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International Petroleum Corporation

***Interim Condensed Consolidated
Financial Statements***

For the three months ended March 31, 2020



**International
Petroleum
Corp.**

Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

UNAUDITED

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Interim Condensed Consolidated Statement of Operations

For the three months ended March 31, 2020 and 2019

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USD Thousands	Note	Three months ended – March 31	
		2020	2019
Revenue	2	80,536	147,420
Cost of sales			
Production costs	3	(59,141)	(62,773)
Depletion and decommissioning costs		(30,274)	(29,861)
Depreciation of other assets		(3,035)	(7,789)
Exploration and business development costs		(522)	(112)
Gross profit	2	(12,436)	46,885
General, administration and depreciation expenses		(2,810)	(3,311)
Profit before financial items		(15,246)	43,574
Finance income	4	55	3,953
Finance costs	5	(29,217)	(8,020)
Net financial items		(29,162)	(4,067)
Profit before tax		(44,408)	39,507
Income tax	6	4,339	(6,365)
Net result		(40,069)	33,142
Net result attributable to:			
Shareholders of the Parent Company		(40,059)	33,137
Non-controlling interest		(10)	5
		(40,069)	33,142
Earnings per share – USD ¹	16	(0.25)	0.20
Earnings per share fully diluted – USD ¹	16	(0.25)	0.20

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

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income

For the three months ended March 31, 2020 and 2019

UNAUDITED

USD Thousands	Three months ended – March 31	
	2020	2019
Net result	(40,069)	33,142
Other comprehensive income / (loss):		
Items that may be reclassified to profit or loss, net of tax:		
Hedging losses reclassified to profit or loss	2,853	499
Cash flow hedges gain / (loss)	4,661	(4,287)
Currency translation adjustments	(32,745)	4,243
Total comprehensive income / (loss)	(65,300)	33,597
Total comprehensive income / (loss) attributable to:		
Shareholders of the Parent Company	(65,287)	33,595
Non-controlling interest	(13)	2
	(65,300)	33,597

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheet

As at March 31, 2020 and December 31, 2019

UNAUDITED

USD Thousands	Note	March 31, 2020	December 31, 2019
ASSETS			
Non-current assets			
Exploration and evaluation assets	7	21,660	27,614
Property, plant and equipment, net	8	1,077,915	1,077,881
Other tangible fixed assets, net	10	65,098	69,015
Right-of-use assets		2,379	2,700
Deferred tax assets	6	69,890	57,523
Other assets	11	16,918	17,867
Total non-current assets		1,253,860	1,252,600
Current assets			
Inventories	12	12,575	17,220
Trade and other receivables	13	42,567	77,834
Derivative instruments	20	9,486	420
Current tax receivables	6	973	996
Cash and cash equivalents	14	29,368	15,571
Total current assets		94,969	112,041
TOTAL ASSETS		1,348,829	1,364,641
LIABILITIES			
Non-current liabilities			
Financial liabilities	17	301,923	244,732
Lease liabilities		1,595	1,906
Provisions	18	180,625	179,997
Deferred tax liabilities	6	46,070	47,565
Total non-current liabilities		530,213	474,200
Current liabilities			
Trade and other payables	19	74,631	85,826
Financial liabilities	17	28,131	–
Current tax liabilities		2,142	2,706
Lease liabilities		817	844
Provisions	18	4,439	9,840
Derivative instruments	20	–	416
Total current liabilities		110,160	99,632
EQUITY			
Shareholders' equity		708,262	790,602
Non-controlling interest		194	207
Net shareholders' equity		708,456	790,809
TOTAL EQUITY AND LIABILITIES		1,348,829	1,364,641

