of the Corporation. Pursuant to applicable law, directors who have an interest in a proposed transaction upon which the Board is voting are required to disclose their interests and refrain from voting on the transaction.

There is no family relationship between any of the individuals who will be members of the Board or executive officers of the Corporation.

As at the date of this Company Description, the Corporation was not aware of any existing or potential material conflicts of interest between the Corporation and a subsidiary of the Corporation and a director or officer of the Corporation or of a subsidiary of the Corporation.

Majority Voting Policy for Election of Directors

The Corporation has adopted a majority voting policy that states that if, in an uncontested election, a director nominee has more votes withheld than are voted in favour of him or her, the nominee will be considered by the Board not to have received the support of the shareholders, even though duly elected as a matter of corporate law. Such a nominee will be required to promptly submit his or her resignation to the Board, effective upon acceptance by the Board. Except in special circumstances that would warrant the continued service of the director on the Board, the Board will be expected to accept the resignation. Within 90 days after the meeting, the Board will make its decision and announce it by press release.

EQUITY-BASED COMPENSATION ARRANGEMENTS

The Corporation's Stock Option Plan

In connection with the Reorganization and the Spin-Off, the Corporation authorized the grant of stock options to selected officers and other key employees of the Corporation on February 21, 2017, subject to, among other things, implementation by the Corporation of a stock option plan (the "**Stock Option Plan**"). The Stock Option Plan, which was approved by the Board on April 16, 2017, will govern such stock

options. Pursuant to such grants, the Company will grant to (i) officers, as a group, 1,250,000 stock options (including the stock options granted to Mike Nicholson, who is both Chief Executive Officer and a director); (ii) directors (excluding Mike Nicholson), as a group, 125,000 stock options; and (iii) other employees (excluding any directors or officers), as a group, 481,600 stock options. In total, the Corporation authorized the grant of 1,856,600 stock options on February 21, 2017.

Participants have been given the right to buy shares in the Corporation at an exercise price equal to the market value of the Common Shares, determined by the Board, to be C\$4.77 at February 21, 2017. The options will vest in one-third of the amount of each grant on each of the first three anniversaries of the date of grant and will be exercisable until the fourth anniversary of the date of grant. The exercise period will be automatically extended if it ends during a black-out period, such that the exercise period will end 10 business days following the last day of the black-out period.

The Board may make further stock option grants to directors, officers and employees of the Corporation, at its sole discretion. The maximum expected value of options granted to an individual in any one year will not exceed two times base salary and awards will be entirely discretionary. The Board has the right to settle an award in whole, or in part, in cash or through cashless exercise to help reduce administrative burden and costs.

For “good leavers” under the Stock Option Plan, awards will vest on termination and the participant will have six months (or to the end of the exercise period, whichever is earlier) to exercise the award and any other vested awards, after which the awards will lapse. For any leaver who is not a “good leaver”, awards will lapse immediately. The Corporation’s definition of a “good leaver” includes participants that leave employment because of death, disability, illness, retirement and redundancy. The Board also has discretion to determine whether a participant is a “good leaver”. Participants who change employment among the Corporation’s group of subsidiaries will not be considered leavers.

Transitional Equity-Based Compensation Arrangements

One-Time Transitional Performance Share Plan

Some individuals who are officers or other key employees of the Corporation were participants in the Lundin Petroleum Performance Share Plan (the “**Lundin Petroleum PSP**”). Those participants were made awards of Lundin Petroleum shares under the Lundin Petroleum PSP on or around July 1, 2015 and July 1, 2016. Each such award would have fully vested at the end of a three-year restricted period, subject to certain three-year performance conditions and subject to the continuing employment of the participant.

However, for “good leavers” under the Lundin Petroleum PSP, awards are pro rated according to the time from the date of the original award by Lundin Petroleum to the date the participant leaves Lundin Petroleum. For such “good leavers”, pro rated awards vest as scheduled, subject to the performance conditions, at the original date of vesting even after a participant’s departure from Lundin Petroleum. For any leaver who is not a “good leaver” under the Lundin Petroleum PSP, awards lapse immediately.

Accordingly, in connection with the Reorganization and the Spin-Off, the Corporation agreed to put in place certain one-time transitional equity-based compensation arrangements for certain officers and employees of the Corporation, as described below, in order to compensate the participant for that portion of the Lundin Petroleum PSP award that lapsed because of the participant’s departure from Lundin Petroleum.

The Corporation understands that employees of the Corporation who were formerly employees of Lundin Petroleum and who received awards under the Lundin Petroleum PSP in 2015 and 2016 will be treated as “good leavers” by Lundin Petroleum, as described above. Under such employees’ employment contracts with the Corporation, the value of Lundin Petroleum PSP awards held by employees of the Corporation that lapse as a result of the Spin-Off will be made into equivalent value share awards by the

Corporation under a one-time transitional performance share plan implemented by the Corporation in connection with the Spin-Off incorporating the terms described below (the “**IPC Transitional PSP**”).

The IPC Transitional PSP plan will only be used in connection with the Spin-Off, where awards under the IPC Transitional PSP will represent 39.4% of the value of the 2015 Lundin Petroleum PSP awards and 72.8% of the value of the 2016 Lundin Petroleum PSP awards. The aggregate number of Common Shares issuable under the IPC Transitional PSP, assuming full vesting and assuming a Lundin Petroleum average share price of SEK 200, is approximately 1.24 million Common Shares, for an aggregate value expected to be approximately C\$5.9 million (based on an exchange rate of C\$1.00=SEK 6.8027). The portion of the Common Shares issuable under the IPC Transitional PSP to (i) officers, as a group, is expected to be 69% for 2018 and 69% for 2019 (including Mike Nicholson, who will be both Chief Executive Officer and a director); (ii) directors (excluding Mike Nicholson), as a group, is expected to be 0% for 2018 and 2019; and (iii) other employees (excluding any directors or officers), as a group, is expected to be 31% for 2018 and 31% for 2019.

Participants in the IPC Transitional PSP will be made an award, which will vest according to the same timetable on June 30, 2018 and June 30, 2019, and be subject to share price targets: 75% of each award will vest subject to continued employment only. The remaining 25% will vest on a straight-line basis for the Common Share price performance between 100% and 125% of the fair value price of the Common Shares determined by the Board of C\$4.77, measured against the volume weighted average price over the 20 trading days prior to and including the vesting date. No further awards may be made in the future under the IPC Transitional PSP and the IPC Transitional PSP shall terminate following the payment of awards, if any, vesting on June 30, 2019.

The leaver provisions of the IPC Transitional PSP will mirror those of the Lundin Petroleum PSP.

One-Time Transitional Restricted Share Plan

Some individuals who are officers or other key employees of the Corporation were participants in the Lundin Petroleum unit bonus plan (the “**Lundin Petroleum Unit Bonus Plan**”). Those participants were made cash awards that mirror the value of Lundin Petroleum shares on, or around, June 1, 2015 and June 1, 2016. Each such award would have vested by a third on each of the first three anniversaries of the award and would have been paid in cash by Lundin Petroleum, subject only to continued employment.

For “good leavers” under the Lundin Petroleum Unit Bonus Plan, awards may vest at the original date of vesting, even after the participant’s departure from Lundin Petroleum. For any leaver who is not a “good leaver” under the Lundin Petroleum Unit Bonus Plan, awards lapse immediately.

Accordingly, in connection with the Reorganization and the Spin-Off, the Corporation agreed to put in place certain one-time transitional equity-based compensation arrangements for certain officers and employees of the Corporation, as described below, in order to compensate the participant for that portion of the Lundin Petroleum Unit Bonus Plan award that lapsed because of the participant’s departure from Lundin Petroleum.

The Corporation understands that employees of the Corporation who were participants in the Lundin Petroleum Unit Bonus Plan for 2015 or 2016 will be treated as “good leavers” by Lundin Petroleum under such plans with unvested awards being pro rated to the end of such employees’ time served with Lundin Petroleum. Under such employees’ employment contracts with the Corporation, the equivalent value to the difference between each full Lundin Petroleum Unit Bonus Plan award and the pro rated part of such award that will vest under the Lundin Petroleum Unit Bonus Plan will be made into awards of Common Shares under a one-time transitional restricted share plan implemented by the Corporation incorporating the terms described below (the “**IPC Transitional RSP**”).

The IPC Transitional RSP will only be used in connection with the Spin-Off, where awards under the IPC Transitional RSP will equate to 18.3% of the value of the outstanding 2015 Lundin Petroleum Unit Bonus Plan awards and 41.7% of the value of the outstanding 2016 Lundin Petroleum Unit Bonus Plan awards. The aggregate number of Common Shares issuable under the IPC Transitional RSP, assuming a Lundin Petroleum average share price of SEK 200, is approximately 167,000 Common Shares, for an aggregate value expected to be approximately C\$800,000 (based on an exchange rate of C\$1.00=SEK 6.8027). The portion of the Common Shares issuable under the IPC Transitional RSP to (i) officers, as a group, is expected to be 33% for 2018 and 29% for 2019 (including Mike Nicholson, who will be both Chief Executive Officer and a director); (ii) directors (excluding Mike Nicholson), as a group, is expected to be 0% for 2018 and 2019; and (iii) other employees (excluding any directors or officers), as a group, is expected to be 67% for 2018 and 71% for 2019.

Participants will be granted an award of restricted shares under the IPC Transitional RSP, which will vest according to the same timetable as the Lundin Petroleum Unit Bonus Plan each year to May 31, 2018 and May 31, 2019, subject to continued employment. Vested awards will be delivered in Common Shares. No further awards may be made in the future under the IPC Transitional RSP, and the IPC Transitional RSP shall terminate following the payment of awards, if any, vesting on May 31, 2019.

The leaver provisions of the IPC Transitional RSP will mirror those of the Lundin Petroleum Unit Bonus Plan.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

The purpose of this Compensation Discussion and Analysis is to provide information about the Corporation's philosophy, objectives, policy and processes regarding executive compensation. This disclosure is intended to communicate the compensation that is expected to be provided to the Corporation's CEO and CFO and the directors of the Corporation following the Spin-Off.

Compensation Philosophy and Objectives

The Corporation's executive compensation follows a set of principles that are applicable to all employees. The Corporation aims to offer all employees compensation packages that in their totality are competitive and in line with market conditions. These packages will be designed to ensure that the Corporation can recruit, motivate and retain highly skilled individuals and to reward performance that enhances shareholder value.

The Corporation's compensation packages consist of four elements, being (a) base salary, (b) annual bonus, (c) long-term incentive (where applicable), and (d) other benefits. The purpose of base salary will be to provide predictable compensation that is competitive and takes into account the scope and responsibilities associated with each employee's position, as well as the skills, experience and performance of employees.

As part of the yearly assessment process, the Corporation has adopted a performance management process, which is designed to align individual and team performance to the strategic and operational goals and objectives of the overall business. Individual performance measures will be formally agreed and key elements of variable compensation will be clearly linked to the achievement of such stated and agreed performance measures.

The annual bonus is an important part of an individual's compensation package where associated performance targets reflect the key drivers for value creation and growth in shareholder value. The

purpose of the long-term incentive plans is to align senior and key employees' incentives with shareholders' long-term interests.

The purpose of other benefits is to complete the compensation package in line with levels of market terms and to help facilitate the discharge of each individual's duties.

Executive Compensation Policy

The compensation of officers of the Corporation will follow the principles that are applicable to all employees. The compensation committee of the Board (the "**Compensation Committee**") will prepare, review and recommend for approval by the Board an executive compensation policy for officers, which will apply to NEOs.

It is the aim of the Corporation to be able to recruit, motivate and retain high caliber executives capable of achieving the objectives of the Corporation, and to encourage and appropriately reward performance that enhances shareholder value. Accordingly, the Corporation will award compensation under the executive compensation policy in accordance with current best practice that links compensation to the Corporation's business strategy, aligns officers' interests with those of shareholders and rewards officers fairly for their contribution to the Corporation's performance.

Executive Compensation Policy and the Compensation Committee

The Board has established the Compensation Committee to, among other things, administer an executive compensation policy. The members of the Compensation Committee are Lukas H. Lundin, Donald Charter and Torstein Sanness, all of whom have relevant experience and competence, having worked with compensation matters as both executives and compensation committee members of other corporate boards. See "*Directors and Executive Officers – Biographies of Executive Officers and Directors*". Mr. Charter and Mr. Sanness are considered independent directors. Although Mr. Lundin may not be considered independent, his experience will be important to the successful functioning of the executive compensation process.

The Compensation Committee receives information and makes recommendations to the Board and, if applicable, shareholders, on matters relating to the principles of compensation, as well as all compensation and other terms of employment of officers. The Compensation Committee will meet regularly and its tasks include monitoring and evaluating programs for variable compensation for officers and the application of the executive compensation policy, as well as compensation structures, risks and levels throughout the Corporation. The Compensation Committee monitors, evaluates and approves the Corporation's performance management procedures and considers any cases where an individual's variable compensation is proposed to be in excess of six months' base salary and any cases where the combined notice and severance arrangements for an employee exceeds one year's base salary in value. The Board may also decide that certain decisions may be taken by the Compensation Committee on its behalf.

Following the Board's approval of the executive compensation policy, the Compensation Committee will propose to the Board for approval the compensation and other terms of employment of the CEO. The CEO, in turn, proposes to the Compensation Committee, for approval by the Board, the compensation and other terms of employment of senior management reporting directly to the CEO and any other officers appointed by the Board, including the CFO. This includes any awards of annual bonus and long-term incentives.

To ensure that the Corporation's compensation packages remain competitive and in line with market conditions, it is anticipated that the Compensation Committee will undertake periodic benchmarking studies. For each study, peer groups of companies will be selected, against which the Corporation's compensation practices can be measured. As the Corporation will compete with peer companies to retain and attract the very best talent in the market, both at the operational and executive level, it will be

important that the Corporation's compensation packages are determined primarily by reference to the compensation practices among peer companies. The levels of base salary, annual bonus and long-term incentives will be benchmarked against the median level. However, in the event of exceptional performance, deviations may be authorized.

Peer companies are expected to be primarily international upstream oil and gas companies of similar size and operational reach; however, the Compensation Committee will not necessarily limit itself to a single peer group but may consider geography, specialization and other appropriate benchmarks if necessary to ensure that its decisions are taken in the right context. For 2017, the Board considered market levels and practices based primarily on analysis from Korn Ferry Hay Group's U.K. Oil & Gas database as well as their Swiss general market database, their Canadian Oil & Gas database and proxy information from 23 Canadian oil and gas companies. It is not expected that the Compensation Committee will set pay solely based on benchmarking, but will also consider other factors such as internal relativities, performance, experience, potential and the overall business case.

The Compensation Committee will also consider any risks associated with compensation policies and practices, including possible material adverse effects on the Corporation. These risks may include, but not be limited to, financial, operational and behavioral risks that may result from the design and quantum of incentive plans and other forms of reward throughout the organization. As part of these deliberations, the Compensation Committee will look at appropriate ways to mitigate any identified risks.

With regard to equity-based compensation, described in "*Equity-Based Compensation Arrangements*" above, the Compensation Committee manages long-term incentive plans on behalf of the Board. Levels of equity-based grants for NEOs will follow established policy and be approved by the Board. Awards may be made at the sole discretion of the Board and the Compensation Committee will monitor the costs, dilution and context of awards, such as previous years' awards. The Board will have complete discretion with regard to participation in such plans and the assessment of any performance conditions and may reduce the vesting of plans, including reduction to zero, if it considers the underlying performance of the Corporation not to be reflected in the initial vesting outcome. Furthermore, participants in equity-based plans will not be permitted to enter into contracts linked to equity-based awards, borrow against equity-based awards or in any other way use equity-based awards until vesting. Officers will be required to build up an equity holding of 0.5 times base salary over time (two times base salary for the CEO) by retaining a minimum of 50% of shares acquired from exercised awards after tax.

The Compensation Committee is entitled to request the advice and assistance of external compensation consultants and other advisors. However, the Compensation Committee will be required to ensure that there is no conflict of interest regarding other assignments that such advisors may have for the Corporation and its management.

Elements of Compensation

As noted above, there are four key elements to the compensation of the Corporation's management: (a) base salary, (b) annual bonus, (c) long-term incentives and (d) other benefits.

(a) Base salary

An officer's base salary will be based on market conditions, will be competitive and will take into account the scope and responsibilities associated with the position, as well as the skills, experience and performance of the officer. Each officer's base salary, as well as the other elements of the officer's compensation, will be reviewed annually to ensure that such compensation remains competitive and in line with market conditions. As part of this assessment process, the Compensation Committee will undertake periodic benchmarking studies in respect of the Corporation's compensation policy and practices, as described above.

(b) Annual bonus

The annual bonus will be an important part of an officer's compensation. Through its performance management process, the Corporation will set predetermined and measurable performance criteria for each officer, aimed at promoting long-term value creation for the Corporation's shareholders. The performance conditions for the Corporation's 2017 annual bonus for NEOs are currently anticipated to be (i) 50% linked to the Corporation's strategic and operational targets, including production, exploration, financial and health and safety targets, evaluated against stretching quantitative targets, and (ii) 50% linked to a mix of quantitative and qualitative targets related to the individual officer's responsibilities and evaluated on a discretionary basis by the Board.

The annual bonus opportunity is based upon a predetermined limit between 0% and 100% of salary, determined by performance against the performance conditions outlined in the previous paragraph. However, the Compensation Committee may exercise discretion and recommend to the Board for approval an annual bonus outside of this range in circumstances, or in respect of performance, that the Compensation Committee considers to be exceptional.

(c) Long-term incentive plans

The Corporation believes that it is appropriate to structure its long-term incentive plans to align its officers' incentives with shareholder interests. Compensation that is linked to the share price should result in a greater personal commitment to the Corporation. The Corporation's long-term incentive plans, on an ongoing basis, will consist of the Stock Option Plan and, as part of the Spin-Off only, the IPC Transitional PSP and the IPC Transitional RSP. See "*Equity-Based Compensation Arrangements – The Corporation's Stock Option Plan*", "*Transitional Equity-Based Compensation Arrangements – One-Time Transitional Performance Share Plan*" and "*Transitional Equity-Based Compensation Arrangements – One-Time Transitional Restricted Share Plan*".

All equity-based incentive plans of the Corporation have a maximum number of shares issuable for awards in accordance with applicable stock exchange rules.

In the event of a change of control of the Corporation, all awards under the relevant plan will vest in full.

If, during the performance or restricted period, the share capital of the Corporation is materially changed, or if there is a dividend in kind, a split, reverse split, bonus issue, delisting or similar major corporate event, the Board will seek to recalculate awards (and any performance conditions) to achieve a neutral outcome for both participants and the Corporation. All recalculations will be done at the discretion of the Board.

(d) Other benefits

Other benefits will be based on market terms and will facilitate the discharge of each officer's duties. Such benefits include statutory pension benefits comprising a defined contribution plan with premiums calculated on the full base salary and cash bonus. The maximum total cash compensation of base salary plus annual bonus allowable to provide a pension provision against is, under the Swiss law applicable to the CEO and the CFO, capped at CHF 835,200. The pension contributions for the base plan are dependent upon the age of the officer, with the contribution rates being 14.5% for the CEO and 10% for the CFO, where the employer provides 60% of the contribution and the employee 40%.

The Corporation also operates an executive pension plan for certain officers, in which the CEO and the CFO participate. The plan is applied in the same proportions of contribution as the base plan: with the contribution rates being 14.5% for the CEO and 7.5% for the CFO, where again the employer provides 60% of the contribution and the employee 40%. Based on an anticipated start date of April 1, 2017, the Corporation expects to make contributions under both pension plans of up to C\$161,000 (annualized C\$215,000) on behalf of the CEO and C\$70,000 (annualized C\$93,000) on behalf of the CFO.

Summary Compensation Table

The table below reflects the fair value of the compensation that is expected to be earned by, paid to or awarded to the NEOs for the fiscal year ending December 31, 2017. No compensation has been paid to any NEO since the incorporation of the Corporation; hence this table reflects the expected value of long-term incentives and the maximum annual bonus opportunity for 2017 rather than what has already been paid.

Name and Principal Position	Year	Salary	Share-Based Awards	Option-Based Awards	Annual Incentive Plans	Pension Contributions	All Other Compensation	Total Compensation
		(1) (C\$)	(2) (C\$)	(3) (C\$)	(4) (C\$)	(5) (C\$)	(6) (C\$)	(C\$)
Mike Nicholson, CEO	2017	472,487	1,986,772	1,002,208	472,487	147,607	58,105	4,139,666
Christophe Nerguararian, CFO	2017	305,992	441,350	350,937	305,992	64,258	47,467	1,515,995

Notes:

- (1) Assuming a start date of April 24, 2017, representing an annual base salary of C\$687,083 for the CEO and C\$444,968 for the CFO, respectively. Salaries will be paid in Swiss Francs and have been converted based on the noon exchange rate as reported by the Bank of Canada on February 17, 2017 of C\$1.00 equals 0.7641 Swiss Francs.
- (2) These figures represent the fair value estimated of awards under the IPC Transitional PSP. These awards will vest in 2018 and 2019, respectively. See *"Equity-Based Compensation Arrangements – Transitional Equity-Based Compensation Arrangements – One-Time Transitional Performance Share Plan"*.
- (3) These figures represent the fair value of stock options granted over Common Shares. These options were granted at an exercise price of C\$4.77 on February 21, 2017 and will vest in three equal tranches on the first, second and third anniversaries of their award. The overall option life will be four years.
- (4) The maximum annual bonus is 100% of annual salary for the CEO and the CFO and the final value will depend on evaluated performance. See *"Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Annual bonus"*. Based on a start date of April 24, 2017, these figures represent maximum annual bonus for each officer for the nine-month period. Annualized these maximum figures are C\$687,083 for the CEO and C\$444,968 for the CFO, respectively.
- (5) Based on a start date of April 24, 2017, these figures are made up of the maximum basic and executive pension plan contributions that can be made by the Corporation. The annual equivalent maximum amounts are C\$214,648 for the CEO and C\$93,443 for the CFO, respectively. See *"Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Other benefits"*. Contributions will be paid in Swiss Francs and have been converted based on the noon exchange rate as reported by the Bank of Canada on February 17, 2017 of C\$1.00 equals 0.7641 Swiss Francs.
- (6) Based on a start date of April 24, 2017, these figures are made up of expected healthcare and school fee contributions. The amounts concerned are made up of expected annual contributions of C\$21,703 healthcare and C\$62,792 school fees for the CEO and C\$21,179 healthcare and C\$47,846 school fees for the CFO, respectively based on historic contributions. See *"Executive Compensation – Compensation Discussion and Analysis – Elements of Compensation – Other benefits"*. Benefits are denominated in Swiss Francs and have been converted based on the noon exchange rate as reported by the Bank of Canada on February 17, 2017 of C\$1.00 equals 0.7641 Swiss Francs.

Outstanding Option-Based and Share-Based Awards

The following table sets forth information with respect to the awards under the IPC Transitional PSP and the Stock Option Plan to be awarded to the NEOs.

Name and Principal Position	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (C\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (C\$)	Number of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (C\$)	Market or payout value of vested share-based awards not paid out or distributed (C\$)
Mike Nicholson, CEO	500,000	4.77	February 21, 2021	1,002,208	464,355	2,214,973	Nil
Christophe Nerguararian, CFO	175,000	4.77	February 21, 2021	350,937	103,172	492,130	Nil

Director Compensation

All directors who are not NEOs receive a basic annual retainer of \$50,000 and a grant of 25,000 stock options under the Stock Option Plan, described above.

In addition, Chairs of the Audit Committee and the Compensation Committee receive annual fees of \$20,000 and members of the Audit Committee and the Compensation Committee receive annual fees of \$10,000 per committee. Chairs of the Nominating and Corporate Governance Committee and the Reserves Committee receive annual fees of \$10,000 and members of the Nominating and Corporate Governance Committee and the Reserves Committee receive annual fees of \$5,000. The Chairman of the Board receives an annual fee of \$100,000 and the Lead Director receives an annual fee of \$75,000. There will be no meeting fees.