Approved by the Board of Directors

(Signed) C. Ashley Heppenstall
Director

(Signed) Mike Nicholson
Director

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flow

For the three months ended March 31, 2020 and 2019

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USD Thousands	Three months ended – March 31	
	2020	2019
Cash flow from operating activities		
Net result	(40,069)	33,142
Adjustments for non-cash related items:		
Depletion, depreciation and amortization	33,734	37,990
Exploration costs	–	30
Current tax	(86)	1,591
Deferred tax	(4,253)	4,774
Capitalized financing fees	385	604
Foreign currency exchange	21,857	(3,899)
Interest expense	3,787	4,294
Unwinding of asset retirement obligation discount	2,643	2,666
Share-based costs	549	1,109
Other	175	142
Cash flow generated from operations (before working capital adjustments and income taxes)	18,722	82,443
Changes in working capital	27,632	(30,160)
Decommissioning costs paid	(725)	(824)
Other payments	(615)	(614)
Income taxes paid	(406)	81
Interest paid	(3,644)	(4,096)
Net cash flow from operating activities	40,964	46,830
Cash flow used in investing activities		
Investment in oil and gas properties	(56,190)	(21,886)
Investment in other fixed assets	(15)	(143)
Acquisition of the Suffield Assets	–	(178)
Acquisition of Granite (see Note 9)	(27,709)	–
Net cash (outflow) from investing activities	(83,914)	(22,207)
Cash flow from financing activities		
Borrowings / (repayments)	74,688	(26,035)
Purchase of own shares	(17,602)	–
Lease payment	(233)	(212)
Net cash (outflow) from financing activities	56,853	(26,247)
Change in cash and cash equivalents	13,903	(1,624)
Cash and cash equivalents at the beginning of the period	15,571	10,626
Currency exchange difference in cash and cash equivalents	(106)	(35)
Cash and cash equivalents at the end of the period	29,368	8,967

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

For the three months ended March 31, 2020 and 2019

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USD Thousands	Share capital and premium	Retained earnings	CTA	IFRS 2 reserve	MTM reserve	Pension reserve	Total	Non-controlling interest	Total equity
Balance at January 1, 2019	567,116	129,697	(6,495)	4,958	296	–	695,572	215	695,787
Pension liability adjustment ¹	–	(3,223)	–	–	–	–	(3,223)	–	(3,223)
Net result	–	33,137	–	–	–	–	33,137	5	33,142
Acquisition of BlackPearl ²	–	–	–	–	9,013	–	9,013	–	9,013
Cash flow hedge	–	–	–	–	(12,801)	–	(12,801)	–	(12,801)
Currency translation difference	–	–	4,017	(17)	246	–	4,246	(3)	4,243
Total comprehensive income	–	33,137	4,017	(17)	(3,542)	–	33,595	2	33,597
Share based payments	–	–	–	1,109	–	–	1,109	–	1,109
Balance at March 31, 2019	567,116	159,611	(2,478)	6,050	(3,246)	–	727,053	217	727,270

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

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

USD Thousands	Share capital and premium	Retained earnings	CTA	IFRS 2 reserve	MTM reserve	Pension reserve	Total	Non-controlling interest	Total equity
Balance at January 1, 2020	549,311	230,038	6,052	6,249	3	(1,051)	790,602	207	790,809
Net result	–	(40,059)	–	–	–	–	(40,059)	(10)	(40,069)
Acquisition of Granite ¹	–	–	–	–	1,311	–	1,311	–	1,311
Cash flow hedge	–	–	–	–	6,203	–	6,203	–	6,203
Currency translation difference	–	–	(31,864)	(441)	(437)	–	(32,742)	(3)	(32,745)
Total comprehensive income	–	(40,059)	(31,864)	(441)	7,077	–	(65,287)	(13)	(65,300)
Purchase of own shares ²	(17,602)	–	–	–	–	–	(17,602)	–	(17,602)
Share based payments	–	–	–	549	–	–	549	–	549
Balance at March 31, 2020	531,709	189,979	(25,812)	6,357	7,080	(1,051)	708,262	194	708,456

¹ See Note 9

² See Note 15

See accompanying notes to the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

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1. CORPORATE INFORMATION

A. Changes in the Group

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

The Corporation is incorporated and domiciled in British Columbia, Canada under the Business Corporations Act. The address of its registered office is Suite 2600, 595 Burrard Street, P.O. Box 49314, Vancouver, BC V7X 1L3, Canada and its business address is Suite 2000, 885 West Georgia Street, Vancouver, BC V6C 3E8, Canada.

B. Basis of preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements should be read in conjunction with IPC's annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

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

The unaudited interim condensed consolidated financial statements have been approved by the Board of Directors of IPC and authorized for issuance on May 6, 2020.

The unaudited interim condensed consolidated financial statements have been prepared following the same accounting policies and methods of application as those in the Group's audited annual consolidated financial statements for the year ended December 31, 2019.

C. Going concern

The Group's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020, have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business as they become due in the foreseeable future.

D. Changes in accounting policies and disclosures

During the three months ended March 31, 2020, the Group did not adopt any new standards and interpretations or amendments thereto applicable for financial periods beginning on or after January 1, 2020.

Notes to the Interim Condensed Consolidated Financial Statements

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2. SEGMENT INFORMATION

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

The following tables present segment information regarding: revenue, production costs, exploration and evaluation costs and gross profit. The Group derives its revenue from contracts with customers primarily through the transfer of oil and gas at a point in time. In addition, certain identifiable asset segment information is reported in Notes 7 and 8.

USD Thousands	Three months ended – March 31, 2020				
	Canada	Malaysia	France	Other	Total
Crude oil	40,007	16,855	8,733	–	65,595
NGLs	77	–	–	–	77
Gas	14,786	–	–	–	14,786
Net sales of oil and gas	54,870	16,855	8,733	–	80,458
Change in under/over lift position	–	–	(3,357)	–	(3,357)
Royalties	(3,724)	–	–	–	(3,724)
Hedging settlement	2,853	–	–	–	2,853
Other operating revenue	–	3,868	276	162	4,306
Revenue	53,999	20,723	5,652	162	80,536
Production costs	(45,647)	(6,261)	(7,233)	–	(59,141)
Depletion	(18,054)	(7,207)	(5,013)	–	(30,274)
Depreciation of other assets	–	(3,035)	–	–	(3,035)
Exploration and business development costs	–	–	–	(522)	(522)
Gross profit	(9,702)	4,220	(6,594)	(360)	(12,436)

USD Thousands	Three months ended – March 31, 2019				
	Canada	Malaysia	France	Other	Total
Crude oil	73,214	36,412	11,713	–	121,339
NGLs	85	–	–	–	85
Gas	23,951	–	–	–	23,951
Net sales of oil and gas	97,250	36,412	11,713	–	145,375
Change in under/over lift position	–	–	3,270	–	3,270
Royalties	(5,920)	–	–	–	(5,920)
Hedging settlement	499	–	–	–	499
Other operating revenue	–	3,825	286	85	4,196
Revenue	91,829	40,237	15,269	85	147,420
Production costs	(45,604)	(10,049)	(7,120)	–	(62,773)
Depletion	(18,376)	(8,274)	(3,211)	–	(29,861)
Depreciation of other assets	–	(7,789)	–	–	(7,789)
Exploration and business development costs	(30)	–	–	(82)	(112)
Gross profit	27,819	14,125	4,938	3	46,885

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

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3. PRODUCTION COSTS

USD Thousands	Three months ended March 31	
	2020	2019
Cost of operations	44,825	45,067
Tariff and transportation expenses	5,621	5,880
Direct production taxes	2,112	1,869
Operating costs	52,558	52,816
Cost of blending ¹	4,118	5,672
Change in inventory position	2,465	4,285
Total production costs	59,141	62,773

¹ In Canada, oil production is blended with purchased condensate diluent to meet pipeline specifications. Cost of blending represents the contracted purchase of diluent used for blending net of proceeds from the sale of surplus diluent. For the three months ended March 31, 2020, a gain of USD 230 thousand was recognized relating to the difference between the cost and sale proceeds of the surplus diluent.