Termination and Change of Control Benefits

Other than as described below, there are no agreements, compensation plans, contracts or arrangements whereby an NEO is entitled to receive payments from the Corporation in the event of the termination of the NEO's employment with the Corporation.

In connection with the Spin-Off, the Corporation will enter into employment agreements with the NEOs that will provide for a mutual notice period of between one and 12 months, depending on the duration of the NEO's employment with the Corporation, recognizing prior employment with Lundin Petroleum. In addition, severance terms in the employment contracts for NEOs will give rise to compensation of up to two years' base salary, in the event of termination of employment due to a change of control of the Corporation. In addition, the Board is authorized, in individual cases, to approve severance arrangements where employment is terminated by the Corporation without cause or in other circumstances at the discretion of the Board. Such severance arrangements may provide for the payment of up to one year's base salary; no other benefits will be permitted to be included. Severance payments in aggregate (i.e., for notice periods and severance arrangements) will be limited to a maximum of two years' base salary.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

At no time since incorporation of the Corporation has there been any indebtedness, other than routine indebtedness, of any director or officer of the Corporation, any proposed directors of the Corporation, or any associate or affiliate of any such director or officer, to the Corporation or to any other entity which is, or at any time since the beginning of the most recently completed financial period has been, the subject of

a guarantee, support agreement, letter of agreement or other similar arrangement or understanding provided by the Corporation.

ESCROWED SECURITIES

As at the date hereof, the Corporation does not have any securities in escrow or that are subject to a contractual restriction on transfer.

LEGAL PROCEEDINGS

There are no material legal proceedings against the Corporation or any of its subsidiaries, the Corporation is not a party to any material legal proceedings and the Corporation is not aware of any contemplated proceedings. The Corporation has not in the past twelve months been involved in any governmental, legal or arbitrational proceedings which have had, or may have, significant effect on the Corporation's financial position or profitability. The Corporation is not aware of any such pending or threatened proceedings.

REGULATORY ACTIONS

For the period beginning on the date of incorporation of the Corporation until the date of this Company Description, there were (i) no penalties or sanctions imposed against the Corporation or by a court relating to securities legislation or by a securities regulatory authority; (ii) no other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision; and (iii) no settlement agreements the Corporation entered into before a court relating to a securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Management is not aware of any material interest, direct or indirect, of any director or officer of the Corporation, any person beneficially owning, directly or indirectly, more than 10% of the Corporation's voting securities, or any associate or affiliate of such person in any transaction within the last three years or in any proposed transaction which in either case has materially affected or will materially affect the Corporation or its subsidiaries, other than as disclosed in this Company Description.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditor of the Corporation is PricewaterhouseCoopers AG, Basel, Switzerland. PricewaterhouseCoopers AG is a member of EXPERTsuisse – Swiss Expert Association for Audit, Tax and Fiduciary.

The transfer agent and registrar for the Common Shares in Canada is Computershare Investor Services Inc., and the Common Shares will be transferable at the offices of Computershare (Canada) in Toronto.

The transfer agent and registrar for the Common Shares in Sweden is Computershare AB, and the Common Shares will be transferable at the offices of Computershare (Sweden) in Stockholm.

MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Corporation has entered into since the beginning of the last financial year before the date of this Company Description, entered into prior to such date but which contract is still in effect:

- (a) Transfer Agreement between Lundin Petroleum AB and the Corporation, dated April 7, 2017; and
- (b) Transfer Agreement between Lundin Petroleum AB and the Corporation, dated April 7, 2017.

Copies of these material contracts will be made available online on SEDAR at <http://www.sedar.com> under the Corporation's profile.

CONTRACTS RELATING TO THE CORPORATION'S BUSINESS

The Reorganization

Under the Contribution and Transfer Agreements, all of the shares of Lundin Petroleum BV and all of the shares of Lundin Services Ltd. were transferred to the Corporation in exchange for the issuance by the Corporation to Lundin Petroleum of an aggregate of 113,462,147 Common Shares based on a price of C\$4.77 per Common Share, for aggregate consideration of \$410 million plus working capital as at the effective date. Under the Reorganization agreements, the Corporation then transferred Lundin Petroleum BV to International Petroleum Coöperatief UA, a subsidiary of the Corporation. In connection with the Reorganization and under relevant agreements, Lundin Petroleum BV transferred its interest in Lundin Norway AS, Lundin Petroleum Marketing SA, Lundin Petroleum SA and Lundin Russia BV to its wholly-owned subsidiary incorporated in the Netherlands, Lundin Petroleum Holding BV. Lundin Petroleum BV then transferred all of the issued and outstanding shares of Lundin Petroleum Holding BV to Lundin Petroleum.

The Corporation, through its acquisition of all of the shares of Lundin Petroleum BV, owns assets and entities previously owned by Lundin Petroleum related to the Discontinued Operations. Lundin Petroleum agreed in the Contribution and Transfer Agreements to indemnify the Corporation for any potential liabilities related to the Indonesian court case.

In addition, Lundin Malaysia BV currently has bank guarantees from certain financial institutions in an aggregate amount of approximately \$10 million in support of its operations. These bank guarantees expire in June 2017. Lundin Petroleum has agreed to allow its corporate guarantee to these financial institutions to remain in place, subject to an indemnity in the Contribution and Transfer Agreements from the Corporation to Lundin Petroleum for any liabilities under such guarantee.

The Reorganization was completed on April 7, 2017, with an effective date of January 1, 2017. The Contribution and Transfer Agreements provide for a working capital adjustment as at January 1, 2017 which will be paid by the Corporation to Lundin Petroleum by financial adjustments during the period from January 1, 2017 to the date of the Spin-Off, with any outstanding amounts as such date to be paid by the Corporation to Lundin Petroleum on a monthly instalment basis up to June 2018. See also "*The Reorganization and the Spin-Off - The Reorganization*".

The Corporation has entered into the following services agreements with Lundin Petroleum in connection with the Reorganization:

- *General Services Agreement:* The Corporation leases office space from Lundin Petroleum in Vézenaz, Switzerland.
- *IPC Technical Services Agreement:* The Corporation may, but will be under no obligation to, request the services of certain employees of Lundin Petroleum to assist in the business of the Corporation. Any services provided under this agreement will be on subsequently agreed rates, based on market rates for similar services.
- *Lundin Petroleum Technical Services Agreement:* Lundin Petroleum may, but will be under no obligation to, request the services of certain employees of the Corporation to

assist in the business of Lundin Petroleum. Any services provided under this agreement will be on subsequently agreed rates, based on market rates for similar services.

The Corporation has also entered into an agreement with a management services company, whereby such company will provide office facilities, administration, investor relations and corporate development services in Vancouver, British Columbia.

Credit Facility

Certain of the IPC Subsidiaries are expected to enter into a credit facility for the purpose of, among other things, effecting the Offer, generally on the terms set out in this paragraph. The Corporation is expected to be a guarantor under the Credit Facility. The Credit Facility is expected to be a revolving facility with a final maturity date of June 30, 2019. While the available credit under the Credit Facility is expected to be redetermined on a semi-annual basis in accordance with projections of the borrowing base of reserves of the IPC Subsidiaries that are expected to be party to it, the maximum available credit is expected to be \$100 million. The Credit Facility is expected to be secured by a package customary for this type of facility, including but not limited to: (a) an on-demand guarantee and indemnity from the IPC Subsidiaries who are party to it and the Corporation; (b) pledges over all of the shares of certain of the IPC Subsidiaries; and (c) pledges and/or assignment of the relevant facility bank accounts, intercompany loans, insurance policies and hedging arrangements.

Some information regarding the Oil and Gas Assets in Malaysia

The Corporation indirectly owns 100% of the FPSO Bertam operating in Malaysia. A bareboat charter agreement dated August 13, 2014 is in place between Lundin Malaysia BV, on behalf of the PM307 joint venture, and Lundin Services Limited, under which the charterer (Lundin Malaysia BV) pays a fixed lease rate over a six-year period starting April 2015, with four one-year options for renewal after the fixed period, at the option of Lundin Malaysia BV, as charterer. The parties comprising the PM307 joint venture are Lundin Malaysia BV with a 75% interest and PCSB with a 25% interest. The PM307 joint venture is governed by a farmout agreement with an effective date of May 1, 2011 and by a joint operating agreement dated May 1, 2011. Costs incurred within the licence are apportioned in proportion to each party's interest. Lundin Services Limited is paid the complete lease by Lundin Malaysia BV, and PCSB reimburses its share to Lundin Malaysia BV in accordance with its proportionate interest in the PM307 joint venture, resulting in an additional stream of revenue for the Corporation. Since the start of production in 2015, the Bertam field has attained an uptime in excess of 99%. Management of the Corporation considers this performance level for an offshore asset to be among those of leading offshore operators.

Almost all licences in Malaysia are presently governed by Product Sharing Contracts (PSCs). The terms and scope of the rights granted are entirely contained in the PSC and such rights are enforceable under Malaysian law. The terms of the PSC provide that the party to the PSC (the PSC Contractor) is solely responsible for the provision of all funds required directly or indirectly for petroleum operations. The PSC Contractor is then entitled to recover costs related to petroleum operations and a share of profits from the production of crude oil or natural gas in kind, based on a defined formula contained in the PSC.

All of the Corporation's production and reserves in Malaysia come from the Bertam oil field located offshore Peninsular Malaysia. In addition to the Bertam field area, block PM307 contains an exploration area and the two gas holding areas (GHAs) for Tembakau and Mengkuang. Under a PSC, the Corporation is the operator of Block PM307 with a 75% working interest, with Petronas holding the remaining 25% through its wholly owned subsidiary PCSB. There is also one outstanding exploration block in Peninsula Malaysia (PM328) in which the Corporation has a "drill or drop" option. The "drill or drop" option entails that at the Corporation's discretion, it may either (a) extend the license by committing to a work programme or (b) exit the license completely. The "drill or drop" option currently expires in March 2017 and Lundin Malaysia BV, which holds the lease, is currently seeking a six-month extension to the "drill or drop" option and a one-year extension to the exploration period under the licence. During 2015, Lundin Malaysia BV entered into a farm-out agreement with Dyas, whereby Lundin Malaysia BV

transferred a 15% working interest in Block PM328, with Lundin Malaysia BV retaining a 35% working interest post-farmout. There are no outstanding commitments on this block.

For more information on the regulatory framework regarding the Corporation's assets (i.e. the Oil and Gas Assets), see "*The Malaysian, French and Dutch Industry Overviews and Regulatory Regimes*".

EXPERTS

ERC Equipoise Limited are the Corporation's independent engineers and have audited the Reserves Report. Neither ERCE nor its officers, directors, employees or consultants beneficially owns, directly or indirectly, any of the outstanding Common Shares, nor have any economic or beneficial interest in the Corporation or in any of its assets, nor are they remunerated by way of a fee that is lined to the admission or corporate value of the Corporation. In addition, none of the officers, directors, employees or consultants of ERCE is currently expected to be elected, appointed or employed as a director, officer or employee of the Corporation or any of its associates or affiliates. ERCE's report is incorporated into this Company Description by reference and ERCE has consented to its audit report being incorporated into this Company Description by reference in the form and the context stated herein. ERCE is responsible for its report as is further described in the report. ERCE's business address is: 6th Floor Stephenson House, 2 Cherry Orchard Road, Croydon CR0 6BA, London U.K. The team responsible for the audit from ERCE have the following qualifications:

- Simon McDonald is a UK Chartered Engineer, registered with the Energy Institute (#580340) and a Member of the Society of Petroleum Evaluation Engineers (#714). He has over 40 years' experience in engineering studies related to International oil and gas fields.
- Paul Chernik is a Canadian Professional Engineer, registered with APEGA (#66938) and a Member of the Society of Petroleum Evaluation Engineers (#776). He has over 13 years' experience in engineering studies related to International oil and gas fields.

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers AG, Chartered Accountants, is the Corporation's auditor and such firm has prepared opinions with respect to the financial statements of the Corporation for the period ended January 31, 2017 and the special-purpose combined carve-out financial statements of the Malaysia, France and the Netherlands Oil and Gas Businesses (A Carve-Out of Lundin Petroleum AB) for the periods ended December 31, 2014, 2015 and 2016, attached hereto as Schedules "A" and "B", respectively. PricewaterhouseCoopers AG has advised the Corporation that it is independent of the Corporation within the meaning of the Code of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

EXEMPTIONS FROM CERTAIN DISCLOSURE REQUIREMENTS

Exemptive relief has been sought from the Alberta Securities Commission, as principal regulator from:

- clause 9.1(b)(ii)(D) of National Instrument 41-101 – *General Prospectus Requirements*, to the extent that it requires the submission of a completed personal information form for each director and executive officer of a promoter, if the promoter is not an individual. The Corporation obtained relief from the requirement to file the personal information forms for all of the directors and executive officers of Lundin Petroleum (as promoter); and
- paragraph 5.5(1) of Form 41-101F1, to the extent that it incorporates item 4.1 of Form 51-101F1 and requires the Corporation to provide a reconciliation of the Corporation's Reserves to the prior year. In accordance with paragraph 5.10(4) of Companion Policy 51-101CP, the Corporation has sought relief from the requirement to provide the prescribed reconciliation as neither the

Corporation nor Lundin Petroleum were reporting issuers in Canada as at December 31, 2015 and Lundin Petroleum does not have a reserves report prepared in compliance with Form 51-101F1 in respect of the Oil and Gas Assets as at December 31, 2015.

The issuance by the Alberta Securities Commission of a receipt for the final prospectus in respect of the Canadian prospectus (the final prospectus will be available on the Corporation's profile on SEDAR) will constitute evidence of the granting of relief from the foregoing requirements.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Audit Committee Charter of the Corporation is attached hereto as Schedule "D".

Composition of the Audit Committee

The Audit Committee is comprised of C. Ashley Heppenstall (Chair), Donald Charter and Chris Bruijnzeels, each of whom is independent and financially literate.

Please refer to the section entitled "*Directors and Executive Officers – Biographies of Executive Officers and Directors*" for the relevant education and experience of each of the Audit Committee members.

Pre-Approval of Policies and Procedures

The Corporation has adopted policies and procedures with respect to the pre-approval of audit and permitted non-audit services to be provided by PricewaterhouseCoopers AG as set forth in the Audit Committee charter. The Audit Committee will approve the provision of a specified list of audit and permitted non-audit services that the Audit Committee believes to be typical, reoccurring or otherwise likely to be provided by PricewaterhouseCoopers AG during the current fiscal year. The list of services will be sufficiently detailed as to the particular services to be provided to ensure that the Audit Committee knows precisely what services it is being asked to preapprove and it will not be necessary for any member of management to make a judgment as to whether a proposed service fits within pre-approved services.

Auditor Services Fees

No Audit-Related Fees or Tax Fees have been billed to the Corporation since its incorporation by its auditor, PricewaterhouseCoopers AG.

CORPORATE GOVERNANCE DISCLOSURE

NI 58-101 requires reporting issuers to disclose their corporate governance practices with reference to a series of guidelines for effective corporate governance (the "**Corporate Governance Guidelines**") set forth in National Policy 58-201 — *Corporate Governance Guidelines*.

See Schedule "C" to this Company Description, which contains a description of the Corporation's corporate governance practices.

The Corporation complies with the corporate governance regime in British Columbia, Canada.

PROMOTER

Lundin Petroleum may be considered a promoter of the Corporation as a result of its management team having been instrumental in founding the business of the Corporation. The number and percentage of

Common Shares that Lundin Petroleum will hold prior to and following the Spin-Off is outlined in the following table.

Name	Number and Percentage of Common Shares Prior to the Spin- Off	Number and Percentage of Common Shares Following Closing of the Spin-Off
Lundin Petroleum AB	113,462,148 (100%)	Nil

PURCHASERS' STATUTORY RIGHTS

Canadian securities legislation requires that the following language appear herein:

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus filed in Canada and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

However, in light of the fact that the prospectus being filed in Canada is to allow the Corporation to become a reporting issuer in Alberta, the Corporation believes that the remedies described in the foregoing paragraph are not applicable to the transactions described in this prospectus.

CERTAIN CANADIAN FEDERAL INCOME TAX MATTERS

The following is, as of the date of this Company Description, a summary of the principal Canadian federal income tax considerations generally applicable under the *Income Tax Act* (Canada) (the "**Canadian Tax Act**") to a shareholder who acquires and holds as beneficial owner Common Shares and who, for purposes of the Canadian Tax Act and at all relevant times, deals at arm's length and is not affiliated with the Corporation, and acquires and holds the Common Shares as capital property (a "**Holder**"). Generally, the Common Shares will be considered to be capital property to a Holder provided that the Holder does not use or hold the Common Shares in the course of carrying on a business of buying and selling securities and such Holder has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder (i) that is a "financial institution" for purposes of the mark-to-market rules contained in the Canadian Tax Act; (ii) that is a "specified financial institution" as defined in the Canadian Tax Act; (iii) an interest in which is a "tax shelter investment" as defined in the Canadian Tax Act; (iv) that reports its "Canadian tax results" (as defined in the Canadian Tax Act) in a currency other than Canadian currency; (v) that has entered or will enter into, with respect to the Common Shares, a "derivative forward agreement", as defined in the Canadian Tax Act; or (vi) that has entered or will enter into, with respect to the Common Shares, a "dividend rental arrangement" as defined in the Canadian Tax Act. Such Holders should consult their own tax advisors with respect to an investment in Common Shares.

This summary does not address the possible application of the "foreign affiliate dumping" rules in section 212.3 of the Canadian Tax Act to a Holder that (i) is a corporation resident in Canada and (ii) is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition

of Common Shares, controlled by a non-resident corporation for the purposes of such rules. Such Holders should consult their own tax advisors with respect to the possible application of these rules.

This summary is based on the provisions of the Canadian Tax Act and the regulations thereto (the “**Regulations**”) in force as of the date hereof, and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”) published in writing by the CRA and publicly available prior to the date hereof. This summary takes into account all specific proposals to amend the Canadian Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”) and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law or in the administrative policies or assessing practices of the CRA, whether by way of judicial, legislative or governmental decision or action. This summary is not exhaustive of all possible Canadian federal income tax considerations, and does not take into account other federal or any provincial, territorial or foreign income tax legislation or considerations, which may differ materially from those described in this summary.

This summary is of a general nature only and is not, and is not intended to be, and should not be construed to be, legal or tax advice to any particular Holder, and no representations concerning the tax consequences to any particular Holder are made. The tax consequences of acquiring, holding and disposing of Common Shares will vary according to the Holder's particular circumstances. Holders should consult their own tax advisors for advice regarding the tax considerations applicable to them having regard to their particular circumstances, including the application and effect of the income and other tax laws of any country, province or other jurisdiction that may be applicable to such Holder. This summary does not describe the consequences of receiving Common Shares under the Spin-Off.

Residents of Canada

The following portion of this summary is applicable to a Holder who, for the purposes of the Canadian Tax Act and any applicable tax treaty or convention and at all relevant times, is or is deemed to be resident in Canada (a “**Resident Holder**”). A Resident Holder to whom the Common Shares might not constitute capital property may make, in certain circumstances, the irrevocable election permitted by subsection 39(4) of the Canadian Tax Act to have the Common Shares, and all other Canadian securities held by such person, treated as capital property. Resident Holders considering making such election should first consult their own tax advisors.

Taxation of Dividends

Dividends received or deemed to be received on a Common Share will be included in computing a Resident Holder's income for purposes of the Canadian Tax Act. Dividends received by a Resident Holder who is an individual will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends paid by taxable Canadian corporations. To the extent that the Corporation designates a dividend as an “eligible dividend” within the meaning of the Canadian Tax Act in the prescribed manner, such dividend will be eligible for the enhanced gross-up and dividend tax credit. If the Corporation pays dividends, the Corporation currently intends that it would, by notice on its website, indicate that all dividends paid by it will be designated as eligible dividends unless otherwise indicated. Dividends received by individuals (including certain trusts) may give rise to alternative minimum tax under the Canadian Tax Act, depending on the individual's circumstances.

Dividends received or deemed to be received by a Resident Holder that is a corporation will be included in computing the corporation's income and will generally be deductible in computing its taxable income. In certain circumstances, subsection 55(2) of the Canadian Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as a gain from the disposition of capital property or proceeds of disposition. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances. A Resident Holder that is a “private corporation” or a “subject corporation”, each

as defined in the Canadian Tax Act, may be liable to pay a refundable tax under Part IV of the Canadian Tax Act on dividends received (or deemed to be received) on the Common Shares to the extent that such dividends are deductible in computing the Resident Holder's taxable income. A Resident Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation" (as defined in the Canadian Tax Act) may be liable to pay an additional refundable tax on its "aggregate investment income" (as defined in the Canadian Tax Act), including any dividends (or deemed dividends) that are not deductible in computing the Resident Holder's taxable income.

Disposition of Common Shares

Upon a disposition or a deemed disposition of a Common Share (other than in a disposition to the Corporation that is not a sale in the open market in the manner in which shares would normally be purchased by any member of the public in an open market), a Resident Holder will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Common Share, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Common Share to the Resident Holder. The adjusted cost base to the Resident Holder of a Common Share acquired at any particular time, will be determined by averaging the cost of such share with the adjusted cost base of all Common Shares owned by the Resident Holder as capital property at that time, if any.

One half of any such capital gain (a "**taxable capital gain**") realized by a Resident Holder will be required to be included in computing the Resident Holder's income, and one half of any such capital loss (an "**allowable capital loss**") realized by a Resident Holder must generally be deducted against taxable capital gains realized by the Resident Holder in the year of disposition. Allowable capital losses not deductible in the taxation year in which they are realized may ordinarily be deducted by the Resident Holder against taxable capital gains realized in any of the three preceding taxation years or any subsequent taxation year, subject to and in accordance with the detailed rules contained in the Canadian Tax Act in this regard. Capital gains realized by an individual (including certain trusts) may be subject to alternative minimum tax.

If the Resident Holder is a corporation, the amount of any capital loss realized on the disposition or deemed disposition of a Common Share by the Resident Holder may be reduced by the amount of dividends received or deemed to have been received by the Resident Holder on such Common Shares to the extent and in the circumstances prescribed by the Canadian Tax Act. Similar rules may apply where a corporation is a member of a partnership or beneficiary of a trust that owns Common Shares, or where a partnership or trust is itself a member of a partnership or a beneficiary of a trust that owns Common Shares.

If the Resident Holder is a "Canadian-controlled private corporation" (as defined in the Canadian Tax Act), the Resident Holder may also be liable to pay a refundable tax on its "aggregate investment income", which is defined to include an amount in respect of taxable capital gains.

Non-Resident Holders

The following portion of this summary is applicable to a Holder who, for the purposes of the Canadian Tax Act and any applicable tax treaty or convention and at all relevant times, is not resident or deemed to be resident in Canada and who does not use or hold (and is not deemed to use or hold) the Common Shares in connection with a business carried on in Canada (a "**Non-Resident Holder**"). This part of the summary is not applicable to a Non-Resident Holder that is an insurer that carries on an insurance business in Canada.

This part of the summary is not applicable to a Non-Resident Holder whose Common Shares are or are deemed to be "taxable Canadian property" for purposes of the Canadian Tax Act. Provided that the Common Shares are listed on a designated stock exchange (which includes the TSX) at a particular time, the Common Shares generally will not constitute taxable Canadian property to a Holder at that time unless, at any time during the five year period immediately preceding that time: (i) 25% or more of the issued shares of any class or series of the Corporation's capital stock were owned by any combination of

(a) the Non-Resident Holder, (b) persons with whom the Non-Resident Holder did not deal at arm's length, and (c) partnerships in which the Non-Resident Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; and (ii) more than 50% of the value of the Common Shares was derived, directly or indirectly, from one or any combination of (a) real or immovable property situated in Canada, (b) Canadian resource properties, (c) timber resource properties, and (d) options in respect of any such property, all as defined for purposes of the Canadian Tax Act. A Non-Resident Holder's Common Shares can also be deemed to be taxable Canadian property in certain circumstances set out in the Canadian Tax Act.

Taxation of Dividends

Dividends paid or credited or deemed to be paid or credited by the Corporation to a Non-Resident Holder will generally be subject to Canadian withholding tax at the rate of 25%, subject to any applicable reduction in the rate of such withholding under an income tax treaty between Canada and the country where the Holder is resident. For example, under the *Sweden-Canada Income Tax Convention (1996)* (the "**Treaty**"), the withholding tax rate in respect of a dividend paid to a person who is the beneficial owner of the dividend and is resident in Sweden for purposes of, and entitled to full benefits under, the Treaty, is generally reduced to 15%. Under the Canadian Tax Act, the Corporation is obliged to withhold at source the full amount of any withholding tax on a dividend paid to a Non-Resident Holder. Non-Resident Holders are urged to consult their own tax advisors to determine their entitlement to relief under an applicable income tax treaty or convention.

Disposition of Common Shares

A Non-Resident Holder will not be subject to tax under the Canadian Tax Act in respect of any capital gain realized on the disposition of Common Shares.

ELIGIBILITY FOR INVESTMENT

Subject to the provisions of any particular plan, the Common Shares, if, as and when listed on a designated stock exchange (which currently includes the TSX), will be qualified investments under the Canadian Tax Act and the Regulations for a trust governed by a registered retirement savings plan ("**RRSP**"), a registered retirement income fund ("**RRIF**"), a registered education savings plan ("**RESP**"), a registered disability savings plan ("**RDSP**"), a deferred profit sharing plan, or a tax free savings account ("**TFSA**").

Notwithstanding that the Common Shares may be qualified investments for a trust governed by an RRSP, RRIF or a TFSA at any time, the annuitant under an RRSP or RRIF or the holder of a TFSA may be subject to a penalty tax if such Common Shares are "prohibited investments" for the RRSP, RRIF or TFSA within the meaning of the Canadian Tax Act. The Common Shares will generally not be a "prohibited investment" provided that the annuitant under the RRSP or RRIF or the holder of the TFSA, as the case may be, deals at arm's length with the Corporation for purposes of the Canadian Tax Act and does not have a "significant interest" (as defined in the Canadian Tax Act) in the Corporation. Pursuant to tax proposals released on March 22, 2017, the rules in respect of "prohibited investments" are also proposed to apply to (i) RDSPs and the holders thereof and (ii) RESPs and the subscribers thereof.

Investors who intend to hold Common Shares in their TFSA, RRSP, RRIF, RDSP or RESP are urged to consult their own tax advisors regarding their particular circumstances.

CERTAIN TAX CONSIDERATIONS IN SWEDEN

Below is a summary of certain Swedish tax consequences that may arise for individuals and limited liability companies in relation to the distribution of Common Shares. The summary is based on current legislation and is intended only as general information for shareholders who are subject to unlimited tax liability in Sweden, unless otherwise stated. The analysis does not address securities held as current

assets in business operations or by a partnership. Moreover, it does not address the special rules regarding tax-free capital gains (including a non-deductible capital loss) and dividends in the corporate sector that may be applicable when a shareholder holds securities of the Corporation that are considered to be shares held for business purposes (participation exemption). Nor does it cover the special rules that may apply to holdings in companies that are or have been so-called closely-held companies or securities acquired on the basis of so-called qualified shares in closely-held companies. Furthermore, the summary does not cover shares or other securities held in a so-called investment savings account. Finally, the summary does not cover matters related to credit of foreign taxes. The tax treatment of individual shareholders depends on their particular circumstances. It is therefore recommended that shareholders consult a tax advisor for information on the specific implications that may arise in the individual case, including the applicability and effect of foreign rules and tax treaties.

Distribution of Common Shares in the Corporation

The distribution of Common Shares is intended to be effected in accordance with the Lex ASEA rules, which means that the distribution will not be subject to immediate taxation in Sweden. Instead, the tax base value of the shares in Lundin Petroleum that entitle the holder to dividend is allocated between these shares and the distributed Common Shares.

Shareholders who have unlimited tax liability in Sweden

In this case, “unlimited tax liability” refers to holders of shares or other securities who are (i) a natural person who is resident or is permanently living in Sweden or who has an essential connection with Sweden, or (ii) any legal entity registered in Sweden or whose board of directors is domiciled in Sweden if registration has not taken place.

Taxation in regards to the distribution of the Common Shares

According to a letter answer from the Swedish Tax Agency (*Skatteverket*) (the “**STA**”), the distribution of Common Shares is exempt from tax in Sweden on the basis of the so-called Lex ASEA rules. The tax base value of the shares in Lundin Petroleum that entitle the holder to distribution will be allocated between these shares and the distributed Common Shares in the Corporation. Allocation of tax is based on the change in value of the shares in Lundin Petroleum arising from the distribution of Common Shares. Lundin Petroleum will apply for general guidelines from the STA regarding allocation of the tax base value. Information from the STA’s general guidelines will be published as soon as possible on the respective website of Lundin Petroleum, the Corporation and the STA.

Taxation on the divestment of shares

Natural persons

Natural persons and estates who have unlimited tax liability in Sweden are taxed on the sale of Common Shares for any profit as income from capital at a rate of 30%. Capital gains or capital loss is calculated as the difference between the sales proceeds, after deduction of any sales expenses, and the tax base value of the divested Common Shares (acquisition cost). The tax base value comprises the acquisition price plus brokerage fees.

The average method is used when calculating the capital gains. According to this method, the tax base value of one Common Share comprises the average tax base value of all shares of the same class and type. Upon the sale of listed shares, such as Common Shares, the tax base value may alternatively be determined according to the standard method at a rate of 20% of the sales proceeds after deducting sales costs.

A capital loss on listed shares and other listed securities may be fully offset against taxable capital gains the same year on shares and other listed securities, except for shares in investment funds that only

contain Swedish receivables (fixed income funds). Capital losses on shares that cannot be offset in this way are 70% deductible against other income from capital. To the extent a capital loss cannot be offset against capital gains, a tax reduction is allowed against municipal and state income tax, as well as property tax and municipal property tax. A tax reduction is allowed at a rate of 30% of the portion of the loss that is not greater than SEK 100,000 and 21% of the remaining portion. Such a loss cannot be carried forward to future tax years.

Legal entities

For limited liability companies and other legal entities other than estates, taxable capital gains are taxed as income from business operations at a tax rate of 22%. Capital gains and losses are calculated in essentially the same manner as described above with respect to natural persons. A deduction for capital losses on shares or other securities is allowed only against taxable capital gains on such securities. If certain conditions are fulfilled, such capital losses may also be offset against capital gains in companies within the same group. Capital losses that cannot be utilized in a given year may be carried forward and deducted against taxable capital gains on shares and other securities in subsequent years without limitation in time.

Special tax rules apply to certain categories of companies, such as investment funds, investment companies and insurance companies.

Taxation of dividends

Dividends on shares are usually taxable. Natural persons and estates who have unlimited tax liability in Sweden are taxed as income from capital at a rate of 30%. For limited liability companies and other legal entities, dividends are taxed as income from business operations at a rate of 22%.

Shareholders who have limited tax liability in Sweden

Shareholders who have limited tax liability in Sweden and whose holdings are not attributable to a permanent establishment in Sweden are usually not taxed in Sweden for capital gains on the disposal of shares or subscription rights. However, shareholders may be subject to taxation in their country of residence. According to a special rule, however, natural persons with limited tax liability in Sweden may be subject to Swedish taxation upon the sale of certain foreign securities (such as shares and warrants) if at any time during the year of sale, or any of the ten (10) previous calendar years, the shareholder has been resident or lived permanently in Sweden. In order for this rule to apply, the foreign security must have been acquired at the time the shareholder was unlimited tax liable in Sweden. Applicability of this rule may be limited by tax treaties between Sweden and other countries.

SUMMARY OF SHAREHOLDER RIGHTS

This summary sets out certain differences between the rights of shareholders in the Corporation based upon current British Columbia legislation and other applicable corporate governance rules in Canada and the Corporation's current articles, as compared with the rights of shareholders generally under Swedish corporate law (in those parts applicable to public limited liability companies whose shares are subject to trading on a multilateral trading facility).

The summary is of a general nature and it is not an exhaustive review of all potentially relevant differences between Canadian and Swedish law or corporate governance requirements.

The Business of the Corporation

British Columbia

Under the BCBCA, the articles set the rules of a company's conduct and set out every restriction, if any, on (i) the business that may be carried on by the company and (ii) the powers that the company may exercise. The articles of the Corporation do not include any restrictions on the Corporation's business.

Sweden

Under the *Swedish Companies Act*, the objectives of a Swedish company must be set out in the articles of association. These objectives set out the limits within which a company can operate.

Shares

British Columbia

The shares have been issued in accordance with the BCBCA. The capital structure of the Corporation is composed of an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares, issuable in series.

Sweden

Under the *Swedish Companies Act*, a company may issue different classes of shares only if such share classes are specified in a company's articles of association. The articles shall also contain limitations on the minimum and maximum number of shares of each share class.

Voting rights

British Columbia

Under the BCBCA, every company having more than 100 shareholders must, unless the central securities register is in a form constituting in itself an index, keep an index of the names of the shareholders of the company as a part of its central securities register, and, within 14 days after the date on which an alteration is made in the central securities register, make any necessary alteration in the index. The index of shareholders must be so kept as to enable particulars with respect to every shareholder to be readily ascertained. A shareholder has one vote in respect of each share held by that shareholder and is entitled to vote in person or by proxy. A registered shareholder can either attend the meeting and vote him or herself or appoint someone else to vote his or her Common Shares (a "proxy holder"). A shareholder appoints a proxy holder to attend and act on the shareholder's behalf at a meeting of shareholders by giving the proxy holder a completed and executed form of proxy. A proxy holder is required to vote the Common Shares in accordance with the shareholder's instructions.

Under ordinary principles of property and trust law a non-registered shareholder has beneficial ownership of the shares, but a trustee, person or other legal representative, agent or other intermediary (an "intermediary") is the registered holder that holds the Common Shares on behalf of the beneficial owner. The intermediary cannot vote the Common Shares registered in its name unless it receives written voting instructions from the beneficial owner. If the beneficial owner requests and provides an intermediary with appropriate documentation, the intermediary must appoint the beneficial owner or nominee of the beneficial owner as proxy holder.

Unless the memorandum or by-laws otherwise provide, any meeting of shareholders may be held entirely by means of telephone or other communications medium, provided all shareholders and proxy holders participating in the meeting are able to communicate with each other.

Sweden

Under the *Swedish Companies Act*, all shares carry one vote unless different share classes with different voting rights are provided for in the articles of association of the company. No share may however have a voting right which exceeds ten times the voting rights of any other share.

Shareholders registered in the share register as of the record date for a general meeting are entitled to vote at such general meeting (in person or by appointing a proxy holder). Shareholders with shares registered through a nominee must request to be temporarily registered as a shareholder of record on the record date in order to participate in a general meeting. The share register is kept by Euroclear Sweden and the record date for a general meeting shall be the fifth business day prior to the date of the meeting. Shareholders must also, if provided for in the articles of association, give notice of their intention to attend a shareholder meeting.

Shareholder meetings

British Columbia

Under the BCBCA, the directors of the Corporation must call an annual meeting of shareholders not later than 18 months after the date on which it was recognized, and subsequently, at least once in each calendar year and not more than 15 months after the annual reference date for the preceding calendar year. Meetings of shareholders of a corporation shall be held in British Columbia, or may be held at a location outside British Columbia if the location for the meeting is approved by the resolution required by the articles for that purpose or approved by ordinary resolution, as applicable, or the location for the meeting is approved in writing by the registrar before the meeting is held.

The holders of at least 1/20 of the issued Common Shares may also requisition the directors to call a meeting of the shareholders for the purposes stated in the requisition, provided that the business may be transacted at a general meeting. Subject to certain exemptions, on receiving the requisition, the directors shall call a general meeting to be held not more than four months after the date on which the requisition is received. If the directors fail to send notice of a general meeting within 21 days after the date on which the requisition is received, any shareholder who signed the requisition holding more than 1/40 of the issued Common Shares may call the meeting.

Under the BCBCA, a consent resolution of shareholders is deemed to be a proceeding at a meeting of those shareholders and to be as valid and effective as if it had been passed at a meeting of shareholders.

Sweden

An annual general meeting must be held within six months from the end of each financial year at which the board of directors must present the annual report and auditor's report. Resolutions on the following matters must be passed at the annual general meeting: (i) adoption of the profit and loss account and balance sheet, (ii) allocation of the company's profit or loss as set out on the adopted balance sheet, (iii) discharge from liability for directors and the managing director and (iv) other matters to be dealt with under the *Swedish Companies Act* or the articles of association of the company.

Under the *Swedish Companies Act*, the board of directors is responsible for convening general meetings but holders of not less than 10% of all shares in the company may in writing demand that an extraordinary general meeting is convened. In such case, notice to attend the meeting shall be issued by the board within two weeks of receipt of the demand therefor. When a general meeting is not convened in the prescribed manner, the Swedish Companies Registration Office shall, following notification, convene the general meeting. General meetings shall be held in the municipality in which the board of directors holds its registered office or in another municipality in Sweden if specified in the articles of association.

The general meeting shall be opened by the chairman of the board or such person as the board has decided.

Notices

British Columbia

The Corporation must send notice of the date, time and location of a general meeting of the Corporation at least the prescribed number of days but not more than two months before the meeting to each shareholder entitled to attend the meeting.

Sweden

Under the *Swedish Companies Act*, a general meeting of shareholders must be preceded by a notice. The notice of the annual general meeting of shareholders must be given no sooner than six weeks and no later than four weeks before the date of the meeting. In general, notice of extraordinary general meetings must be given no sooner than six weeks and no later than three weeks before the meeting. The notice shall be announced in a press release, published in the Swedish Official Gazette and on the company's website. The company must also publish in a daily newspaper with nationwide circulation a short form message containing information regarding the notice and where it can be found. The notice shall include an agenda listing each item that the meeting is to resolve upon and the main content of the proposed resolutions.

Record date

British Columbia

The directors of the Corporation may set a date as the record date for any purpose, including for the purpose of determining shareholders entitled to notice of or entitled to vote at a meeting of shareholders. Under the BCBCA, the record date must not precede the date of the meeting by more than two months (or, in the case of a requisitioned meeting, four months). Under Canadian securities laws, the record date for notice of the meeting shall be no fewer than 30 days and no more than 60 days before the meeting date.

Sweden

Under the *Swedish Companies Act* the record date for a general meeting is the fifth work day (i.e., not a holiday) prior to the date of the meeting. In connection with other events such as inter alia rights issues of new shares, the record date may be determined by the board of directors within certain time frames stipulated by, inter alia, the *Swedish Companies Act*.

Issue of shares

British Columbia

Under the BCBCA:

- (1) subject to the notice of articles and the Corporation's articles, shares may be issued at the times and to the persons as the directors may determine, and for such consideration as set by a directors' resolution; and
- (2) a share must not be issued until (i) it is fully paid in money or in property or past services performed for the Corporation, and (ii) the valuation of the consideration received by the Corporation equals or exceeds, to the satisfaction of the directors, the issue price as determined by the directors.

Sweden

Under the *Swedish Companies Act*, resolutions on new share issues are as a main rule passed by the shareholders at a general meeting. A general meeting may also authorize the board of directors to issue new shares for a period no longer than until the next annual general meeting. Furthermore, the board of directors may also resolve to issue new shares without such authorization, provided that the resolution is conditioned upon the shareholders' subsequent approval at a general meeting.

New shares may be issued against payment in cash, in kind or by way of set-off. As a main rule, the shareholders have pre-emption rights to new shares issued (see the section entitled "*Pre-emption rights*", below).

When issuing new shares the limitations on maximum number of shares and share capital set out in the company's articles of association need to be adhered to, unless a general meeting decides to amend the articles of association.

Pre-emption rights

British Columbia

The articles of incorporation of the Corporation are not required to and do not contain any pre-emption rights.

Sweden

Under the *Swedish Companies Act*, shareholders have pre-emption rights ("*företrädesrätt*") to subscribe for new shares issued *pro rata* to their shareholdings as of a certain record date for the new share issue. Pre-emption rights to subscribe for new shares do not apply in respect of shares issued for consideration in kind or shares issued pursuant to convertibles or warrants previously granted by the company. The pre-emption rights to subscribe for new shares may also be set aside by a resolution passed by two thirds of the votes cast and shares represented at the general meeting resolving upon the issue. The corresponding majority threshold applies to a decision by a general meeting to authorize the board to decide upon new share issues with deviation from shareholders' pre-emption rights.

Dividends

British Columbia

Under the BCBCA, the Corporation may declare and pay a dividend in property, including in money, or by issuing shares or warrants of the Corporation. The Corporation must not declare or pay a dividend in property, including in money, if there are reasonable grounds for believing that (a) the Corporation is insolvent, or (b) the payment of the dividend would render the Corporation insolvent.

Sweden

Under the *Swedish Companies Act*, resolutions on payments of dividends must be passed at a general meeting. A resolution to pay dividends may, with some exceptions, not exceed the amount recommended by the board of directors. Dividends may only be made if, after the payment of the dividend, there is sufficient coverage for the company's restricted equity and the payment of dividends is justified, taking into consideration the equity required for the type of operations, the company's (or the group's when applicable) need for consolidation and liquidity as well as the company's (or the group's when applicable) financial position in general. The assessment shall be based on the most recently adopted balance sheet taking into consideration changes in the restricted equity which have occurred subsequent to the balance sheet date.

Each shareholder appearing in share register as of the record date for the dividend is entitled to receive the dividend distribution. Dividends are normally distributed to the shareholders through Euroclear Sweden.

Distribution of assets on liquidation

British Columbia

Under the BCBCA, the Corporation may apply to the court to supervise a voluntary liquidation. After the final accounts have been approved by the court, the liquidator will distribute any remaining assets of the Corporation, after paying or making provision for all the Corporation's liabilities, among the shareholders according to their respective rights.

Swedish

Under the *Swedish Companies Act*, a company can enter into voluntary liquidation following a resolution passed at the general meeting by a simple majority of the votes cast, unless otherwise provided in the articles of association of the company. All shares carry equal rights in a liquidation procedure unless otherwise provided for in the company's articles of association.

The *Swedish Companies Act* also stipulates that a company shall enter into compulsory liquidation procedure in a capital deficiency situation and in certain other situations.

Certain extraordinary corporate actions

British Columbia

Under the BCBCA, certain extraordinary corporate actions, such as certain amalgamations and continuations, and other extraordinary corporate actions, such as liquidations, dissolutions and arrangements, are required to be approved by special resolution. A special resolution is a resolution passed at a meeting by not less than two-thirds of the votes cast on the resolution or a resolution signed by all of the shareholders entitled to vote on that resolution. In certain cases, a special separate resolution to approve an extraordinary corporate action is also required to be approved separately by the holders of a separate class or series of shares.

Sweden

Under the *Swedish Companies Act*, a statutory merger requires a shareholder resolution passed at a general meeting. The majority requirements for a valid resolution depends on the type of companies involved, however never less than two-thirds of the votes cast and the shares represented at the meeting. A material change of the operations conducted by the company may require a change of the company's objects and purposes in the articles of association. See the section entitled "*Amendment to the articles*" below.

Restrictions on change of control

British Columbia

British Columbia law does not impose any change of control restrictions on the Corporation.

Sweden

Not applicable for Swedish companies with shares listed on a multilateral trading facility.

Mandatory takeover bids/squeeze-out rules

British Columbia

Under British Columbia law, an acquisition offer (defined as an offer made by a person or persons acting jointly or in concert to acquire shares of a company) is accepted if, within 4 months after the making of the offer, the offer is accepted regarding the shares by shareholders who, in the aggregate, hold at least 9/10 of those shares (other than shares already held at the date of the offer by the acquiring person or its affiliate). In such a case, the acquiring person may, within five months of making the offer, send written notice to any offeree who did not accept the offer, that the acquiring person wants to acquire the offeree's shares.

Where such a notice is sent to an offeree, the acquiring person is entitled and bound to acquire all the offeree's shares involved in the offer for the same price and on the same terms contained in the acquisition offer (unless the court orders otherwise) on an application made by that offeree within two months of the date of the notice.

If a notice has been sent by an acquiring person and the court has not ordered otherwise, the acquiring person must, no earlier than two months after the date of the notice, send a copy of the notice to the subject company, and pay to the subject company the amount representing the price payable by the acquiring person for the shares referred to in the notice. On receiving a copy of the notice and such consideration, the subject company must register the acquiring person as a shareholder with respect to those shares.

If the acquiring person has not sent the notice within one month after becoming entitled to do so, the acquiring person must send a written notice to each offeree stating that the offeree, within 3 months after receiving the notice, may require the acquiring person to acquire that offeree's shares involved in the acquisition offer. If an offeree requires the acquiring person to acquire the offeree's shares, the acquiring person must acquire those shares for the same price and on the same terms contained in the acquisition offer.

Every acquisition offer for shares of more than one class of shares is deemed to be a separate acquisition offer for shares of each class of shares.

Sweden

Under applicable Swedish rules regarding certain trading platforms, an obligation to launch a mandatory take-over bid applies when a party becomes the owner of 30% or more of the votes in a company with shares listed on a multilateral trading facility. A similar requirement is applicable in relation to companies with shares listed on inter alia a multilateral trading facility.

Under the *Swedish Companies Act*, a shareholder holding more than 90% of the shares in a company (majority shareholder) is entitled, on a compulsory basis, to buy-out the remaining shares of the other shareholders of the company. On the other hand, a minority shareholder is also, in such situation, entitled to compel the majority shareholder to purchase his or her shares.

Redemption provisions

British Columbia

Under the BCBCA, the Corporation may liquidate by a special resolution of the shareholders.

After giving the appropriate notice and adequately providing for the payment or discharge of all its obligations, the Corporation will distribute its remaining property, either in money or in kind, among its shareholders according to their respective rights.

Subject to the conditions in the BCBCA and the Corporation's articles, the Corporation may purchase or otherwise acquire any of its shares. The Corporation must not make a payment or provide any other consideration to purchase or otherwise acquire any of its shares if there are reasonable grounds for believing that (a) the Corporation is insolvent, or (b) making the payment would render the Corporation insolvent.

Notwithstanding this, but subject to the conditions in the BCBCA and the Corporation's articles, the Corporation may redeem, on the terms and in the manner provided in its articles, any of its shares that has a right of redemption attached to it. The Corporation must not make a payment or provide any other consideration to redeem any of its shares if there are reasonable grounds for believing that (a) the Corporation is insolvent, or (b) making the payment or providing the consideration would render the Corporation insolvent.

Sweden

Under the *Swedish Companies Act*, a company with shares listed on a multilateral trading facility is as a general rule not permitted to repurchase its own shares.

A general meeting may also resolve upon the redemption of the company's shares through which the share capital of the company will be reduced. This is a formal and complex process, which as a main rule involves also notice to the company's creditors.

Amendments to the articles

British Columbia

Under the BCBCA, any amendment to the articles generally requires approval by special resolution, which is a resolution passed by not less than two-thirds of the votes cast on the resolution or a resolution signed by all of the shareholders entitled to vote on that resolution.

Sweden

Under the *Swedish Companies Act*, an amendment of the articles of association requires a shareholder resolution at a general meeting. The majority requirement for a valid resolution depends on the type of alteration. However, not less than two-thirds of the votes cast and of the shares represented at the meeting will be required. The board of directors is not allowed to make amendments to the articles of association. Any amendment to the articles will have to be registered with the Swedish Companies Registration Office.

Directors and the board of directors

Number of directors

British Columbia

Under the BCBCA, a public company must have at least three directors. The first directors of a company hold office as directors from the recognition of the company until they cease to hold office upon expiry of term, death or resignation of the director or removal by a special resolution of the shareholders. At every annual general meeting, the shareholders entitled to vote at the annual general meeting for the election of directors must elect a board of directors consisting of the number of directors set under the Corporation's articles. All the directors cease to hold office immediately before the election or appointment of directors at the next annual general meeting, but are eligible for re-election. Under the BCBCA and the articles of the Corporation, the directors may also appoint one or more additional directors, who shall also hold office for a term expiring at the end of the next annual meeting, provided that the total number of directors so elected shall not exceed one-third of the number of directors elected at the previous annual meeting.

Sweden

Under the *Swedish Companies Act*, the board of directors in a public company shall comprise not less than three members and the chairman of the board of directors may not be the managing director of the company. At least half of the directors shall be resident within the European Economic Area, unless otherwise approved by the Swedish Companies Registration Office. The actual number of board members shall be determined by a shareholders' meeting, within the limits set out in the company's articles of association.

Nomination, appointment and removal of directors

British Columbia

Under the BCBCA, the Corporation may remove a director before the expiration of the director's term in office by a special resolution, which is a resolution passed by not less than two-thirds of the votes cast on the resolution or a resolution signed by all of the shareholders entitled to vote on that resolution. However, there are a couple of exceptions. If the shareholders holding shares of a class or series of Common Shares have the exclusive right to elect or appoint one or more directors, a director so elected or appointed may only be removed by a special separate resolution of those shareholders. In addition, the articles of the Corporation provide that the directors may remove any director before the expiration of his or her term if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director and does not promptly resign.

Sweden

Under Swedish law, the board of directors shall, except for any employee representatives, be elected by the shareholders at a general meeting, unless the articles of association provide otherwise. The members of the board of directors are usually elected for the period until the end of the first annual general meeting held after the year in which the directors were elected, unless a longer term of up to four financial years is set out in the articles of association. It is possible for a board member to be re-elected for a new term of office.

Remuneration

British Columbia

According to the articles of the Corporation, the directors are entitled to the remuneration for acting as directors, if any, as the directors may determine from time to time. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Corporation as such, who is also a director. The Corporation must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Corporation. If any director performs any professional or other services for the Corporation that in the opinion of the directors are outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Corporation's business, he or she may be paid remuneration fixed by the directors, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

Sweden

Under the *Swedish Companies Act*, the remuneration to the board of directors shall be determined by the general meeting of shareholders, specifying the amount for each director.

Powers of the board of directors

British Columbia

Subject to the BCBCA and the Corporation's articles, the directors of the Corporation must manage or supervise the management of the business and affairs of the Corporation. Directors of corporations governed by the BCBCA have fiduciary obligations to the corporation. Under the BCBCA, directors must act honestly and in good faith with a view to the best interests of the Corporation, exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances, act in accordance with the BCBCA and the regulations, and, subject to the preceding duties, act in accordance with the articles of the Corporation.

Sweden

Under the *Swedish Companies Act*, the board of directors is responsible for the organization of the company and the management of the company's affairs. The board of directors shall regularly assess the financial position of the company and ensure that the company's organization is structured in such a manner that accounting, management of funds and the company's finances in general are monitored in a satisfactory manner. Further, the board shall appoint a managing director and issue instructions to such managing director setting out the responsibilities of the board and managing director. The board shall also issue instructions in reporting obligations in order for the board to fulfill its duties.

The managing director is responsible for the day-to-day management of the company pursuant to guidelines and instructions issued by the board of directors. In addition, the managing director may, without authorization by the board of directors, take measures which, in light of the scope and nature of the company's operations, are of an unusual nature or of great significance, provided a decision by the board of directors cannot be awaited without significant prejudice to the company's operations. In such cases, the board of directors shall be notified as soon as possible of any measures taken. The managing director shall be resident within the European Economic Area, unless otherwise approved by the Swedish Companies Registration Office.

Right to indemnification

British Columbia

Under the BCBCA, the Corporation may indemnify a director or officer, a former director or officer, or another individual who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity (an "**Eligible Party**"), against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, actually and reasonably incurred by the individual in respect of a proceeding in which the individual is joined as a party or liable by reason of the Eligible Party's association with the Corporation or other entity. The Corporation must not indemnify an Eligible Party if (a) the Eligible Party did not act honestly and in good faith with a view to the best interests of the Corporation or the associated corporation; or (b) in the case of a proceeding other than a civil proceeding, the Eligible Party did not have reasonable grounds for believing that the Eligible Party's conduct in respect of which the proceeding was brought was lawful.

The BCBCA also allows the Corporation to pay the expenses actually and reasonably incurred by an Eligible Party, as they are incurred in advance of the final disposition of an eligible proceeding. The Corporation must not make such payments unless the Corporation receives a written undertaking from the Eligible Party that, if the Eligible Party does not fulfill the conditions noted in (a) and (b) above, the Eligible Party will repay the amounts advanced.

Sweden

The *Swedish Companies Act* does not contain any specific provisions requiring that the articles of association provide for indemnification of board members, officers or other persons. Instead, Swedish companies can have professional indemnity insurance in place for its board members and officers.

The annual general meeting of shareholders shall resolve on the discharge of the board of directors and managing director from liability. An action for damages on behalf of the company may be available in certain circumstances against a founder, board member, managing director, auditor or shareholder of the company. Such action may be brought if the majority, or a minority comprising owners of at least one-tenth of all shares in the company, has supported a general meeting resolution to bring an action for damages or, in the case of a director or managing director, have voted against a resolution on discharge from liability. The action for damages in favor of a company may also be conducted by owners (in their own name) of at least one-tenth of all shares.

A settlement on liability for damages for the company may be concluded only at a general meeting and only if owners of at least one-tenth of all shares in the company do not vote against the settlement proposed. However, if an action for damages is brought by a shareholder on behalf of the company, a settlement may not be reached without his or her consent.

Financial statements, auditor's reports, auditors and audit committee

British Columbia

Under the BCBCA, the directors of the Corporation must place before the shareholders at every annual general meeting: (a) comparative financial statements as prescribed, relating separately to the period that began on the date the corporation came into existence and ended not more than six months before the annual meeting or, if the corporation has completed a financial year, the period that began immediately after the end of the last completed financial year and ended not more than six months before the annual meeting, and the immediately preceding financial year; (b) any auditor's report on those financial statements; and (c) any further information respecting the financial position of the Corporation and the results of its operations required by the articles or any unanimous shareholder agreement.

A reporting issuer that is listed on the TSX is required to prepare and file on SEDAR its annual financial statements an annual MD&A, along with the report of the auditor, if any, on or before the earlier of (a) the 90th day after its financial year-end; and (b) the date of filing, in a foreign jurisdiction, its annual financial statements for the most recently completed financial year. A reporting issuer that is listed on the TSX is required to prepare and file on SEDAR its quarterly financial statements and interim MD&A on or before the earlier of (a) the 45th day after the interim period; and (b) the date of filing, in a foreign jurisdiction, its interim financial statements for the most recently completed interim period.

Under the BCBCA, a public company or financial institution must, at the first meeting held on or after each annual reference date, elect an audit committee from among their number. An audit committee must be composed of at least three directors, and a majority of the members of the committee must not be officers or employees of the company or an affiliate of the company. The primary responsibility for the Corporation's financial reporting, accounting systems and internal controls is vested in senior management and is overseen by the directors of the Corporation. The audit committee is a standing committee of the board, established to assist it in fulfilling its responsibilities in this regard. The audit committee must, in addition to or as part of any responsibilities assigned to it under the BCBCA, review and report to the directors on (a) the annual or interim financial statements of the company; and (b) the auditor's report if any, prepared in relation to those financial statements, before any of the preceding documents are published. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the audit committee to ensure that management has done so.

Sweden

Under the *Swedish Companies Act*, the annual general meeting shall adopt the balance sheet and the profit and loss statement. Further, it makes decisions in respect of the disposition of the company's profit or loss (such as payment of dividends).

The annual report, together with the auditor's report, must be presented at the annual general meeting which according to the *Swedish Companies Act* is to be held within six months after the end of the financial year.

Auditors are appointed by the general meeting of shareholders, whereby a registered accounting firm may be appointed as auditor.

Corporate governance reports and website

British Columbia

If management of a company listed on the TSX solicits a proxy from a security holder of the company for the purpose of electing directors to the company's board of directors, the company must provide corporate governance information in its management information circular (usually referred to as a proxy circular). The circular is distributed together with the notice of the relevant shareholders' meeting and is filed on SEDAR. There is no requirement to include the circular on the company's website, unless the company is relying on certain notice-and-access provisions in *National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer*, nor is there a requirement to have the circular reviewed by the company's auditors. The content of the circular is regulated by Canadian securities laws, and the circular must, among other things, include a discussion of the company's compliance with Canadian corporate governance principles.

The Corporation may include information useful to investors on its website; however, all such information must comply with relevant securities laws regarding permitted, required and restricted disclosure.

Sweden

Swedish companies with shares listed on a multilateral trading facility are not required to comply with the Swedish Corporate Governance Code. Swedish companies with shares listed on a multilateral trading facility are required to have a website on which all published information from the company to the market shall be readily available for at least 5 years. On the website, annual reports, prospectuses and other information provided for distribution to, or kept available to, shareholders shall be readily available, unless special cause exists. The website shall also include the company's articles of association and details of the current board of directors and senior management and also the name of the Certified Adviser (for companies with shares listed on Nasdaq First North).

Shareholder remedies and special audit rights

British Columbia

The most common shareholder remedies under the BCBCA are the oppression remedy, derivative actions, dissent rights and court-appointed inspections.

Oppression Remedy

A shareholder may apply to the court for an order on the ground (a) that the affairs of the company are being or have been conducted, or that the powers of the directors are being or have been exercised, in a manner oppressive to one or more of the shareholders, including the applicant, or (b) that some act of the company has been done or is threatened, or that some resolution of the shareholders has been passed

or is proposed, that is unfairly prejudicial to one or more of the shareholders, including the applicant. In this case, a “shareholder” means (a) a registered or beneficial owner of a share of the company; and (b) any other person whom the court considers to be an appropriate person to make such an application.

In connection with such an application, the court may make any interim or final order it considers appropriate, subject to the conditions in the BCBCA, including an order (a) directing or prohibiting any act; (b) regulating the conduct of the company’s affairs; (c) appointing a receiver or receiver manager; (d) directing an issue or conversion or exchange of shares; (e) appointing directors in place of or in addition to all or any of the directors then in office; (f) removing any director; (g) directing the company to purchase some or all of the shares of a shareholder and, if required, to reduce its capital in the manner specified by the court; (h) directing a shareholder to purchase some or all of the shares of any other shareholder; (i) directing the company or any other person to pay to a shareholder all or any part of the money paid by that shareholder for shares of the company; (j) varying or setting aside a transaction to which the company is a party and directing any party to the transaction to compensate any other party to the transaction; (k) varying or setting aside a resolution; (l) requiring the company, within a time specified by the court, to produce to the court or to an interested person financial statements or an accounting in any form the court may determine; (m) directing the company to compensate an aggrieved person; (n) directing correction of the registers or other records of the company; (o) directing that the company be liquidated and dissolved, and appointing one or more liquidators, with or without security; (p) directing that an investigation be made under the BCBCA; (q) requiring the trial of any issue; or (r) authorizing or directing that legal proceedings be commenced in the name of the company against any person on the terms the court directs.

Derivative Actions

A “complainant”, which includes any individual described as a “shareholder” above as well as any director of the Corporation, may, with leave of the court, prosecute a legal proceeding in the name and on behalf of the Corporation to enforce a right, duty or obligation owed to the company or to obtain damages for any breach of such right, duty or obligation. With leave of the court, a complainant may also, in the name and on behalf of the Corporation, defend a legal proceeding brought against the Corporation. In connection with such an action brought or defended, the court may grant leave where reasonable efforts have been made, notice of the application for leave has been given to the company and to any other appropriate party, the complainant is acting in good faith and it appears to the court that it is in the best interests of the Corporation. In connection with such an action brought or defended, the court may make any order it considers appropriate, including an order that a person to whom costs are paid repay to the Corporation some or all of those costs; the Corporation or any other party to the proceeding indemnify the complainant or the person controlling the conduct of the legal proceeding; or the complainant indemnify one or more of the Corporation, a director of the Corporation and an officer of the Corporation for expenses, including legal costs, that they incurred as a result of the legal proceeding.

Dissent Rights

In certain circumstances, shareholders of a BCBCA company are entitled to dissent from some fundamental action undertaken by the company and demand to be paid fair value for their shares. Examples of these circumstances include amalgamations, resolutions to authorize or ratify the sale, lease or other disposition of all or substantially all of the company’s undertaking, continuation of the company into a jurisdiction other than British Columbia or a resolution to alter the articles of the company to add, change or remove any restriction on the business or businesses that the corporation may carry on. Procedures for dissenting are complex and failure to strictly comply with the procedures may result in the loss of all dissent rights. If the procedures are followed, the dissenter’s shares must then be purchased by the corporation at fair market value. In the event that the parties cannot agree on what constitutes fair market value, either the company or the dissenter can apply to court to determine the appropriate fair market value.

Inspections

One or more shareholders who, in the aggregate, hold at least one-fifth of the issued Common Shares may apply to the court to appoint an inspector to conduct an investigation of the Corporation and determine the manner and extent of the investigation. The court may make such an order if it appears to the court that there are reasonable grounds for believing that (a) the affairs of the company are being or have been conducted, or the powers of the directors are being or have been exercised, in a manner that is oppressive or unfairly prejudicial to one or more shareholders, including the applicant, (b) the business of the company is being or has been carried on with intent to defraud any person, (c) the Corporation was formed for a fraudulent or unlawful purpose or is to be dissolved for a fraudulent or unlawful purpose, or (d) persons concerned with the formation, business or affairs of the Corporation have, in connection with it, acted fraudulently or dishonestly. The powers of the inspector will be set out in the enabling court order, such powers including the power to examine under oath any person who is or was a director, receiver, receiver manager, officer, employee, banker, auditor or agent of the Corporation or any of its affiliates in relation to the affairs, management, accounts and records of or relating to the Corporation. In addition, a person so described must, on the request of an inspector so appointed, (a) produce, for the examination of the inspector, each accounting record and each other record relating to the Corporation or any of its affiliates that is in the custody or control of that person, and give to the inspector every assistance in connection with the investigation that that person is reasonably able to give.

Sweden

Special examination

Under the *Swedish Companies Act*, a shareholder may submit a proposal for an examination through a special examiner. The proposal shall be submitted to an annual general meeting, or to any general meeting for which the matter is included in the notice to attend the general meeting. The scope of the examination shall be defined in the proposal, and may relate to the company's management and accounts during a specific period of time in the past, or certain measures or circumstances within the company. If the proposal is supported by owners of at least one-tenth of all shares, or at least one-third of the shares represented at the general meeting, the Swedish Companies Registration Office shall appoint one or more examiners. The Swedish Companies Registration Office shall give the company's board of directors the opportunity to submit its comments prior to the appointment of a special examiner. The examiner shall submit a report regarding the examination, which shall be made available to the shareholders and presented at the general meeting. Persons who are no longer shareholders, but who were included in the voting register prepared for the general meeting at which the issue of the appointment of a special examiner was addressed, shall also have the right to read the report.

Minority shareholders' auditor

A shareholder may propose that a minority shareholders' auditor shall be appointed. The proposal shall be submitted to a general meeting at which the election of auditors is to take place, or at a general meeting where the proposal is included in the notice to attend the general meeting. The Swedish Companies Registration Office shall appoint such auditor upon the request of any shareholder, if the proposal is supported by at least one-tenth of all shares in the company, or at least one-third of the shares represented at the general meeting. The company's board of directors shall be afforded the opportunity to comment prior to the appointment of an auditor. The appointment shall relate to the period of time up to and including the next annual general meeting. The auditor shall participate in the audit together with the other auditors.

Company's obligation to disclose changes in its share capital

British Columbia

The Corporation is required to file a report with the TSX within 10 days at the end of each month in which any change to the number of outstanding or reserved listed securities has occurred (including a reduction in such number that results from a cancellation or redemption of securities).

Sweden

Companies with shares listed on a multilateral trading facility are not required to disclose changes in the number of shares or votes on the last trading day of the calendar month in which the increase or decrease of shares or votes occurred.

Distribution of information to the Canadian and Swedish markets

The content and format of the disclosure obligations of Canadian reporting issuers is mandated under National Instrument 51-102 – *Continuous Disclosure Obligations* and other regulations under Canadian securities laws, as well as the regulations applicable to TSX-listed issuers. The Canadian Securities Administrators have implemented National Policy 51-201 – *Disclosure Standards* to provide guidance on best disclosure practices in order that everyone investing in securities will have equal access to information that may affect their investment decisions. Canadian securities legislation prohibits a reporting issuer from selective disclosure or informing any person or company in a special relationship with a reporting issuer, other than in the necessary course of business, of a material fact or a material change before that material information has been generally disclosed. Securities legislation also prohibits anyone in a special relationship with a reporting issuer from purchasing or selling securities of the reporting issuer with knowledge of a material fact or material change about the issuer that has not been generally disclosed.

The Corporation maintains a disclosure policy to ensure that communications to the investing public about the Corporation are timely, factual, accurate, complete, broadly disseminated and, where necessary, filed with regulators in accordance with applicable securities laws. The disclosure policy applies to all directors, officers and employees of the Corporation, including those individuals authorized to speak on behalf of the Corporation.

The Corporation will be subject to the rules on disclosure of the Nasdaq First North Nordic – Rulebook and MAR. The Corporation will be required to handle inside information in accordance with MAR and disclose inside information as soon as possible, but, if some conditions are met, the disclosure may be delayed. If the Corporation delays the disclosure of inside information, the Corporation must document when the inside information arose and when the decision to delay the disclosure was taken. The reasons for the delay must also be documented. When the inside information is later made public, the Corporation must inform the Swedish Financial Supervisory Authority (the “**SFSA**”) of the decision to delay the disclosure and, upon request by the SFSA, provide an explanation of the reasons for the delay.

Financial reports and press releases will be published on the Corporation's website at www.international-petroleum.com and by its news distributors. Financial reports and press releases are also filed under the Corporation's profile on SEDAR at www.sedar.com. The information will be in English only.

Swedish insider reporting rules

In addition to any reporting requirements under applicable Canadian laws, persons discharging managerial responsibilities in a company whose shares are subject to trading on a multilateral trading facility (or for which a request for admission to trading on a multilateral trading facility has been made), and persons closely associated to such persons, are required to report their holdings of shares and other

financial instruments to the SFSA as well as to the company (these rules will be applicable to the Corporation). Such reporting shall be made in accordance with MAR. In addition, MAR stipulates a trading ban for persons discharging managerial responsibilities in such companies during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents form part of the Company Description and are incorporated by reference:

- the Corporation's articles.

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporation at 5, chemin de la Pallanterie, 1222 Vérenaz, Switzerland, and will also be available electronically on the Corporation's website at www.international-petroleum.com and at www.sedar.com.

Unless expressly stated herein, no information in this Company Description has been examined or audited by the Corporation's auditor.

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are also available for inspection by physical means at the Corporation's office (see "Addresses"):

- the Corporation's articles of incorporation and certificate of incorporation; and
- historical financial information for the Corporation's subsidiaries for the financial years 2014, 2015 and 2016.

GLOSSARY

In this Company Description, unless otherwise indicated or the context otherwise requires, the following terms shall have the meaning set forth below:

Selected Defined Terms

"2003 Mining Act" means the current Mining Act of the Netherlands, which became effective on January 1, 2003.

"ACA Rules" means the Petroleum (Income Tax) (Accelerated Capital Allowances) (Marginal Field) Rules 2013.

"affiliate" has the meaning ascribed thereto in MI 62-104.

"allowable capital loss" means one half of any capital loss realized by a Resident Holder on a disposition of Common Shares.

"Audit Committee" means the audit committee of the Board.

"BCBCA" means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder.

"Board" means the board of directors of the Corporation.

"Brent crude" is a global market benchmark price for light sweet crude oil.

“**Canadian GAAP**” means Canadian generally accepted accounting principles which includes IFRS, and including, without limitation, the principles set forth in the CICA Handbook published by the Canadian Institute of Chartered Accountants or any successor institute.

“**Canadian Tax Act**” means the *Income Tax Act* (Canada).

“**CEO**” means Chief Executive Officer.

“**CFO**” means Chief Financial Officer.

“**CIT**” means corporation income taxation.

“**CITA 1969**” means the Corporation Income Tax Act 1969.

“**Class A Preferred Shares**” means the Class A Preferred Shares.

“**Class B Preferred Shares**” means the Class B Preferred Shares.

“**Common Shares**” means common shares of the Corporation.

“**Compensation Committee**” means the compensation committee of the Board.

“**Computershare (Canada)**” means Computershare Investor Services Inc. at its principal office located at 100 University Ave., 8th Floor, Toronto, Ontario, M5J 2Y1.

“**Computershare (Sweden)**” means Computershare AB at its principal office located at Svärdvägen 21, 182 33, Danderyd, Sweden.

“**Contribution and Transfer Agreements**” means the contribution and transfer agreements between Lundin Petroleum, the Corporation and certain affiliates, pursuant to which the Oil and Gas Assets will be transferred to the Corporation.

“**Corporate Governance Guidelines**” means the series of guidelines for effective corporate governance set forth in National Policy 58-201 — *Corporate Governance Guidelines*.

“**Corporation**” means International Petroleum Corporation, and references to the “Corporation” include the IPC Subsidiaries where the context requires.

“**CRA**” means the Canada Revenue Agency.

“**Creditable Amount**” means a notionally calculated CIT amount.

“**Credit Facility**” means a credit facility entered into by certain of the IPC Subsidiaries for the purpose of, among other things, effecting the Offer, generally on the terms set out in this Company Description.

“**Depository**” means CDS Clearing and Depository Services Inc. or its successor.

“**Discontinued Operations**” means the discontinued operations owned by the Corporation located in Indonesia, Tunisia, Cambodia and the Republic of Congo.

“**Dyas**” means Dyas Sabah BV.

“**EBN**” means Energie Beheer Nederland BV.

“**Elements**” means certain required disclosure under Swedish law.

“Eligible Party” means, in relation to indemnification under the BCBCA, a director or officer, a former director or officer, or another individual who acts or acted at the Corporation’s request as a director or officer, or an individual acting in a similar capacity, of another entity.

“Energy Agreement” means the covenant dated September 6, 2013 among around 40 Dutch private and semi-public parties on the development of renewable growth in the Netherlands.

“Engie” means Engie E&P Nederland BV.

“EQA” means the Environmental Quality Act 1974.

“ERCE” means ERC Equipoise Limited, independent petroleum consultants.

“Euroclear Sweden” means Euroclear Sweden AB, the entity which keeps the CSD register in Sweden.

“Exemption Order” means the Petroleum (Income Tax) (Exemption) Order 2013.

“Financial Statements” means the audited combined carve-out financial statements for the Oil and Gas Assets for the financial years ended December 31, 2014, 2015 and 2016.

“FPSO” means floating, production, storage and offloading.

“GHA” means gas holding area.

“Holder” means a shareholder who acquires and holds as beneficial owner Common Shares and who, for purposes of the Canadian Tax Act and at all relevant times, deals at arm’s length and is not affiliated with the Corporation, and acquires and holds the Common Shares as capital property.

“IA Regulations” means the Petroleum (Income Tax) (Investment Allowance) Regulations.

“IFRS” means the International Financial Reporting Standards.

“intermediary” means, in relation to voting rights under the BCBCA, a trustee, person or other legal representative, agent or other intermediary.

“IPC” means International Petroleum Corporation.

“IPC Subsidiaries” means each of Lundin Services Ltd., Lundin Petroleum BV, Lundin Services BV, Ikdam Production SA, Jet Arrow SA, Lundin Ventures XVII BV, Lundin Ventures XVIII BV, Lundin Ventures XIX BV, Lundin Holdings SA, Lundin International SA, Lundin Gascogne SNC, Lundin Netherlands BV, Lundin Netherlands Facilities BV, Lundin Marine BV, Lundin Marine SARL, Lundin Tunisia BV, Lundin SEA Holding BV, Lundin Malaysia BV, Lundin Cambodia BV, Lundin Rangkas BV, Lundin Gurita BV, Lundin Baronang BV and Lundin Cakalang BV, all of which will be directly or indirectly held by the Corporation upon completion of the Transfer.

“IPC Transitional PSP” means a one-time transitional performance share plan implemented by the Corporation in connection with the Spin-Off incorporating the terms described herein.

“IPC Transitional RSP” means a one-time transitional restricted share plan implemented by the Corporation incorporating the terms described herein.

“ISIN” means International Securities Identification Number.

“Lundin Petroleum” means Lundin Petroleum AB.

“**Lundin Petroleum PSP**” means the Lundin Petroleum Performance Share Plan.

“**Lundin Petroleum Unit Bonus Plan**” means the Lundin Petroleum unit bonus plan.

“**MAR**” means Regulation (EU) no 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

“**MD&A**” means management’s discussion and analysis.

“**MEA**” means Minister of Economic Affairs.

“**MISR**” means Malaysian International Ship Registry.

“**MSR**” means Malaysian Ship Registry.

“**MI 62-104**” means Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids*, as amended from time to time.

“**NAM**” means a 50-50 joint venture of Shell and Exxon/Mobil.

“**Nasdaq Listing**” means the listing of the Common Shares on Nasdaq First North.

“**Nasdaq First North**” means the multilateral trading facility Nasdaq First North operated by Nasdaq Stockholm AB.

“**NEO**” means any individual who serves as CEO, CFO or vice president in charge of a principal business unit or performs a policy-making function for the Corporation and whose individual total compensation will be more than C\$150,000 for any financial year.

“**New Tax Incentives**” means the Exemption Order, the ACA Rules, the Petroleum (Income Tax) (Marginal Field) Regulations 2013 and the IA Regulations.

“**NGT**” means Noordgastransport.

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, as amended from time to time.

“**NOGAT**” means Northern Offshore Gas Transport.

“**Non-Material Assets**” means certain non-material assets relating to the Discontinued Operations.

“**Non-Resident Holder**” means a Holder who, for the purposes of the Canadian Tax Act and any applicable tax treaty or convention and at all relevant times, is not resident or deemed to be resident in Canada and who does not use or hold (and is not deemed to use or hold) the Common Shares in connection with a business carried on in Canada.

“**Offer**” means an offer to all holders of Common Shares to purchase up to \$100 million of Common Shares (or approximately 24.4% of the Common Shares that will then be outstanding) for consideration of C\$4.77 per Common Share.

“**Offeror**” means Lundin Petroleum BV, or another subsidiary of the Corporation that is not resident in Canada.

“**Oil and Gas Assets**” means the oil and gas exploration and production properties and related assets of Lundin Petroleum located in Malaysia, France and the Netherlands.

“**ONE**” means Oranje-Nassau Energie BV.

“**OPEC**” means Organization of the Petroleum Exporting Countries.

“**PCSB**” means Petronas Carigali Sdn Bhd.

“**PDA**” means the Petroleum Development Act 1974.

“**Petco**” means Petco Trading Labuan Company Limited.

“**Petroleum Regulation**” means the Petroleum Regulation 1974 enacted pursuant to the PDA.

“**Petronas**” means Petroliam Nasional Berhad.

“**PITA**” means the *Petroleum (Income Tax Act) 1967*.

“**PPGUA**” means the Petronas Procedures and Guidelines for Upstream Activities.

“**Preferred Shares**” means preferred shares in the capital of the Corporation.

“**PSC**” means production sharing contract.

“**PSC Contractor**” means the party to a PSC.

“**PSMA**” means the Petroleum (Safety Measures) Act 1984.

“**proxy holder**” means, in relation to voting rights under the BCBCA, someone appointed by a registered shareholder to vote his or her shares.

“**RDSP**” means registered disability savings plan.

“**Record Date**” means the date for determining when shareholders of Lundin Petroleum will receive Common Shares pursuant to the Spin-Off.

“**Redemption Amount**” means a redemption price or retraction price (as applicable) of \$1.00 per share (as adjusted in accordance with the articles of the Corporation).

“**Regulations**” means the regulations under the Canadian Tax Act.

“**Reorganization**” means an internal reorganization of Lundin Petroleum pursuant to which, among other things, the Corporation became the direct or indirect owner of a number of the subsidiaries of Lundin Petroleum.

“**Reserves Report**” means a report prepared by the Corporation and audited by ERCE.

“**Resident Holder**” means a Holder who, for the purposes of the Canadian Tax Act and any applicable tax treaty or convention and at all relevant times, is or is deemed to be resident in Canada.

“**RESP**” means registered education savings plan.

“**RRIF**” means registered retirement income fund.

“**RRSP**” means registered retirement savings plan.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval.

“**SFSA**” means the Swedish Financial Supervisory Authority.

“**Spin-Off**” means the distribution of all of the Common Shares by Lundin Petroleum on a *pro rata* basis to all of its shareholders.

“**SPS**” means State Profit Share.

“**STA**” means Swedish Tax Agency.

“**Stock Option Plan**” means the Corporation’s stock option plan, which was approved by the Board on April 16, 2017.

“**taxable capital gain**” means one half of any capital gain realized by a Resident Holder on a disposition of Common Shares.

“**Tax Proposals**” means all specific proposals to amend the Canadian Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

“**TFSA**” means tax free savings account.

“**Total**” means Total E&P Nederland BV.

“**Treaty**” means the *Sweden-Canada Income Tax Convention* (1996).

“**TSX**” has the meaning given to it on the cover page of this Company Description.

“**TSX Listing**” means the listing of the Common Shares on the TSX.

“**TTF**” means the Title Transfer Facility.

“**US**” means the United States of America.

“**Vermilion**” means Vermilion Energy Inc., an oil and gas company listed on the TSX.

“**Vermilion NL**” means Vermilion Energy Netherlands BV.

“**WGT**” means Westgastransport.

Selected Defined Oil and Gas Terms

“**API**” means the American Petroleum Institute.

“**API gravity**” means the American Petroleum Institute gravity expressed in degrees in relation to liquids, which is a measure of how heavy or light a petroleum liquid is compared to water. If a petroleum liquid’s API gravity is greater than 10, it is lighter and floats on water; if less than 10, it is heavier than water and sinks. API gravity is thus a measure of the relative density of a petroleum liquid and the density of water, but it is used to compare the relative densities of petroleum liquids.

“**Best Estimate**” means the best estimate of the quantity of resources that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate.

Those resources that fall within the best estimate have a 50% confidence level that the actual quantities recovered will equal or exceed the estimate.

“COGE Handbook” means the Canadian Oil Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum.

“Cumulative Production” means the cumulative quantity of petroleum that has been recovered at a given date.

“developed non-producing reserves” are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

“developed producing reserves” are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

“developed reserves” are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

“development costs” means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, pumping equipment and wellhead assembly;
- (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly;
- (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and
- (d) provide improved recovery systems.

“Discovered Petroleum Initially-In-Place” or **“DPIIP”** means that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially-in-place includes production, reserves, and contingent resources; the remainder is categorized as unrecoverable.

“exploration costs” means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;
- (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;
- (c) dry hole contributions and bottom hole contributions;
- (d) costs of drilling and equipping exploratory wells; and
- (e) costs of drilling exploratory type stratigraphic test wells.

“forecast prices and costs” means future prices and costs that are:

- (a) generally accepted as being a reasonable outlook of the future; or
- (b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which the Corporation is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in subparagraph (a).

“gross” means:

- (a) in relation to an entity’s interest in production and reserves, its “company gross reserves”, which are such entity’s working interest (operating and non-operating) before deduction of royalties and without including any royalty interest of such entity;
- (b) in relation to wells, the total number of wells in which an entity has an interest; and
- (c) in relation to properties, the total area of properties in which an entity has an interest.

“natural gas liquids” or **“NGLs”** means those hydrocarbon components that can be recovered from natural gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and small quantities of non-hydrocarbons.

“net” means:

- (a) in relation to an entity’s interest in production and reserves, such entity’s interest (operating and non-operating) after deduction of royalties obligations, plus the entity’s royalty interest in production or reserves;
- (b) in relation to wells, the number of wells obtained by aggregating an entity’s working interest in each of its gross wells; and
- (c) in relation to the Corporation’s interest in a property, the total area in which an entity has an interest multiplied by the working interest owned by it.

“Netback” means all revenues derived from bringing one unit of oil to the marketplaces less all costs associated therewith and has been calculated by subtracting royalties and “operating costs” (as defined in the COGE Handbook).

“NI 51-101” means National Instrument 51-101 – *Standards of Disclosure for Oil Activities*.

“**51-101CP**” means Companion Policy 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

“**PDP Reserves**” means proved developed producing 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 2P 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.

“**Reserve Life Index**” or “**RLI**” is calculated by dividing year-end reserves by annual production.

“**Reserves**” are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates.

“**resource play**” refers to drilling programmes targeted at regionally distributed crude oil or natural gas accumulations; successful exploitation of these reservoirs is dependent upon technologies such as horizontal drilling and multi-stage fracture stimulation to access large rock volumes in order to produce economic quantities of oil or natural gas.

“**Total Petroleum Initially-in-Place**” means that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered.

“**undeveloped reserves**” are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

“**Unrecoverable Discovered Petroleum Initially-In-Place**” or “**Unrecoverable DPIIP**” is that portion of DPIIP quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

“**Working Interest**” or “**WI**” means the Corporation’s total working interest share before deduction of royalties and including any royalty interests.

“**2P Reserves**” means Proved plus Probable Reserves.

“**3P Reserves**” means Proved plus Probable plus Possible Reserves.

ADDRESSES

The Corporation International Petroleum Corporation
Suite 2600, Three Bentall Centre

	595 Burrard Street, P.O. Box 49314 Vancouver, BC V7X 1L3 Canada
The Corporation's statutory auditor	PricewaterhouseCoopers AG St Jakobs-Strasse 25 Postfach, CH-4002 Basel, Switzerland
Canadian legal counsel	Blake, Cassels & Graydon LLP Suite 4000, Commerce Court West 199 Bay Street Toronto, ON M5L 1A9 Canada
Swedish legal counsel	Gernandt & Danielsson Advokatbyrå KB Hamngatan 2, P.O. Box 5747 114 87 Stockholm Sweden
Central securities depositories	Euroclear Sweden AB P.O. Box 191 Klarabergsviadukten 63 Stockholm 101 23 Sweden
Transfer agent	Computershare Investor Services Inc. 100 University Ave., 8th Floor Toronto, ON M5J 2Y1 Canada
The Corporation's independent qualified reserves and resource evaluator	ERC Equipoise Ltd. 6th Floor Stephenson House 2 Cherry Orchard Road London, Croydon CR0 6BA United Kingdom
The Corporation's Certified Adviser on Nasdaq First North	Pareto Securities AB Berzelii Park 9, P.O. Box 7415 103 91 Stockholm Sweden

SCHEDULE "A"
AUDITED FINANCIAL STATEMENTS OF THE CORPORATION

(see attached)



April 17, 2017

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

We have audited the accompanying financial statements of International Petroleum Corporation, which comprise the statement of financial position as at January 31, 2017 and the statements of earnings, comprehensive income, shareholder's equity and cash flows for the period from January 13, 2017, the date of incorporation to January 31, 2017 and the related notes which comprise a summary of significant accounting policies and other explanatory information (together, the financial statements).

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of the 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 the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of International Petroleum Corporation as at January 31, 2017 and its financial performance and its cash flows for the period from January 13, 2017 to January 31, 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

PricewaterhouseCoopers AG

/s/ Steve Johnson
Steve Johnson

/s/ Colin Johnson
Colin Johnson

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INTERNATIONAL PETROLEUM CORPORATION
STATEMENT OF FINANCIAL POSITION
As at January 31, 2017

	CAD\$
Assets	
Cash	1
Total	1
Shareholder's Equity	
Common share (note 1)	1
Total shareholder's equity	1

Approved by the Board of Directors

/s/ Mike Nicholson

 Director

/s/ C. Ashley Heppenstall

 Director

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL PETROLEUM CORPORATION
STATEMENT OF EARNINGS
For the period from January 13, 2017 until January 31, 2017

	CAD\$
Revenue	—
Expenses	—
Income taxes	—
Net earnings	—

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL PETROLEUM CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
For the period from January 13, 2017 until January 31, 2017

	CAD\$
Net earnings	—
Other comprehensive income, net of income taxes	—
Comprehensive income	—

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL PETROLEUM CORPORATION
STATEMENT OF SHAREHOLDER'S EQUITY
For the period from January 13, 2017 until January 31, 2017

	CAD\$
Shareholder's Equity — Beginning of period	—
Issuance of 1 common share	1
Shareholder's Equity — End of period	1

The accompanying notes are an integral part of these financial statements

INTERNATIONAL PETROLEUM CORPORATION
STATEMENT OF CASH FLOWS
For the period from January 13, 2017 until January 31, 2017

	CAD\$
Financing activities	
Issuance of 1 common	1
Increase in cash during the period	1
Cash — Beginning of period	—
Cash — End of period	1

The accompanying notes are an integral part of these financial statements.

INTERNATIONAL PETROLEUM CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the period from January 13, 2017 until January 31, 2017

1. GENERAL INFORMATION

International Petroleum Corporation (the Corporation) was incorporated by articles of incorporation under the Canada Business Corporations Act on January 13, 2017.

The Corporation is authorized to issue an unlimited number of common shares at no par value. The common shares are voting and entitled to dividends if, as and when declared by the board of directors. On January 13, 2017, the Corporation issued one common share to Lundin Petroleum AB for cash consideration of CAD\$1.

The Company's registered office is Suite 2600, Three Bentall Centre, 595 Burrard Street, P.O. Box 49314, Vancouver, BC V7X 1L3, Canada.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICY

The financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. These financial statements were approved by the board of directors on April 17, 2017.

The following significant accounting policies were used in the preparation of the financial statements:

Share capital

Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

Cash

Cash comprises cash on hand and is stated at fair value.

3. SHARE CAPITAL

The Corporation's authorized share capital consists of common shares and an unlimited number of preference shares, issuable in series.

As at January 31, 2017 one common share was issued and outstanding. No preference shares have been issued.

4. SUBSEQUENT EVENTS

On February 21, 2017, International Petroleum Corporation filed a preliminary prospectus in connection with the acquisition of all of the oil and gas exploration and production properties and related assets of Lundin Petroleum AB located in Malaysia, France and the Netherlands in exchange for common shares of International Petroleum Corporation.

On April 7, 2017, International Petroleum Corporation issued 113,462,147 common shares to Lundin Petroleum AB for the acquisition of the assets. The Toronto Stock Exchange has conditionally approved the listing of the common shares and International Petroleum Corporation also intends to list the common shares on the Nasdaq First North exchange, Sweden. Following receipt of all necessary approvals, the common shares will be distributed by Lundin Petroleum AB with one share being distributed to Lundin Petroleum AB's shareholders for every three Lundin Petroleum AB shares held.

SCHEDULE "B"
AUDITED ANNUAL FINANCIAL STATEMENTS OF THE INTERNATIONAL OIL AND GAS BUSINESS
OF LUNDIN PETROLEUM AB

(see attached)



April 17, 2017

**Independent Auditor's Report
To the Board of Directors and Shareholders of Lundin Petroleum AB**

We have audited the accompanying special-purpose combined carve-out financial statements of the Malaysia, France and the Netherlands Oil and Gas Businesses (A Carve-Out of Lundin Petroleum AB) as described in the notes to the combined carve-out financial statements which comprise the combined balance sheets as at December 31, 2016 and December 31, 2015 and the combined statements of operations, combined statements of comprehensive income (loss), combined statements of changes in parent company net investment and combined statements of cash flows for the years ended December 31, 2016, December 31, 2015 and December 31, 2014, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the combined carve-out financial statements

Management is responsible for the preparation and fair presentation of these combined carve-out financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of combined carve-out 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 combined carve-out 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 audit to obtain reasonable assurance about whether the combined carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined carve-out 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 combined carve-out 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 combined carve-out financial statements.

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

Opinion

In our opinion, the combined carve-out financial statements present fairly, in all material respects, the financial position of Malaysia, France and the Netherlands Oil and Gas Businesses (A Carve-Out of Lundin Petroleum AB) as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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Emphasis of Matter

Without modifying our opinion, we draw attention to the fact that, as described in the “General Information” and “Summary of Significant Accounting Policies” notes to the combined carve-out financial statements, the oil and gas assets of Lundin Petroleum AB located in Malaysia, France and the Netherlands have not operated as a separate entity. These carve-out financial statements are, therefore, not necessarily indicative of results that would have occurred if the oil and gas assets of Lundin Petroleum AB located in Malaysia, France and the Netherlands had been a separate stand-alone entity during the years presented or of future results of the oil and gas assets of Lundin Petroleum AB located in Malaysia, France and the Netherlands.

PricewaterhouseCoopers AG

/s/ Steve Johnson
Steve Johnson

/s/ Colin Johnson
Colin Johnson

COMBINED STATEMENTS OF OPERATIONS (A CARVE-OUT OF LUNDIN PETROLEUM AB)

FOR THE FINANCIAL YEAR ENDED DECEMBER 31

US\$ Thousands	Note	2016	2015	2014
Revenue	1	204,598	172,094	153,485
Cost of sales				
Production costs	2	(57,795)	(41,474)	(49,913)
Depletion		(85,187)	(92,573)	(32,790)
Depreciation of other assets		(31,073)	(23,685)	–
Exploration costs		(14,443)	(37,638)	(20,396)
Impairment costs	9	(125,965)	(191,758)	–
Gross profit/(loss)	3	(109,865)	(215,034)	50,386
Other income	4	4,804	–	–
General, administration and depreciation expenses	5	(14,937)	(18,046)	(25,825)
Profit/(loss) before net financial items		(119,998)	(233,080)	24,561
Finance income	6	23,813	54,337	61,138
Finance costs	7	(3,697)	(3,826)	(3,162)
Net financial items		20,116	50,511	57,976
Profit/(loss) before tax		(99,882)	(182,569)	82,537
Income tax	8	(925)	1,004	(16,212)
Net result		(100,807)	(181,565)	66,325
Net result attributable to:				
Shareholders of the Parent Company		(100,815)	(181,571)	66,285
Non-controlling interest		8	6	40
		(100,807)	(181,565)	66,325

See accompanying notes to the combined financial statements.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS) (A CARVE-OUT OF LUNDIN PETROLEUM AB)

FOR THE FINANCIAL YEAR ENDED DECEMBER 31

US\$ Thousands	2016	2015	2014
Net result	(100,807)	(181,565)	66,325
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Currency translation difference	8,733	10,034	(21,246)
Other comprehensive income	8,733	10,034	(21,246)
Total comprehensive income/(loss)	(92,074)	(171,531)	45,079
Total comprehensive income/(loss) attributable to:			
Shareholders of the Parent Company	(92,082)	(171,537)	45,039
Non-controlling interest	8	6	40
	(92,074)	(171,531)	45,079

See accompanying notes to the combined financial statements.

COMBINED BALANCE SHEETS (A CARVE-OUT OF LUNDIN PETROLEUM AB)

AT DECEMBER 31

US\$ Thousands

ASSETS	Note	2016	2015
Non-current assets			
Producing oil and gas properties	9	304,684	382,918
Non-producing oil and gas properties	10	16,026	137,221
Other tangible fixed assets	11	152,345	186,612
Financial assets		6	5
Deferred tax assets	8	11,653	12,331
Total non-current assets		484,714	719,087
Current assets			
Inventories	14	25,067	31,005
Trade and other receivables	15	40,556	40,629
Current tax		386	3,470
Cash and cash equivalents	17	12,464	24,373
Total current assets		78,473	99,477
TOTAL ASSETS		563,187	818,564
EQUITY IN NET ASSETS AND LIABILITIES			
Shareholders' equity		392,196	592,889
Non-controlling interest		(285)	(277)
Net parent company investment		391,911	592,612
Non-current liabilities			
Provisions	18	98,474	113,661
Deferred tax liabilities	8	50,366	49,316
Total non-current liabilities		148,840	162,977
Current liabilities			
Trade and other payables	19	22,436	62,530
Current tax liabilities		–	445
Total current liabilities		22,436	62,975
TOTAL EQUITY IN NET ASSETS AND LIABILITIES		563,187	818,564

Approved by the Board of Directors

/s/ Alex Schneiter

Director

/s/ C. Ashley Heppenstall

Director

See accompanying notes to the combined financial statements.

COMBINED STATEMENTS OF CASH FLOWS (A CARVE-OUT OF LUNDIN PETROLEUM AB)

FOR THE FINANCIAL YEAR ENDED DECEMBER 31

US\$ Thousands	2016	2015	2014
Cash flow from operations			
Net result	(100,807)	(181,565)	66,325
Adjustments for non-cash related items:			
Depletion, depreciation and amortisation	117,376	117,403	33,619
Exploration costs	14,443	37,638	20,396
Impairment costs	125,965	191,758	–
Current tax	(2,203)	1,699	11,374
Deferred tax	3,129	(2,703)	4,838
Long-term incentive plans	1,728	1,015	7,357
Foreign currency exchange	(23,731)	(53,621)	(60,846)
Interest expense	8	19	88
Other	3,559	3,112	2,698
	<u>139,467</u>	<u>114,755</u>	<u>85,849</u>
Long-term incentive plans	(783)	(740)	(31,044)
Interest received	2	62	227
Interest paid	0	(4)	(88)
Income taxes (paid)/refunded	2,173	(3,044)	(9,412)
Changes in working capital	3,639	(44,252)	51,727
Total cash flow from operating activities	144,498	66,777	97,259
Cash flow used in investing activities			
Investment in oil and gas properties	(34,136)	(177,055)	(214,345)
Investment in other fixed assets	–	(31,122)	(121,182)
Investment in other shares and participations	–	–	9,274
Other payments	(9,710)	(2,976)	(695)
Total cash flow used in investing activities	(43,846)	(211,153)	(326,948)
Cash flow from financing activities			
Parent Company net investment/(proceeds)	(109,142)	134,893	231,210
Dividend paid to non-controlling interest	–	–	(117)
Total cash flow from financing activities	(109,142)	134,893	231,093
Change in cash and cash equivalents	(8,490)	(9,483)	1,404
Cash and cash equivalents at the beginning of the year	24,373	25,108	8,678
Currency exchange difference in cash and cash equivalents	(3,419)	8,748	15,026
Cash and cash equivalents at the end of the year	12,464	24,373	25,108

See accompanying notes to the combined financial statements.

The effects of currency exchange differences due to the translation of foreign inter companies have also been excluded as these effects do not affect the cash flow. Cash and cash equivalents comprise cash at hand or held in bank accounts.

COMBINED STATEMENTS OF CHANGES IN PARENT COMPANY NET INVESTMENT (A CARVE-OUT OF LUNDIN PETROLEUM AB)

US\$ Thousands

	2016	2015	2014
Balance at January 1	592,612	628,984	379,564
Net income attributable to the Shareholders of the Parent Company	(100,815)	(181,571)	66,285
Parent Company net investment/(proceeds)	(109,142)	134,893	231,210
Items that may be reclassified to profit or loss:			
Incentive warrants	514	266	84
Currency translation difference	8,734	10,034	(21,246)
	9,248	10,300	(21,162)
Distributions	–	–	(26,953)
Non-controlling interest change in equity in net assets	8	6	40
Balance at December 31	391,911	592,612	628,984

See accompanying notes to the combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

GENERAL INFORMATION

The purpose of these combined financial statements is to present the combined results for each of the three years in the period ended December 31, 2016 and the financial position as at December 31, 2016 and December 31, 2015 of the operating entities containing the French, Dutch and Malaysian operations of Lundin Petroleum AB.

Description of the Business

These combined financial statements comprise the oil and gas assets of Lundin Petroleum AB located in France, the Netherlands and Malaysia, which operate within its subsidiaries or subsidiaries of Lundin Group and are herein referred to as the Company.

The Company's business includes oil and gas exploration, development and production activities either operated by the Company or by third parties (non-operated).

"Lundin, Lundin Group or Lundin Petroleum" means Lundin Petroleum AB and its affiliates.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements are a carve-out of the combined historical financial position, results of operations and cash flows of the following legal Lundin Petroleum AB entities:

- Lundin Services Limited, a wholly-owned subsidiary of Lundin Petroleum AB
- Lundin Netherlands BV, an indirect wholly-owned subsidiary of Lundin Petroleum AB
- Lundin Netherlands Facilities BV, an indirect wholly-owned subsidiary of Lundin Petroleum AB
- Lundin Holdings SA, an indirect wholly-owned subsidiary of Lundin Petroleum AB
- Lundin International SA, an indirect 99.87% owned subsidiary of Lundin Petroleum AB
- Lundin Gascogne SNC, an indirect wholly-owned subsidiary of Lundin Petroleum AB
- Lundin Malaysia BV, an indirect wholly-owned subsidiary of Lundin Petroleum AB.

In addition, the activities of Lundin Petroleum BV which relate to the Malaysia, France and the Netherlands oil and gas businesses of Lundin Petroleum AB have been included in these financial statements to the extent separately identifiable.

For the periods covered by the combined financial statements, the business was captured in a number of legal entities, some of which hosted other Lundin businesses which are not included in these financial statements.

Lundin expects to transfer the business to International Petroleum Corporation, a newly formed Canadian company wholly owned by Lundin Petroleum AB, in conjunction with International Petroleum Corporation's listing of securities in Canada and Sweden.

The historical combined financial information has been prepared in accordance with this basis of preparation, applying International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and related interpretations.

IFRS 1 has been applied in preparing these financial statements as it is the first time that the entity applies IFRS on a stand alone basis. These historical combined financial statements have been derived from the Lundin Group accounting records which are prepared in accordance with IFRS. Although it is the first time that separate financial statements have been prepared for the Company, additional IFRS 1 disclosures (including the opening balance sheet) and the various reconciliations are not deemed to be material or meaningful to these financial statements given the fact that there are no other IFRS

adjustments, exceptions or exemptions being applied on transition for purposes of these financial statements.

The historical combined financial information for the Company is presented in United States Dollars (US\$) millions. It has been prepared on a historical cost basis, except for items that are required to be accounted for at fair value. Intercompany transactions and balances have been eliminated.

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 has been extracted from Lundin's financial information the following has to be considered:

- In the past the business did not form a separate legal Company. Therefore it is not possible to provide an analysis of share capital and reserves. The Company'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. The net assets of the Company are represented by the cumulative investment of Lundin in the business (presented as "net parent company investment")

- All funding of the Company has historically come from Lundin. Funding costs of Lundin are not allocated to the operations and have therefore not been reflected in the combined income statement or combined balance sheet. In essence, funding is presented as financing from Lundin in the combined statement of changes in invested capital.

The Company's operations are expected to be funded for at least the next twelve months and therefore the financial statements have been prepared on a going concern basis.

Earnings per Share

As the financial information has been prepared on a combined basis, it is not possible to measure earnings per share. Accordingly, the requirement of IAS 33 'Earnings per share' to disclose earnings per share does not form part of these financial statements.

Accounting standards, amendments and interpretations

As from 1 January 2014, the Company has applied the following accounting standards:

IFRS 10 Consolidated financial statements, IFRS 11 Joint arrangements, IFRS 12 Disclosures of interests in other entities and IFRS 13 Fair value measurement

IFRS 10, "Consolidated financial statements" The objective of the standard is to build on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the combined financial statements.

IFRS 11, "Joint arrangements" The standard is focusing on the rights and obligations of the joint arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest.

IFRS 12, "Disclosures of interests in other entities" The standard introduced a range of new and expanded disclosure requirements. These require the disclosure of significant judgements and assumptions made by management in determining whether there is joint control and if there is a joint venture, a joint operation or another form of interest.

The Company has not adopted the following standards and interpretations that are not yet mandatory:

IFRS 9 "Financial instruments" The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. Effective from 1 January 2018.

IFRS 15 "Revenue from contract with customers" The standard addresses revenue recognition and establishes principles for reporting useful information to users of financial statements. Effective from 1 January 2018.

IFRS 16 "Leases" This standard will replace IAS 17 "Leases" and requires assets and liabilities arising from all leases, with some exceptions, to be recognized on the balance sheet. Effective from 1 January 2019.

The Company is yet to assess the full impact of these standards.

There were no significant changes in accounting policies or standards applied by the Company during the years covered by these combined financial statements.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has the sole right to exercise control over the operations and govern the financial policies generally accompanying a shareholding of more than half of the voting rights.

The non-controlling interest in a subsidiary represents the portion of the subsidiary not owned by the Company. 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 company companies are eliminated. Profits and losses resulting from intercompany transactions that are recognized in assets are also eliminated.

Joint arrangements

Oil and gas operations of the Company are conducted as co-licences in unincorporated joint ventures with other companies and are classified as joint operations. The combined financial statements reflect the relevant proportions of production, capital costs, operating costs and current assets and liabilities of the joint operation applicable to the Company's interests.

Investments

Investments where the company does not have any significant influence are treated as available for sale financial assets. If the value of these assets has declined for a long period, the cumulative loss is removed from equity and an impairment charge is recognized in the income statement. Dividends received attributable to these assets are recognized in the income statement as part of net financial items.

Foreign currencies

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 Company's operational entities are Euro and the US dollar. The combined financial statements are presented in US Dollars which is the Company's presentation currency, due to the Company's primary listing in North America.

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 income statement. 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 income statement.

Presentation currency

The balance sheets and income statements of foreign companies are translated for combination purposes 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.

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

	2016	2016	2015	2015	2014	2014
	Average	Period end	Average	Period end	Average	Period end
1 EUR equals US\$	1.1066	1.0541	1.1096	1.0887	1.3288	1.2141

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.

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 Company'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.

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 Company 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.

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.

Financial assets and liabilities

Assets and liabilities are recognized initially at fair value plus transaction costs and subsequently measured at amortised cost unless stated otherwise. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and substantially all risks and rewards of ownership have been transferred.

The following financial instruments are recognized:

- » 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.
- » Investments (available for sale financial assets) are valued at fair value and any change in fair value is recorded directly in the fair value reserve within other comprehensive income until realized. Where investments do not have a quoted market price in an active market and whose fair value cannot be measured reliably, they are accounted for at cost less impairment if applicable. A gain or a loss on available for sale financial assets shall be recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses until the financial asset is derecognized.

The Company has no derivative instruments in respect of its operations.

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.

Cash and cash equivalents

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

Provisions

A provision is reported when the Company 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.

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.

Other operating revenue

The Company recognizes revenue from the FPSO in other operating revenue as earned from third party participants in the Bertam field, Malaysia.

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 Company pays fixed contributions. The Company 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

Cash-settled share-based payments are recognized in the income statement as expenses during the vesting period and as a liability in relation to the long-term incentive plan. The liability is measured at fair value and revalued using the Black-Scholes option-pricing model at each balance sheet date and at the date of settlement, with any change in fair value recognized in the income statement for the period. 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 options pricing model and is charged to the income statement over the vesting period without revaluation of the value of the option.

Income taxes

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 matched.

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 Company 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.

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.

Critical accounting estimates and judgements

The management of Lundin has to make estimates and judgements when preparing the financial statements. Uncertainties in the estimates and judgements could have an impact on the carrying amount of assets and liabilities and the financial result. The most important estimates and judgements in relation thereto are:

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.

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.

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 Company uses its best estimates and judgement, actual results could differ from these estimates.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 1 – REVENUE

US\$ Thousands	2016	2015	2014
Crude oil	165,752	121,842	96,887
NGLs	447	557	1,410
Gas	15,248	24,063	33,747
Net sales of oil and gas	181,447	146,462	132,044
Change in under/over lift position	217	(353)	(1,045)
Other operating revenue	22,934	25,985	22,486
Revenue	204,598	172,094	153,485

Oil and gas revenues are derived from various external customers. There were no intercompany sales or purchases in the year or in the previous years, and therefore there are no reconciling items towards the amounts stated in the income statement.

Other operating revenue included third party FPSO lease income in Malaysia, service income for services provided by Lundin Petroleum BV to Malaysia and to the Norwegian operations of Lundin Petroleum AB and pipeline tariff income from France and the Netherlands. The FPSO lease income amounted to US\$ 15,555 thousand in 2016, US\$ 11,285 thousand in 2015 and US\$ nil in 2014 and service income amounted to US\$ 4,471 thousand in 2016, US\$ 11,412 thousand in 2015 and US\$ 18,585 thousand in 2014.

NOTE 2 – PRODUCTION COSTS

US\$ Thousands	2016	2015	2014
Cost of operations	(51,546)	(43,557)	(41,489)
Tariff and transportation expenses	(3,943)	(4,219)	(5,638)
Direct production taxes	(3,300)	(3,474)	(3,585)
Inventory movement	994	9,776	799
Total production costs	(57,795)	(41,474)	(49,913)

NOTE 3 – SEGMENT INFORMATION

The Company operates within several geographical areas. Operating segments are reported at country level which is consistent with the internal reporting provided to Company Management.

The following tables present segment information regarding; revenue, production costs, exploration costs, impairment costs of oil and gas properties, gross profit and certain asset and liability information. In addition segment information is reported in Notes 9 and 10.

Within each segment, revenues from transactions with a single external customer amount to ten percent or more of revenue for that segment. The Parent Company is included in Other in the table below.

US\$ Thousands	2016	2015	2014
France			
Crude oil	39,887	50,576	96,785
Net sales of oil and gas	39,887	50,576	96,785
Change in under/over lift position	391	(186)	(545)
Other operating revenue	1,187	1,466	1,693
Revenue	41,465	51,856	97,933
Production costs	(20,507)	(25,132)	(33,088)
Depletion	(14,380)	(15,473)	(16,892)
Exploration costs	(51)	(628)	(4,572)

Gross profit/(loss)	6,527	10,623	43,381
Netherlands			
Crude oil	41	58	102
NGLs	447	557	1,410
Gas	15,248	24,063	33,747
Net sales of oil and gas	15,736	24,678	35,259
Change in under/over lift position	(174)	(167)	(500)
Other operating revenue	1,722	1,822	2,208
Revenue	17,284	26,333	36,967
Production costs	(9,947)	(11,945)	(16,825)
Depletion	(9,721)	(10,701)	(15,898)
Exploration costs	(1,339)	(730)	(1,400)
Gross profit/(loss)	(3,723)	2,957	2,844
Malaysia			
Crude oil	125,823	71,208	–
Net sales of oil and gas	125,823	71,208	–
Other operating revenue	15,555	11,285	–
Revenue	141,378	82,493	–
Production costs	(27,341)	(4,397)	–
Depletion	(61,086)	(66,399)	–
Depreciation of other assets	(31,073)	(23,685)	–
Exploration costs	(13,053)	(36,280)	(14,424)
Impairment	(125,965)	(191,758)	–
Gross profit/(loss)	(117,140)	(240,026)	(14,424)
Other			
Other operating revenue	4,471	11,412	18,585
Revenue	4,471	11,412	18,585
Gross profit/(loss)	4,471	11,412	18,585
Total			
Crude oil	165,752	121,842	96,887
NGLs	447	557	1,410
Gas	15,248	24,063	33,747
Net sales of oil and gas	181,447	146,462	132,044
Change in under/over lift position	217	(353)	(1,045)
Other operating revenue	22,934	25,985	22,486
Revenue	204,598	172,094	153,485
Production costs	(57,795)	(41,474)	(49,913)
Depletion	(85,187)	(92,573)	(32,790)
Depreciation of other assets	(31,073)	(23,685)	–
Exploration costs	(14,443)	(37,638)	(20,396)
Impairment	(125,965)	(191,758)	–
Gross profit/(loss)	(109,865)	(215,034)	50,386

US\$ Thousands	Assets		Equity and Liabilities	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
France	197,399	208,048	81,720	82,035
Netherlands	25,073	37,644	44,719	50,481
Malaysia	305,654	530,648	32,904	87,881
Corporate	35,061	42,224	11,933	5,555
Assets/liabilities per country	563,187	818,564	171,276	225,952
Shareholders' equity	N/A	N/A	392,196	592,889
Non-controlling interest	N/A	N/A	(285)	(277)
Total parent Company net investment	N/A	N/A	391,911	592,612
Total	563,187	818,564	563,187	818,564

NOTE 4 – OTHER INCOME

US\$ Thousands	2016	2015	2014
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.

NOTE 5 – GENERAL, ADMINISTRATION AND DEPRECIATION EXPENSES

US\$ Thousands	2016	2015	2014
Management fees	(12,540)	(17,308)	(17,978)
Personnel costs	(27,064)	(33,656)	(43,671)
Other general and administration expenses	(8,734)	(8,921)	(7,636)
Depreciation	(1,115)	(1,146)	(829)
Expenses capitalized as producing and non-producing assets or expensed as production costs	34,516	42,985	44,289
	(14,937)	(18,046)	(25,825)

The management fee is charged from Lundin Petroleum for services provided.

NOTE 6 – FINANCE INCOME

US\$ Thousands	2016	2015	2014
Interest income	2	62	227
Foreign exchange gain, net	23,731	53,621	60,846
Other financial income	80	654	65
	23,813	54,337	61,138

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 Company has USD denominated intercompany debt recorded in subsidiaries using a functional currency other than USD.

NOTE 7 – FINANCE COSTS

US\$ Thousands	2016	2015	2014
Interest expenses	(8)	(19)	(88)
Unwinding of asset retirement obligation discount	(3,571)	(3,174)	(2,985)
Other financial costs	(118)	(633)	(89)
	(3,697)	(3,826)	(3,162)

NOTE 8 – INCOME TAXES

US\$ Thousands	2016	2015	2014
Current tax			
France	–	–	(8,929)
Netherlands ⁽¹⁾	2,209	(1,686)	(2,445)
Malaysia	(6)	(13)	–
Total current tax	2,203	(1,699)	(11,374)
Deferred tax			
France	(2,841)	(3,102)	(5,927)
Netherlands	99	(6,430)	(8,142)
Malaysia	(386)	12,235	9,231
Total deferred tax	(3,128)	2,703	(4,838)
Total tax	(925)	1,004	(16,212)

⁽¹⁾ Relates to special petroleum tax in the Netherlands

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

US\$ Thousands	2016	2015	2014
Profit/(loss) before tax	(99,882)	(182,569)	82,537
Tax calculated at the corporate tax rate in Netherlands 25%	24,971	45,642	(20,634)
Effect of foreign tax rates	16	(148)	(4,187)
Tax effect of expenses non-deductible for tax purposes	(29,059)	(36,432)	(3,980)
Tax effect of uplift on expenses	1,081	(1,254)	(1,591)
Tax effect of income not subject to tax	8,436	21,731	13,131
Tax effect of utilisation of unrecorded tax losses	–	–	2,727
Tax effect of creation of unrecorded tax losses	(7,362)	(28,173)	–
Adjustments to prior year tax assessments	992	(362)	(1,678)
Tax credit/(charge)	(925)	1,004	(16,212)

Specification of deferred tax assets and tax liabilities ¹	Dec 31, 2016	Dec 31, 2015
US\$ Thousands		
Unused tax loss carry forwards	1,855	1,832
Asset retirement obligation provision	2,029	1,775
Other	944	719
Deferred tax assets	4,828	4,326
Accelerated allowances	43,230	40,384
Other	311	927
Deferred tax liabilities	43,541	41,311
Provision for deferred tax, net	38,713	36,985

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 Company has Dutch tax loss carry forwards of approximately US\$ 210,611 thousand (US\$ 195,768 thousand in 2015). The tax losses can be carried forward and utilised for up to 9 years. A deferred tax asset of US\$ 52,652 thousand (US\$ 48,000 thousand in 2015) relating to the tax loss carry forwards has not been recognized as at 31 December 2016 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.

NOTE 9 – PRODUCING OIL AND GAS PROPERTIES

2016 Producing assets	France	Netherlands	Malaysia	Total
US\$ Thousands				
Cost				
January 1	312,652	126,368	410,259	849,279
Additions	2,796	2,547	15,186	20,529
Change in estimates ¹	795	(3,965)	(4,091)	(7,261)
Reclassifications	–	–	517	517
Currency translation difference	(10,005)	(3,988)	68	(13,925)
December 31	306,238	120,962	421,939	849,139
Accumulated depletion				
January 1	(132,596)	(101,497)	(232,269)	(466,362)
Depletion charge for the period	(14,380)	(9,721)	(61,086)	(85,187)
Write off	–	(1,339)	–	(1,339)
Currency translation difference	4,831	3,602	–	8,433
December 31	(142,145)	(108,955)	(293,355)	(544,455)
Net book value				
December 31, 2016	164,093	12,007	128,584	304,684

2015 Producing assets	France	Netherlands	Malaysia	Total
US\$ Thousands				
Cost				
January 1	332,844	132,931	–	465,775
Additions	16,873	2,696	130,071	149,640
Change in estimates ¹	(2,575)	4,038	11,941	13,404
Reclassifications	–	–	268,248	268,248
Currency translation difference	(34,490)	(13,297)	–	(47,787)
December 31	312,652	126,368	410,260	849,280
Accumulated depletion				
January 1	(130,740)	(100,548)	–	(231,288)
Depletion charge for the period	(15,473)	(10,701)	(66,370)	(92,573)
Write off	30	(357)	–	(327)
Impairment	–	–	(165,870)	(165,870)
Currency translation difference	13,586	10,110	–	23,696
December 31	(132,597)	(101,496)	(232,270)	(466,362)
Net book value				
December 31, 2015	180,055	24,872	177,990	382,918

¹ Changes in the decommissioning estimate

In 2015 and 2016, the reclassification from Non-production cost pools to Production cost pools mainly related to the Bertam field, Malaysia, which commenced production in April 2015.

Impairment

Due to continuing low oil and gas prices, the Company carried out its impairment testing at 31 December 2016 on an asset basis in conjunction with the annual reserves audit process. The Company used an oil price curve based on year end price forecasts, a future cost inflation factor of 2% (2015: 2%) per annum and a discount rate of 8% (2015: 8%) to calculate the future post-tax cash flows. In 2016, 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.

As a result of the impairment testing performed in 2015, the carrying value of the Bertam asset, Malaysia was impaired by a pre-tax amount of US\$ 165,870 thousand at December 31, 2015.

In addition, inventory well supplies in Malaysia was impaired for an amount of US\$ 3,705 thousand in 2016.

NOTE 10 – NON-PRODUCING OIL AND GAS PROPERTIES

2016 Non-producing assets	France	Netherlands	Malaysia	Total
US\$ Thousands				
January 1	6,941	6,676	123,604	137,221
Additions	283	673	14,188	15,144
Reclassifications	–	–	(517)	(517)
Expensed exploration costs	(51)	–	(13,053)	(13,104)
Impairment	–	–	(122,259)	(122,259)
Currency translation difference	(230)	(244)	15	(459)
December 31, 2016	6,943	7,105	1,978	16,026

2015 Non-producing assets	France	Netherlands	Malaysia	Total
US\$ Thousands				
January 1	7,988	6,192	428,365	442,545
Additions	432	1,518	25,464	27,414
Reclassifications	–	–	(268,248)	(268,248)
Expensed exploration costs	(658)	(373)	(36,279)	(37,310)
Impairment	–	–	(25,889)	(25,889)
Currency translation difference	(821)	(661)	191	(1,291)
December 31, 2015	6,941	6,676	123,604	137,221

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 US\$ 122,259 thousand of expenditure relating to Malaysian exploration and appraisal activity in 2016. In 2015, the Company impaired US\$ 25,889 thousand in relation to Malaysian exploration Blocks PM308A, PM308B and PM319 due to a lack of prospectivity.

Exploration expenditure commitments

The Group participates in joint ventures with third parties in oil and gas exploration activities. The Group is contractually committed under various concession agreements to complete certain exploration programmes. The commitments as at 31 December 2016 are estimated to be US\$ nil (US\$ 5,200 thousand in 2015) of which third parties who are joint venture partners will contribute approximately US\$ nil (US\$ 2,600 thousand in 2015).

NOTE 11 – OTHER TANGIBLE ASSETS

US\$ Thousands	2016		
	FPSO	Other	Total
Cost			
January 1	207,183	9,276	216,459
Additions	(1,721)	183	(1,538)
Disposals	–	(40)	(40)
Reclassification	–	–	–
Currency translation difference	(504)	(134)	(638)
December 31	204,958	9,285	214,243
Accumulated depreciation			
January 1	(23,685)	(6,162)	(29,847)
Disposals	–	40	40
Depreciation charge for the year	(31,073)	(1,115)	(32,188)
Reclassification	–	–	–
Currency translation difference	–	97	97
December 31	(54,758)	(7,140)	(61,898)
Net book value			
December 31, 2016	150,200	2,145	152,345

US\$ Thousands	2015		
	FPSO	Other	Total
Cost			
January 1	178,909	3,392	182,301
Additions	30,782	305	31,087
Disposals	–	(462)	(462)
Reclassification	–	6,536	6,536
Currency translation difference	(2,508)	(495)	(3,003)
December 31	207,183	9,276	216,459
Accumulated depreciation			
January 1	–	692	692
Disposals	–	455	455
Depreciation charge for the year	(23,685)	(1,145)	(24,830)
Reclassification	–	(6,501)	(6,501)
Currency translation difference	–	337	337
December 31	(23,685)	(6,162)	(29,847)
Net book value			
December 31, 2015	183,498	3,114	186,612

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.

NOTE 12 – 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, 2016	Total	Loans receivables and other receivables at amortised cost	Financial assets at amortised costs	Assets at fair value within OCI	Fair value recognized in profit or loss
US\$ Thousands					
Financial assets					
Other non-current financial assets	5	-	5	-	-
Joint operation debtors	2,719	2,719	-	-	-
Other current receivables*	33,683	32,173	-	-	1,509
Cash and cash equivalents	12,464	12,464	-	-	-
	48,871	47,356	5	-	1,509

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

December 31, 2016	Total	Other liabilities at amortised cost	Financial liabilities valued at amortised cost	Fair value recognized in profit or loss
US\$ Thousands				
Financial liabilities				
Joint operation creditors	14,154	14,154	-	-
Other current liabilities	4,603	4,603	-	-
	18,757	18,757	-	-

December 31, 2015	Total	Loans receivables and other receivables at amortised cost	Financial assets at amortised costs	Assets at fair value within OCI	Fair value recognized in profit or loss
US\$ Thousands					
Financial assets					
Other non-current financial assets	5	-	5	-	-
Joint operation debtors	23,439	23,439	-	-	-
Other current receivables*	21,010	19,800	-	-	1,210
Cash and cash equivalents	24,373	24,373	-	-	-
	68,827	67,613	5	-	1,210

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

December 31, 2015	Total	Other liabilities at amortised cost	Financial liabilities valued at amortised cost	Fair value recognized in profit or loss
US\$ Thousands				
Financial liabilities				
Joint operation creditors	50,425	50,425	-	-
Other current liabilities	6,149	6,149	-	-
	56,574	56,574	-	-

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

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, 2016	Level 1	Level 2	Level 3
US\$ Thousands			
Financial assets			
Other current liabilities	–	–	1,509
	–	–	1,509

December 31, 2015	Level 1	Level 2	Level 3
US\$ Thousands			
Financial assets			
Other current liabilities	–	–	1,210
	–	–	1,210

NOTE 13 – FINANCIAL RISKS, SENSITIVITY ANALYSIS AND DERIVATIVE INSTRUMENTS

As an international oil and gas exploration and production company operating globally, the Company is exposed to financial risks such as currency risk, interest rate risk, credit risks, liquidity risks as well as the risk related to the fluctuation in the oil price. The Company seeks to control these risks through sound management practice and the use of internationally accepted financial instruments, such as oil price, interest rate and foreign exchange hedges. The Company uses financial instruments solely for the purpose of minimising risks in the Company's business.

Capital management

The objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to meet its committed work program requirements in order to create shareholder value. The Company 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, 2016, or in the comparative periods.

The Company does not have any bank loans as at the end of the year 2016 or 2015.

Interest rate risk

Interest rate risk is the risk to the earnings due to uncertain future interest rates.

As the Company had no debt during the reporting period it was not exposed to interest rate risk and therefore had no need to consider hedging the interest rate.

Transaction exposure

The Company's policy on currency rate hedging is, in case of currency exposure, to consider setting the rate of exchange for known costs in non-US Dollar currencies to US Dollars in advance so that future US Dollar cost levels can be forecasted with a reasonable degree of certainty. The Company will take into account the current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge.

Translation exposure

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 Company's subsidiaries from functional currency to the presentation currency US Dollar for the year ended at December 31, 2016.

Shift of currency exchange rates	Average rate 2016	US\$ weakening 10%	US\$ strengthening 10%
Operating profit in the financial statements (US\$ Thousands)		(124,801)	(124,801)
US\$/EUR	0.9037	0.8215	0.9940
Total effect on operating profit (US\$ Thousands)		(531)	531

The foreign currency risk to the Company's income and equity from conversion exposure is not hedged.

Price of oil and gas

Price of oil and gas is 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 Company's financial position.

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, 2016:

Possible shift (%)	(10%)	10%
Net income in the financial statements (US\$ Thousands)	(100,807)	(100,807)
Possible shift (%)	(10%)	10%
Total effect on net income (US\$ Thousands)	(12,260)	12,260

Based on analysis of the circumstances, the Company 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, 2016, 2015 and 2014, the Company did not enter into any oil price hedging contracts in relation to the French, Dutch or Malaysian businesses.

Credit risk

The Company's policy is to limit credit risk by limiting the counter-parties 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, 2016, the trade receivables amounted to US\$29,299 thousand and there is no recent history of default. Cash and cash equivalents are maintained with banks having strong long-term credit ratings.

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. Company treasury is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks and related processes and policies are overseen by management.

NOTE 14 – INVENTORIES

US\$ Thousands	Dec 31, 2016	Dec 31, 2015
Hydrocarbon inventories in tanks	13,670	12,870
Drilling equipment and consumable materials	11,397	18,135
	25,067	31,005

NOTE 15 – TRADE AND OTHER RECEIVABLES

US\$ Thousands	Dec 31, 2016	Dec 31, 2015
Trade receivables	29,299	13,772
Underlift	1,509	1,210
Joint operations debtors	2,719	23,439
Prepaid expenses and accrued income	6,049	859
Other	980	1,349
	40,556	40,629

The trade receivables relate mainly to hydrocarbon sales to a limited number of independent customers with payment terms of 30 days and from whom there is no recent history of default. The trade receivables balance is current and the provision for bad debt is nil.

NOTE 16 – PREPAID EXPENSES AND ACCRUED INCOME

US\$ Thousands	Dec 31, 2016	Dec 31, 2015
Prepaid rent	512	555
Prepaid insurance	149	192
Accrued income	5,388	112
	6,049	859

The accrued income in 2016 included an amount of US\$ 4,804 thousand relating to a final settlement of a 2007 legal dispute in France. This amount was received in full in January 2017.

NOTE 17 – CASH AND CASH EQUIVALENTS

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

NOTE 18 – PROVISIONS

December 31, 2016	Asset retirement obligation	LTIP	Farm in Obligation	Other	Total
US\$ Thousands					
January 1	106,721	706	4,602	1,632	113,661
Additions	-	904	-	87	991
Unwinding of asset retirement obligation discount	3,571	-	-	-	3,571
Payments	(9,710)	(783)	-	-	(10,493)
Changes in estimates	(7,261)	-	557	-	(6,704)
Reclassification	-	-	-	-	-
Currency translation difference	(2,327)	(16)	(137)	(72)	(2,552)
December 31	90,994	811	5,022	1,647	98,474

Non current	90,994	811	5,022	1,647	98,474
Current	-	-	-	-	-
Total	90,994	811	5,022	1,647	98,474

December 31, 2015	Asset retirement obligation	LTIP	Farm in Obligation	Other	Total
US\$ Thousands					
January 1	101,043	732	51,355	1,610	154,740
Additions	-	751	-	196	947
Unwinding of asset retirement obligation discount	3,174	-	-	-	3,174
Payments	(2,976)	(740)	(34,847)	-	(38,563)
Changes in estimates	13,405	-	(9,021)	-	4,384
Reclassification	-	-	-	-	-
Currency translation difference	(7,925)	(37)	(2,885)	(174)	(11,021)
December 31	106,721	706	4,602	1,632	113,661
Non current	106,721	706	4,602	1,632	113,661
Current	-	-	-	-	-
Total	106,721	706	4,602	1,632	113,661

In calculating the present value of the asset retirement obligation provision, a discount rate of 3.5 percent was used for 2016 and 2015 based on long-term risk-free interest rate projections. The changes in estimates in 2015 and 2016 mainly relates to the liability associated with the infrastructure installed and wells drilled on the Bertam field developments during 2015 and 2016.

In 2016, the Company paid an amount of US\$ 8,785 thousand relating to the Bertam decommissioning fund. This payment has been netted against the asset retirement obligation provision.

At the beginning of the year 2015, the farm in obligation included US\$ 51,355 thousand relating to a payment for historic costs on Block PM307 in Malaysia, payable on first oil from the Bertam field. Following first oil from the Bertam field in April 2015, the liability was settled. The liability was in Malaysian Ringgit and due to the strengthening of the US Dollar against the Malaysian Ringgit and a reduction in the agreed historic costs, the amount paid was US\$ 34,847 thousand in US Dollar terms. The remaining US\$4,602 thousand farm-in obligation relates to further payments for historic costs on Block PM307 payable on reaching certain production milestones.

For details of the LTIP see Note 22.

NOTE 19– TRADE AND OTHER PAYABLES

Trade and Other Payables	Dec 31, 2016	Dec 31, 2015
US\$ Thousands		
Trade payables	1,939	3,304
Joint operations creditors and accrued expenses	14,154	50,425
Accrued expenses	3,679	6,402
Other current liabilities	2,664	2,399
	22,436	62,530

NOTE 20 – RELATED PARTY TRANSACTIONS

Lundin Petroleum SA, an indirect wholly owned subsidiary of Lundin Petroleum AB incurs costs and provides administrative services on behalf of the Company and has charged the Company US\$ 12,540 thousand, US\$ 17,308 thousand, and US\$ 17,978 thousand for each of the years ended December 31, 2016, 2015 and 2014, respectively. See also Note 5.

Lundin Petroleum BV has provided services to Lundin Norway AS, an indirect wholly owned subsidiary of Lundin Petroleum AB, for which it received service income amounting to US\$ 4,083 thousand in 2016, US\$ 9,926 thousand in 2015 and US\$ 16,277 thousand in 2014.

NOTE 21 – LONG-TERM INCENTIVE PLANS

The Company participates in the long-term incentive plans (LTIP) described below.

Unit Bonus Plan

LTIP schemes consisting of a Unit Bonus Plan were implemented by the Company which provide for an annual grant of units that will lead to a cash payment at vesting. The LTIP schemes have a three year duration whereby the initial grant of units vest equally in three tranches: one third after one year, one third after two years and the final third after three years. The cash payment is conditional upon the holder of the units remaining an employee of the Company at the time of payment. The share price for determining the cash payment at the end of each vesting period will be the five trading day average closing share price of Lundin Petroleum AB prior to and following the actual vesting date.

The number of awards outstanding under the Unit Bonus Plans at December 31, 2016, are summarised in the table below.

Unit Bonus Plan	Plan			Total
	2016	2015	2014	
Outstanding at January 1, 2016	-	47,850	21,202	69,052
Awarded during the period	33,477	-	-	33,477
Forfeited during the period	-	(9,296)	(4,408)	(13,704)
Exercised during the period	-	(15,582)	(9,693)	(25,275)
Outstanding at December 31, 2016	33,477	22,972	7,101	63,550
Vesting date				
31 May 2017	11,159	11,486	7,101	29,746
31 May 2018	11,159	11,486	-	22,645
31 May 2019	11,159	-	-	11,159
Outstanding at December 31, 2016	33,477	22,972	7,101	63,550

LTIP awards are recognized in the financial statements prorata over their vesting period. The total carrying amount for the provision for the Unit Bonus Plan including social costs as at December 31, 2016 amounted to US\$810 thousand compared to US\$706 thousand as at December 31, 2015. The provision is calculated based on Lundin Petroleum AB's share price at the balance sheet date. The closing share price at December 31, 2016 was SEK 198.10 per share.

The costs charged to the income statement of the Company associated with the Unit Bonus Plans are summarised in the following table.

Unit Bonus Plan US\$ Thousands	2016	2015	2014
2011 Plan	-	-	32
2012 Plan	-	49	40
2013 Plan	48	135	223
2014 Plan	118	189	171
2015 Plan	384	244	-
2016 Plan	232	-	-
	782	617	465

Performance Based Incentive Plan

Annual long-term performance based incentive plans were introduced from 2014, 2015 and 2016 in respect of certain Company management and a number of key employees. Participants in the Performance Based Incentive Plans were not participants in the Unit Bonus Plan described above for those years

The 2016 plan is effective from 1 July 2016 and the 2016 award is accounted for from the second half of 2016. The total number of awards made in respect of 2016 was 62,361 and the awards vest over three years from 1 July 2016 subject to certain performance conditions being met. Each award was fair valued at the date of grant at SEK 89.30 using an option pricing model.

The 2015 plan is effective from 1 July 2015 and the 2015 award has been accounted for from the second half of 2015. The total outstanding awards made in respect of 2015 are 77,501 which vest over three years from 1 July 2015 subject to certain performance conditions being met. Each award was fair valued at the date of grant at SEK 91.40 using an option pricing model.

The 2014 plan is effective from 1 July 2014 and the total outstanding number of awards made in respect of 2014 are 62,803 which vest over three years from 1 July 2014 subject to certain performance conditions being met. Each award was fair valued at the date of grant at SEK 81.40 using an option pricing model.

NOTE 22 – SUBSEQUENT EVENTS

On February 13, 2017, Lundin Petroleum AB announced its intention to transfer the business to International Petroleum Corporation, in conjunction with a distribution of International Petroleum Corporation shares to Lundin Petroleum AB shareholders.

On February 21, 2017, International Petroleum Corporation filed a preliminary prospectus in connection with the acquisition of all of the oil and gas exploration and production properties and related assets of Lundin Petroleum AB located in Malaysia, France and the Netherlands in exchange for common shares of International Petroleum Corporation.

On April 7, 2017, International Petroleum Corporation issued 113,462,147 common shares to Lundin Petroleum AB for the acquisition of the assets. The Toronto Stock Exchange has conditionally approved the listing of the common shares and International Petroleum Corporation also intends to list the common shares on the Nasdaq First North exchange, Sweden. Following receipt of all necessary approvals, the common shares will be distributed by Lundin Petroleum AB with one share being distributed to Lundin Petroleum AB's shareholders for every three Lundin Petroleum AB shares held.

NOTE 23 – APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on April 17, 2017.

**SCHEDULE “C”
CORPORATE GOVERNANCE DISCLOSURE**

The Corporation is subject to a number of legislative and regulatory corporate governance requirements and guidelines, including Canadian Securities Administrators' NI 58-101, National Policy 58-201 – *Corporate Governance Guidelines* (“**NP 58-201**”) and National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”). NI 58-101 requires the disclosure by the Corporation of its approach to certain aspects of corporate governance. Set out below is a description of the Corporation’s corporate governance practices with reference to the guidelines set out in NP 58-201 and the disclosure required by NI 58-101.

In general, unless otherwise indicated, the description below discusses the makeup of the Board and management and the policies that will be in place commencing prior to the Spin-Off.

GUIDELINES

COMMENTARY

1. Directors

(a) Disclose the identity of Directors who are independent.

Messrs. Heppenstall, Charter, Bruijnzeels and Sanness are independent for the purposes of NI 58-101. A director is independent if he or she has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with such member's independent judgment. Certain types of relationships are, by their nature, considered to be material relationships. In determining whether a particular director is an "independent director" or a "non-independent director", the Board considers the factual circumstances of each director in the context of NI 58-101 and NI 52-110.

(b) Disclose the identity of Directors who are not independent, and describe the basis for that determination.

Mr. Nicholson is not independent for the purposes of NI 58-101 because he is part of management of the Corporation. Mr. Lundin, Chairman of the Board, is not considered independent due to his involvement with management of the Corporation.

(c) Disclose whether or not a majority of Directors are independent. If a majority of Directors are not independent, describe what the board of directors (the “**Board**”) does to facilitate its exercise of independent judgement in carrying out its responsibilities.

The Board is comprised of six members, a majority of whom are “independent directors” within the meaning of NI 58-101.

(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

<u>Name of Director</u>	<u>Name of Other Reporting Issuer</u>
Lukas H. Lundin	Lundin Mining Corporation (TSX/Nasdaq Stockholm) Denison Mines Corp. (TSX/NYSE MKT) Lucara Diamond Corp. (TSX/Nasdaq Stockholm) Lundin Gold Inc. (TSX/Nasdaq Stockholm) Lundin Petroleum AB (TSX/Nasdaq Stockholm) NGEx Resources Inc. (TSX/Nasdaq Stockholm) Newmarket Gold Inc. (TSX-V)
Chris Bruijnzeels	Shamaran Petroleum Corp. (TSX-V) General Exploration Partners, Inc. (Oslo Børs)
Donald Charter	Lundin Mining Corporation (TSX/Nasdaq Stockholm) Sprott Resources Holdings Inc. (TSX) DREAM Real Estate Investment Trust (TSX) IAMGOLD Corporation (TSX)
C. Ashley Heppenstall	Lundin Gold Inc. (TSX/Nasdaq Stockholm); Lundin Petroleum AB (TSX/Nasdaq Stockholm) Etrion Corporation (TSX/Nasdaq Stockholm) Africa Energy Corp. (TSX-V)

GUIDELINES

COMMENTARY

	Filo Mining Corp. (TSX-V/Nasdaq First North)
	ShaMaran Petroleum Corp. (TSX-V/Nasdaq First North)
Mike Nicholson	None
Torstein Sanness	Panoro Energy ASA (Oslo Stock Exchange) TGS Nopec Geophysical Co. ASA (Oslo Stock Exchange)
(e) Disclose whether or not the independent Directors hold regularly scheduled meetings at which non-independent Directors and members of management are not in attendance. If the independent Directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent Directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent Directors.	The Board and Board committees intend to meet without management and non-independent directors at every meeting, generally immediately following regularly scheduled Board meetings and committee meetings. These discussions are intended generally to form part of the committee chairs' reports to the Board. The Chair of the Board will encourage open and candid discussions among the independent directors by providing them with an opportunity to express their views on key topics before decisions are taken.
(f) Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent Directors.	The Board has appointed Mr. Heppenstall, an independent director, as Lead Director to act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties. As Lead Director, Mr. Heppenstall, among other things, provides leadership to ensure that the Board functions independently of management and other non-independent directors and to foster the effectiveness of the Board; works with the Chair to ensure that the appropriate committee structure is in place; suggests items of importance for consideration on the agenda for each meeting of the Board; in the absence of the Chair, chairs Board meetings; chairs each Board meeting at which only independent directors are present; and provides recommendations and advice to the Nominating and Corporate Governance Committee (the " N&CG Committee ") on candidates for nomination or appointment to the Board.
(g) Disclose the attendance record of each Director for all board meetings held since the beginning of the issuer's most recently completed financial year.	Not applicable.
2. Board Mandate – Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.	The mandate of the Board is attached hereto as Schedule "E".
3. Position Descriptions	
(a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the Board delineates the role and responsibilities of each such position.	The Board has adopted written position descriptions for the Chair, the Lead Director, the chairs of each of the committees of the Board, and the CEO. The Board Mandate and the committee mandates for the Audit Committee, N&CG Committee and Compensation Committee set out in writing the responsibilities of the Board and the committees for supervising management of the Corporation.
(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.	The Board has adopted a written position description for the CEO, which includes delineating management's responsibilities.

GUIDELINES

4. Orientation and Continuing Education

- (a) Briefly describe what measures the Board takes to orient new Directors regarding (i) the role of the Board, its committees and its Directors, and (ii) the nature and operation of the issuer's business.
- (b) Briefly describe what measures, if any, the Board takes to provide continuing education for its Directors. If the Board does not provide continuing education, describe how the Board ensures that its Directors maintain the skill and knowledge necessary to meet their obligations as Directors.

5. Ethical Business Conduct

- (a) Disclose whether or not the Board has adopted a written code for the Directors, officers and employees. If the Board has adopted a written code:
- (i) disclose how a person or company may obtain a copy of the code;
- (ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and
- (iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.
- (b) Describe any steps the Board takes to ensure Directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest.

COMMENTARY

As set out in the Board Mandate, the Corporation has a policy of making a full initial orientation and continuing education process available to Board members. The N&CG Committee is responsible for reviewing, monitoring and making recommendations regarding new director orientation and the ongoing development of existing directors.

All new directors are provided with an initial orientation regarding the nature and operation of the Corporation's business and affairs and as to the role of the Board and its committees, as well as the legal obligations of a director of the Corporation. Each new director of the Corporation attends such an orientation session and going forward, existing directors are periodically updated on these matters. New directors are also given the opportunity to meet with key members of the management team to discuss the Corporation's business and activities. In addition, new directors receive copies of Board materials, corporate policies and procedures, and other information regarding the business and operations of the Corporation.

The Corporation provides ongoing continuous education programs through key business area presentations, business updates and operations site visits as appropriate. The Corporation's Board members are expected to keep themselves current with industry trends and developments and are encouraged to communicate with management and, where applicable, auditors, advisors and other consultants of the Corporation. Board members have access to the Corporation's in-house and external legal counsel in the event of any questions or matters relating to the Board members' corporate and director responsibilities and to keep themselves current with changes in legislation.

The Board has adopted a Code of Business Conduct and Ethics (the "Code"), a written code of business conduct and ethics for the Corporation's directors, officers and employees that sets out the Board's expectations for the conduct of such persons in their dealings on behalf of the Corporation.

Once adopted, a copy of the Code may be obtained by contacting the Corporation and requesting a copy by mail at the Corporation's principal registered office set out in this Company Description.

In order to ensure compliance with the Code, employees of the Corporation who become aware of a violation of the Code by others within the Corporation or one of its subsidiaries will be responsible for reporting any violations of the Code through "whistleblowing" mechanisms that the Corporation will establish. Employees may report violations of the Code anonymously. The Code provides that no director or employee will retaliate or take adverse action against anyone for raising in good faith suspected violations of the Code or helping to resolve a conduct concern.

None.

The Board is committed to ensuring that each time the Board acts on any particular transaction, each director who casts a vote is free from any material interest in the transaction and any existing or potential material conflict of interest with the Corporation or its subsidiaries, affiliates or controlling shareholders generally. When any transaction is voted on by the Board, the Board will adhere to the requirements of the Corporation's articles and applicable law that a director or senior officer of the Corporation who: (a) has a material interest in a material contract or transaction with the Corporation; or (b) is a director or senior officer of, or has a material interest in, a person who has a material interest in a material contract or transaction with the Corporation, shall disclose in writing to the Board or request to have entered in the Board minutes the nature and extent of his or her interest, and, unless the contract or transaction is one with an affiliate, shall

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- (c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.

6. Nominations of Directors

- (a) Describe the process by which the Board identifies new candidates for board nomination.

- (b) Disclose whether or not the Board has a nominating committee composed entirely of independent Directors. If the Board does not have a nominating committee composed entirely of independent Directors, describe what steps the Board takes to encourage an objective nomination process.

- (c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

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not vote on any resolution to approve the contract or transaction. In this way, the Board will seek to ensure that directors act with a view to the best interests of the Corporation and are not affected by any relationship that could materially interfere with their ability to exercise independent judgment.

The Board has adopted an Insider Trading and Blackout Policy to establish a standard with respect to the purchase and sale of the Corporation's securities, with which all officers, directors and employees of the Corporation and its subsidiaries are expected to comply. The Board will adopt a Disclosure Policy to ensure that communications to the public regarding the Corporation are timely, factual, accurate, complete, broadly disseminated and, where necessary, filed with regulators in accordance with applicable securities laws. The Board will also adopt an Anti-Corruption Policy that prohibits the provision of bribes, kickbacks, favours, or any other thing of value, directly or indirectly, to any government official.

The N&CG Committee is responsible for recommending to the Board candidates for election as directors and candidates for appointment to Board committees as set out in the N&CG Committee Mandate. In making such recommendations, the N&CG Committee will consider the competencies and skills that the Board considers to be necessary for the Board as a whole to possess, the competencies and skills that the Board considers each existing director to possess, and the competencies and skills each new nominee will bring to the boardroom. The N&CG Committee will also consider the amount of time and resources that nominees have available to fulfill their duties as a Board member. The responsibility for approving new nominees to the Board will fall to the full Board.

The N&CG Committee may also make, where appropriate, recommendations for the removal of a director from the Board or from a committee of the Board if he or she is no longer qualified to serve as a director under applicable requirements or for any other reason it considers appropriate.

The N&CG Committee is composed entirely of directors who are independent.

The N&CG Committee Mandate adopted by the Board provides that the N&CG Committee is responsible for, among other things:

- (a) developing and updating a long-term plan for the composition of the Board that takes into consideration the current strengths, competencies, skills and experience of the Board members, retirement dates and the strategic direction of the Corporation, and reporting to the Board thereon at least annually;
- (b) periodically undertaking an examination of the size of the Board, with a view to determining the impact of the number of directors on the effectiveness of the Board, and recommending to the Board, if necessary, a reduction or increase in the size of the Board;
- (c) recommending to the Board the remuneration to be paid to and the benefits to be provided to directors;
- (d) endeavouring, in consultation with the Chair or Lead Director, to ensure that an appropriate system is in place to evaluate the effectiveness of the Board as a whole, each of the committees of the Board and each individual director of the Board with a view to ensuring that they are fulfilling their respective responsibilities and duties;
- (e) in consultation with the Chair and the CEO, annually or as required, recruiting and identifying individuals qualified to become new Board members and recommending to the Board new director nominees for the next annual meeting of shareholders;

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- (f) in consultation with the Chair or Lead Director, annually or as required, recommending to the Board, the individual directors to serve on the various committees;
- (g) conducting a periodic review of the Corporation's corporate governance policies and making policy recommendations aimed at enhancing Board and committee effectiveness;
- (h) reviewing overall governance principles, monitoring disclosure and best practices of comparable and leading companies, and bringing forward to the Board a list of corporate governance issues for review, discussion or action by the Board or its committees;
- (i) reviewing the disclosure in the Corporation's public disclosure documents relating to corporate governance practices and preparing recommendations to the Board regarding any other reports required or recommended on corporate governance;
- (j) proposing agenda items and content for submission to the Board related to corporate governance issues and providing periodic updates on recent developments in corporate governance to the Board;
- (k) conducting a periodic review of the relationship between management and the Board, particularly in connection with a view to ensuring effective communication and the provision of information to directors in a timely manner;
- (l) monitoring and making recommendations regarding new director orientation and the ongoing development of existing directors;
- (m) reviewing annually the Board Mandate and the mandates for each committee of the Board, together with the position descriptions, if any, of each of the Chair of the Board, the CEO, lead director, director and committee chairs, and where necessary, recommending changes to the Board;
- (n) reviewing and recommending the appropriate structure, size, composition, mandate and members for the committees, and recommending for Board approval the appointment of each to Board committees;
- (o) recommending procedures to ensure that the Board and each of its committees function independently of management;
- (p) monitoring conflicts of interest (real or perceived) of both the Board and management in accordance with the Corporation's Code of Business Conduct and Ethics; and
- (q) receiving reports from the CEO and reporting to the Board regarding breaches of the Code of Business Conduct and Ethics and reviewing investigations and any resolutions of complaints received under the Code of Business Conduct and Ethics and reporting annually to the Board thereon.

7. Compensation

- (a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.

The Compensation Committee receives information and makes recommendations to the Board and, if applicable, shareholders, on matters relating to the principles of compensation, as well as all compensation and other terms of employment of officers. Following the Board's approval of the executive compensation policy, the Compensation Committee will propose to the Board for approval the compensation and other terms of employment of the CEO. The CEO, in turn, will propose to the Compensation Committee, for approval by the Board, the compensation and other terms of employment of senior management reporting directly to the CEO and any other officers appointed by the Board, including the other NEO. This will include any award of annual bonus and long-term incentives. To ensure that the Corporation's compensation packages remain competitive and in line with market conditions, the Compensation Committee will undertake periodic benchmarking studies. The Compensation Committee will also consider any risks associated with compensation policies and practices, including possible material adverse effects on the Corporation. See "*Executive Compensation*".

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- (b) Disclose whether or not the Board has a compensation committee composed entirely of independent Directors. If the Board does not have a compensation committee composed entirely of independent Directors, describe what steps the Board takes to ensure an objective process for determining such compensation.
- (c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

8. **Other Board Committees** – If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

9. **Assessments** – Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual Directors are performing effectively.

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The members of the Compensation Committee are Lukas H. Lundin, Donald Charter and Torstein Sanness, all of whom have relevant experience and competence, having worked with compensation matters as both executives and compensation committee members of other corporate boards. See “*Directors and Executive Officers – Biographies of Executive Officers and Directors*”. Mr. Charter and Mr. Sanness are considered independent directors. Although Mr. Lundin may not be considered independent, his experience will be important to the successful functioning of the executive compensation process.

The Compensation Committee Mandate adopted by the Board provides that the Compensation Committee is responsible for, among other things:

- (a) reviewing and approving corporate goals and objectives relevant to CEO compensation;
- (b) evaluating the CEO’s performance in light of those corporate goals and objectives, and making recommendations to the Board with respect to the CEO’s compensation level based on its evaluation;
- (c) reviewing the recommendations to the Compensation Committee of the CEO respecting the appointment, compensation and other terms of employment of the Chief Financial Officer, all senior management reporting directly to the CEO and all other officers appointed by the Board and, if advisable, approving and recommending for Board approval, with or without modifications, any such appointment, compensation and other terms of employment;
- (d) reviewing executive compensation disclosure before the Corporation publicly discloses this information;
- (e) submitting a report to the Board on human resources matters; and
- (f) preparing an annual report for inclusion in the Corporation’s management information circular to shareholders respecting the process undertaken by the Committee in its review.

The Reserves Committee is comprised of Chris Bruijnzeels, as Chair, Torstein Sanness and C. Ashley Heppenstall, all of whom are independent for purposes of NI 51-101. The specific responsibilities of the Reserves Committee are set out in the Reserves Committee Mandate, a copy of which is available on the Corporation’s website. The primary role of the Reserves Committee is to: (i) act in an advisory capacity to the Board; (ii) review the Corporation’s procedures relating to disclosure of information with respect to crude oil, natural gas and NGL reserves and resources data; (iii) annually review the selection of the qualified reserves evaluators or auditors chosen to report to the Board on the Corporation’s crude oil, natural gas and NGL reserves and resources data; and (iv) review the Corporation’s annual reserves and resources estimates prior to public disclosure.

The N&CG Committee, in consultation with the Chair, is responsible for ensuring that an appropriate system is in place to evaluate the effectiveness of the Board, the Board committees and individual directors, with a view to ensuring that they are fulfilling their respective responsibilities and duties and working effectively together as a unit. During 2017, the N&CG Committee will consider the implementation of a formal process to facilitate such assessments. The N&CG Committee informally monitors director performance throughout the year (noting particularly any directors who have had a change in their primary job responsibilities or who have assumed additional directorships since their last assessment) to ensure that the Board, the Board committees and individual directors are performing effectively.

**SCHEDULE “D”
AUDIT COMMITTEE MANDATE**

As of February 21, 2017

1. Introduction

The Audit Committee (the “**Committee**” or the “**Audit Committee**”) of International Petroleum Corporation (the “**Company**”) is a committee of the board of directors (the “**Board**”). The Committee shall oversee the accounting and financial reporting practices of the Company and the audits of the Company’s financial statements and exercise the responsibilities and duties set out in this Mandate.

2. Membership

Number of Members

The Committee shall be composed of three or more members of the Board.

Independence of Members

Each member of the Committee must be independent. “Independent” shall have the meaning, as the context requires, given to it in National Instrument 52-110 *Audit Committees*, as may be amended from time to time.

Chair

The members of the Committee shall elect a Chair of the Committee from among their number by majority vote of the full Committee membership. The Chair shall preside over all Audit Committee meetings, coordinate the Audit Committee’s compliance with this Mandate, work with management to develop the Audit Committee’s annual work-plan and provide reports of the Audit Committee to the Board.

Financial Literacy of Members

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

Term of Members

The members of the Committee shall be appointed annually by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board.

3. Meetings

Number of Meetings

The Committee may meet as many times per year as necessary to carry out its responsibilities.

Quorum

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. A majority of members of the Committee shall constitute a quorum.

Calling of Meetings

The Chair, any member of the Audit Committee, the external auditor, the Chair of the Board, the Lead Director, the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Audit Committee by notifying the Company's Corporate Secretary, who will notify the members of the Audit Committee. The Chair shall chair all Audit Committee meetings that he or she attends, and in the absence of the Chair, the members of the Audit Committee present may appoint a chair from their number for a meeting.

Minutes; Reporting to the Board

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

Attendance of Non-Members

The external auditor is entitled to attend and be heard at, and shall be given reasonable notice of, each Audit Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Company, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with the internal auditor and management in separate sessions to discuss any matters that the Committee or such individuals consider appropriate.

Meetings without Management

The Committee shall hold unscheduled or regularly scheduled meetings, or portions of meetings, at which management is not present.

Procedure

The procedures for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those applicable to meetings of the Board.

Access to Management

In discharging its duties and responsibilities, the Committee shall have unrestricted access to the Company's management and employees and to the relevant books, records and systems of the Company as it considers appropriate.

4. Duties and Responsibilities

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by any exchange upon which securities of the Company are traded, or any governmental or regulatory body exercising authority over the Company, as are in effect from time to time (collectively, the "**Applicable Requirements**").

Financial Reports

(a) *General*

The Audit Committee is responsible for overseeing the Company's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Company. The external auditor is responsible for auditing the Company's annual consolidated financial statements and for reviewing the Company's unaudited interim financial statements.

(b) *Review of Annual Financial Reports*

The Audit Committee shall review the annual consolidated audited financial statements of the Company, the external auditor's report thereon and the related management's discussion and analysis of the Company's financial condition and results of operation ("**MD&A**"). After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.

(c) *Review of Interim Financial Reports*

The Audit Committee shall review the interim consolidated financial statements of the Company, the external auditor's review report thereon and the related MD&A. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the interim financial statements and the related MD&A.

(d) *Review Considerations*

In conducting its review of the annual financial statements or the interim financial statements, the Audit Committee shall:

- (i) meet with management and the external auditor to discuss the financial statements and MD&A;
- (ii) review the disclosure in the financial statements;
- (iii) review the audit report or review report prepared by the external auditor;
- (iv) discuss with management, the external auditor and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;
- (v) review the accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;
- (vi) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under Canadian generally accepted accounting principles applicable to publicly accountable enterprises;
- (vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;

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- (viii) review management's report on the effectiveness of internal controls over financial reporting;
 - (ix) review the factors identified by management as factors that may affect future financial results;
 - (x) review results of the Company's audit committee whistleblowing program; and
 - (xi) review any other matters related to the financial statements that are brought forward by the external auditor or management or that are required to be communicated to the Audit Committee under accounting policies, auditing standards or Applicable Requirements.
- (e) *Review of Other Financial Disclosures*

The Audit Committee shall review and, if advisable, recommend for Board approval financial disclosure in a Company Description or other securities offering document of the Company, press releases disclosing, or based upon, financial results of the Company, financial guidance provided to analysts or rating agencies or otherwise publicly disseminated and any other material financial disclosure.

- (f) *Review of Future-Oriented Financial Information or Financial Outlook*

The Committee shall review and, if advisable, recommend for Board approval any material future oriented financial information or financial outlook and endeavour to ensure that there is a reasonable basis for drawing any conclusions or making any forecasts and projections set out in such disclosures.

Auditors

- (a) *General*

The Audit Committee shall be responsible for oversight of the work of the external auditor, including the external auditor's work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work. The external auditor will report directly to the Committee.

- (b) *Nomination and Compensation*

The Audit Committee shall review and, if advisable, select and recommend for Board approval the external auditor to be nominated and the compensation of such external auditor. The Audit Committee shall have ultimate authority to approve all audit engagement terms and fees, including the external auditor's audit plan.

- (c) *Resolution of Disagreements*

The Audit Committee shall resolve any disagreements between management and the external auditor as to financial reporting matters brought to its attention.

- (d) *Discussions with External Auditor*

At least annually, the Audit Committee shall discuss with the external auditor such matters as are required by applicable auditing standards to be discussed by the external auditor with the Audit Committee.

(e) *Audit Plan*

At least annually, the Audit Committee shall review a summary of the external auditor's annual audit plan. The Audit Committee shall consider and review with the external auditor any material changes to the scope of the plan.

(f) *Quarterly Review Report*

The Audit Committee shall review a report prepared by the external auditor in respect of each of the interim financial statements of the Company.

(g) *Independence of Auditors*

At least annually, and before the external auditor issues its report on the annual financial statements, the Audit Committee shall: obtain from the external auditor a formal written statement describing all relationships between the external auditor and the Company; discuss with the external auditor any disclosed relationships or services that may affect the objectivity and independence of the external auditor; and obtain written confirmation from the external auditor that it is objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the external auditor belongs and other Applicable Requirements. The Audit Committee shall take appropriate action to oversee the independence of the external auditor.

(h) *Evaluation and Rotation of Lead Partner*

At least annually, the Audit Committee shall review the qualifications and performance of the lead partner(s) of the external auditor and determine whether it is appropriate to adopt or continue a policy of rotating lead partners of the external auditor.

(i) *Requirement for Pre-Approval of Non-Audit Services*

The Audit Committee shall approve in advance any retainer of the external auditor to provide any non-audit service to the Company (together with all non-audit service fees) that it deems advisable in accordance with Applicable Requirements and Board-approved policies and procedures. The Audit Committee shall consider the impact of such service and fees on the independence of the external auditor. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

(j) *Approval of Hiring Policies*

The Audit Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company and the Committee shall be responsible for any specified reporting and pre-approval functions thereunder.

(k) *Communication with Internal Auditor*

The internal auditor shall report regularly to the Committee. The Committee shall review with the internal auditor any problem or difficulty the internal auditor may have encountered including, without limitation, any restrictions on the scope of activities or access to required information, and any significant reports to management prepared by the internal auditing department and management's responses thereto.

The Committee shall periodically review and approve the mandate, plan, budget and staffing of the internal audit department. The Committee shall direct management to make changes it deems advisable in respect of the internal audit function.

The Committee shall review the appointment, performance and replacement of the senior internal auditing executive and the activities, organization structure and qualifications of the persons responsible for the internal audit function.

(l) *Financial Executives*

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

Internal Controls

(m) *General*

The Audit Committee shall review the Company's system of internal controls.

(n) *Establishment, Review and Approval*

The Audit Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Audit Committee shall consider and review with management and the external auditor:

- (i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;
- (ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings;
- (iii) any material issues raised by any inquiry or investigation by regulators;
- (iv) the Company's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Company to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and
- (v) any related significant issues and recommendations of the external auditor together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

Compliance with Legal and Regulatory Requirements

The Audit Committee shall review reports from the Company's Corporate Secretary and other management members on: legal or compliance matters that may have a material impact on the Company; the effectiveness of the Company's compliance policies; and any material communications received from regulators. The Audit Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

Audit Committee Whistleblowing Procedures

The Audit Committee shall establish procedures for (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Any such complaints or concerns that are received shall be reviewed by the Audit Committee and, if the Audit Committee determines that the matter requires further investigation, it will direct the Chair of the Audit Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the general counsel to reach a satisfactory conclusion.

Audit Committee Disclosure

The Audit Committee shall prepare, review and approve any audit committee disclosures required by Applicable Requirements in the Company's disclosure documents.

Delegation

The Audit Committee may, to the extent permitted by Applicable Requirements, designate a sub-committee to review any matter within this mandate as the Audit Committee deems appropriate.

5. Outside Advisors

The Committee shall have the authority to retain external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective compensation for these advisors. The Company shall provide appropriate funding, as determined by the Committee, for the services of these advisors.

6. No Rights Created

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Audit Committee functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's articles, it is not intended to establish any legally binding obligations.

7. Mandate Review

The Committee shall review and update this Mandate annually and present it to the Board for approval.

SCHEDULE "E"
MANDATE OF BOARD OF DIRECTORS

As of February 21, 2017

1. Purpose

The members of the board of directors (the "**Board**") of International Petroleum Corporation (the "**Company**") have the duty to supervise the management of the business and affairs of the Company. The Board, directly and through its committees and the chair of the Board (the "**Chair**"), shall provide direction to senior management, generally through the Chief Executive Officer, to pursue the best interests of the Company.

2. Duties and Responsibilities

The Board shall have the specific duties and responsibilities outlined below.

Strategic Planning

(a) *Strategic Plans*

The Board will adopt a strategic plan for the Company. The Board shall periodically review and, if advisable, approve the Company's strategic planning process and the Company's annual strategic plan. In discharging this responsibility, the Board shall review the plan in light of management's assessment of emerging trends, the competitive environment, the opportunities for the business of the Company, risk issues and significant business practices and products.

(b) *Business and Capital Plans*

The Board shall periodically review and, if advisable, approve the Company's business and capital plans as well as policies and processes generated by management relating to the authorization of major investments and significant allocation of capital.

(c) *Monitoring*

The Board shall periodically review management's implementation of the Company's strategic, business and capital plans. The Board shall review and, if advisable, approve any material amendments to, or variances from, these plans.

Risk Management

(d) *General*

The Board shall periodically review reports provided by management of principal risks associated with the Company's business and operations, review the implementation by management of appropriate systems to manage these risks, and review reports by management relating to the operation of, and any material deficiencies in, these systems.

(e) *Verification of Controls*

The Board shall verify that internal, financial, non-financial and business control and management information systems have been established by management.

Human Resource Management

(f) *General*

The Board shall periodically review a report of the Compensation Committee concerning the Company's approach to human resource management and executive compensation.

(g) *Succession Review*

The Board shall develop and periodically review the succession plans of the Company for the Chair, the Lead Director, the Chief Executive Officer and other key executive officers, including the appointment, training and monitoring of such persons.

(h) *Integrity of Senior Management*

The Board shall, to the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer and other executive officers of the Company and that the Chief Executive Officer and other senior officers strive to create a culture of integrity throughout the Company.

Corporate Governance

(i) *General*

The Board shall periodically review reports of the Nominating and Corporate Governance Committee concerning the Company's approach to corporate governance.

(j) *Director Independence*

The Board shall periodically review reports of the Nominating and Corporate Governance Committee that evaluate the director independence standards established by the Board and the Board's ability to act independently of management in fulfilling its duties.

(k) *Ethics Reporting*

The Board has adopted a written Code of Business Conduct and Ethics (the "**Code**") applicable to directors, officers and employees of the Company and its subsidiaries. The Board shall periodically review reports of the Nominating and Corporate Governance Committee relating to compliance with, and material deficiencies with respect to, the Code and concerning investigations and any resolutions of complaints received under the Code. The Board shall approve changes to the Code as it considers appropriate.

(l) *Board of Directors Mandate Review*

The Board shall review and assess the adequacy of this Mandate from time to time, as required, to ensure compliance with any rules of regulations promulgated by any regulatory body and shall make any modifications to this Mandate as considered advisable.

Communications

(m) *General*

The Board has adopted a Disclosure Policy for the Company. If consensus cannot be reached at a meeting of the Disclosure Committee created pursuant to the Disclosure Policy, the Board shall consider the matter. The Board, in conjunction with the Chief Executive Officer and the General Counsel, shall periodically review the Company's Disclosure Policy, including measures for receiving feedback from the

Company's stakeholders, and management's compliance with such policy. The Board shall be responsible for approving any material changes to the Company's Disclosure Policy.

(n) *Shareholders*

The Company endeavors to keep its shareholders informed of its progress through an annual report, annual information form, quarterly interim reports and periodic press releases. Directors and management meet with the Company's shareholders at the annual meeting and are available to respond to questions at that time.

3. Composition

General

The composition and organization of the Board, including the number, qualifications and remuneration of directors; the number of Board meetings; quorum requirements; and meeting procedures and notices of meetings, are governed by applicable laws, rules and regulation and the articles of the Company.

Each director must have an understanding of the Company's principal operational and financial objectives, plans and strategies, and financial position and performance. Directors must have sufficient time to carry out their duties and not assume responsibilities that would materially interfere with, or be incompatible with, Board membership. Directors who experience a significant change in their personal circumstances, including a change in their principal occupation, are expected to advise the chair of the Nominating and Corporate Governance Committee.

Independence

A majority of the Board must be independent. "Independent" shall have the meaning, as the context requires, given to it in National Policy 58-201 *Corporate Governance Guidelines*, as may be amended from time to time.

Chair of the Board

The Chair of the Board shall be an independent director, unless the Board determines that it is inappropriate to require the Chair to be independent. If the Board determines that it would be inappropriate to require the Chair of the Board to be independent, then the independent directors shall select from among their number a director who will act as "Lead Director" and who will assume responsibility for providing leadership to enhance the effectiveness and independence of the Board. The Chair, if independent, or the Lead Director if the Chair is not independent, shall act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties.

4. Committees of the Board

The Board has established the following committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Reserves Committee. Subject to applicable law, the Board may establish other Board committees or merge or dispose of any Board committee at any time.

Committee Mandates

The Board has approved mandates for each established Board committee and shall approve mandates for any Board committee established in the future. The Nominating and Corporate Governance Committee shall periodically review each mandate and bring to the Board any suggested amendments for consideration and approval.

Delegation to Committees

The Board has delegated to the applicable committee those duties and responsibilities set out in each Board committee's mandate.

Consideration of Committee Recommendations

As required by applicable law, by applicable committee Mandate or as the Board may consider advisable, the Board shall consider for approval the specific matters delegated for review to Board committees.

Board/Committee Communication

To facilitate communication between the Board and each Board committee, each committee chair shall provide a report to the Board on material matters considered by the committee at the first Board meeting after the committee's meeting.

5. Meetings

The Board will meet at least once in each quarter, with additional meetings held as deemed advisable. The Chair (in conjunction with the Lead Director, if there is one) is primarily responsible for the agenda and for supervising the conduct of the meeting. Any director may propose the inclusion of items on the agenda, request the presence of, or a report by any member of, senior management, or at any Board meeting raise subjects that are not on the agenda for that meeting.

Meetings of the Board shall be conducted in accordance with the Company's articles.

Secretary and Minutes

The Corporate Secretary, his or her designate or any other person the Board requests shall act as secretary of Board meetings. Minutes of Board meetings shall be recorded and maintained by the Corporate Secretary and subsequently presented to the Board for approval.

Meetings Without Management

The independent members of the Board shall hold regularly scheduled meetings, or portions of regularly scheduled meetings, at which non-independent directors and members of management are not present.

Directors' Responsibilities

Each director is expected to attend all meetings of the Board and any committee of which he or she is a member. Directors will be expected to have read and considered the materials sent to them in advance of each meeting and to actively participate in such meetings.

Access to Management and Outside Advisors

In discharging its duties and responsibilities, the Board shall have unrestricted access to management and employees of the Company and its subsidiaries and to the relevant books, records and systems of the Company as it considers appropriate. The Board shall have the authority to retain external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities. The Company shall provide appropriate funding, as determined by the Board, for the services of these advisors.

Service on Other Boards and Audit Committee

Directors may serve on the boards of other public companies so long as these commitments do not materially interfere and are compatible with their ability to fulfill their duties as a member of the Board.

Directors must advise the Chair in advance of accepting an invitation to serve on the board of another public issuer.

6. Management

Position Descriptions for Directors

The Board has approved position descriptions for the Chair, the Lead Director and the chair of each Board committee. The Board shall review such position descriptions from time to time, as required.

Position Description for CEO

The Board has approved a position description for the Chief Executive Officer, which includes delineating management's responsibilities. The Board has also approved the corporate goals and objectives that the Chief Executive Officer has responsibility for meeting. The Board shall periodically review a report of the Compensation Committee reviewing this position description and such corporate goals and objectives.

Appointment and Terms of Employment of Other Officers

The Board shall review the recommendations of the Compensation Committee respecting the appointment and terms of employment of all senior management reporting directly to the Chief Executive Officer, and all other officers appointed by the Board and, if advisable, approve, any such appointment.

7. Director Development and Evaluation

Each new director shall participate in the Company's initial orientation program and each director shall participate in the Company's continuing director development programs. The Board shall periodically review the Company's initial orientation program and continuing director development programs.

8. No Rights Created

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Board, assisted by its committees, directs the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company's articles, it is not intended to establish any legally binding obligations.

SCHEDULE "F"

**FORM 51-101F2 REPORT ON RESERVES DATA
BY INDEPENDENT QUALIFIED EVALUATOR OR AUDITOR**

26 January 2017

Mr. Ryan Adair
International Petroleum Corporation
Suite 2600, Three Bentall Centre
595 Burrard Street, P.O. Box 49314
Vancouver, B.C.
Canada
V7X 1L3

FORM 51-101F2

Report on Reserves Data

By ERC Equipoise Ltd

To the board of directors of International Petroleum Corporation (the "Company"):

1. We have audited the Company's reserves data as at 31 December 2016. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at 31 December 2016, estimated using forecast prices and costs.
2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our audit.
3. We carried out our audit in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "COGE Handbook") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).
4. Those standards require that we plan and perform an audit to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An audit also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.
5. The following table sets forth the net present value of future net revenue (before deduction of income taxes) in millions of US dollars (US\$ MM) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company audited for the year 31 December 2016, and identifies the respective portions thereof that we have audited and reported on to the Company's management/board of directors:

F-G

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Audit Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue \$US MM (before income taxes, 10% discount rate)			
			Audited	Evaluated	Reviewed	Total
ERC Equipoise	Dec 31, 2016	France	286.1	NIL	NIL	286.1
ERC Equipoise	Dec 31, 2016	Netherlands	11.1	NIL	NIL	11.1
ERC Equipoise	Dec 31, 2016	Malaysia	291.7	NIL	NIL	291.7
Totals			588.9	NIL	NIL	588.9

6. In our opinion, the reserves data respectively audited by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.

8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

ERC Equipoise Ltd
6th Floor Stephenson House,
2 Cherry Orchard Road,
Croydon, CR0 6BA
United Kingdom

"Simon McDonald"

Simon McDonald, Director
ERC Equipoise Ltd

26 January 2017

SCHEDULE "G"

FORM 51-101F3

REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Management of International Petroleum Corporation (the "**Corporation**") are responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information is made up solely of the reserves data in respect of the Oil and Gas Assets, as defined and further described in the accompanying Company Description, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2016, estimated using forecast prices and costs.

An independent qualified reserves auditor has audited the reserves data in respect of the Oil and Gas Assets. The report of the independent qualified reserves auditor is presented in Schedule F-1 to the accompanying Company Description.

The Reserves Committee of the board of directors (the "**Board**") of the Corporation has:

- (a) reviewed the Corporation's procedures for providing information to the independent qualified reserves auditor;
- (b) met with the independent qualified reserves auditor to determine whether any restrictions affected the ability of the independent qualified reserves auditor to report without reservation; and
- (c) reviewed the reserves data with management and the independent qualified reserves auditor.

The Reserves Committee of the Board has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board has, on the recommendation of the Reserves Committee, approved:

- (a) the content and filing with the securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;
- (b) the filing of Form 51-101F2 which is the report of the independent qualified reserves auditor on the reserves data; and
- (c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Dated: April 17, 2017.

"Mike Nicholson"
Mike Nicholson
Chief Executive Officer

"Christophe Nerguararian"
Christophe Nerguararian
Chief Financial Officer

"C. Ashley Heppenstall"
C. Ashley Heppenstall
Director

"Chris Bruijnzeels"
Chris Bruijnzeels
Director

CERTIFICATE OF THE CORPORATION

DATED: April 20, 2017

We declare that, to the best of our knowledge, the information provided in the Company Description is accurate and that, to the best of our knowledge, the Company Description is not subject to any omissions that may serve to distort the picture the Company Description is to provide, and that all relevant information in the minutes of board meetings, auditors' records and other internal documents is included in the Company Description.

International Petroleum Corporation

The Board of Directors