4. FINANCE INCOME

USD Thousands	Three months ended March 31	
	2020	2019
Foreign exchange gain, net	–	3,899
Interest income	55	54
	55	3,953

5. FINANCE COSTS

USD Thousands	Three months ended March 31	
	2020	2019
Foreign exchange loss, net	(21,857)	–
Interest expense	(3,787)	(4,294)
Unwinding of asset retirement obligation discount	(2,643)	(2,666)
Amortization of loan fees	(385)	(604)
Loan commitment fees	(295)	(344)
Other financial costs	(250)	(112)
	(29,217)	(8,020)

6. INCOME TAX

USD Thousands	Three months ended March 31	
	2020	2019
Current tax	86	(1,591)
Deferred tax	4,253	(4,774)
Total tax	4,339	(6,365)

The deferred tax amount arises primarily where there is a difference in depletion for tax and accounting purposes. The deferred tax credit in the income statement in Q1 2020 mainly relates to the increased tax losses incurred during Q1 2020.

Notes to the Interim Condensed Consolidated Financial Statements

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Specification of deferred tax assets and tax liabilities¹

USD Thousands	March 31, 2020	December 31, 2019
Unused tax loss carry forward	104,627	92,855
Other	1,664	1,020
Deferred tax assets	106,291	93,875
Accelerated allowances	80,921	83,811
Other	1,550	106
Deferred tax liabilities	82,471	83,917
Deferred taxes, net	23,820	9,958

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

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

Deferred tax assets in relation to tax loss carried forwards are only recognized in so far that there is a reasonable certainty as to the timing and the extent of their realization. The recognized unused tax loss carry forward mainly relates to the acquisition of BlackPearl in December 2018 and to the Granite Acquisition (see Note 9).

7. EXPLORATION AND EVALUATION ASSETS

USD Thousands	Canada	Malaysia	France	Total
Cost				
January 1, 2020	13,899	6,761	6,954	27,614
Additions	1,649	126	250	2,025
Reclassification	–	(6,478)	–	(6,478)
Currency translation adjustments	(1,327)	–	(174)	(1,501)
Net book value March 31, 2020	14,221	409	7,030	21,660

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

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8. PROPERTY, PLANT AND EQUIPMENT, NET

USD Thousands	Canada	Malaysia	France	Total
Cost				
January 1, 2020	905,394	493,231	385,775	1,784,400
Granite Acquisition (see Note 9)	47,076	–	–	47,076
Additions	27,965	20,082	6,118	54,165
Reclassification	–	6,478	–	6,478
Currency translation adjustments	(84,474)	–	(9,482)	(93,956)
March 31, 2020	895,961	519,791	382,411	1,798,163
Accumulated depletion				
January 1, 2020	(122,595)	(392,432)	(191,492)	(706,519)
Depletion charge for the period	(18,054)	(7,207)	(5,013)	(30,274)
Currency translation adjustments	11,878	–	4,667	16,545
March 31, 2020	(128,771)	(399,639)	(191,838)	(720,248)
Net book value March 31, 2020	767,190	120,152	190,573	1,077,915

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

Impairment test

In response to the significant decrease and volatility in commodity prices since December 31, 2019, the Group updated its impairment testing as at March 31, 2020. The Group used appropriate oil or natural gas price curves based on forward forecasts as at March 31, 2020, a future cost inflation factor of 2% per annum, production and cost profiles based on proved and probable reserves (2P reserves) as at December 31, 2019 and a discount rate of 8.5% (8% at December 31, 2019) to calculate the estimated future post-tax cash flows. As a result of the testing, the Group determined that no impairment of the recorded book value of the Group's oil and gas properties was required as at March 31, 2020. Sensitivity scenarios were run and showed that a USD 2/bbl decrease in the oil price curve would result in a pre-tax impairment charge of USD 36 million and the use of a discount rate of 10% would result in a pre-tax impairment charge of USD 48 million.

Notes to the Interim Condensed Consolidated Financial Statements

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The following prices were used in the impairment testing as at March 31, 2020:

Price Decks	2020	2021	2022	2023	2024	Average annual increase thereafter
Dated Brent (USD/bbl)	33.17	43.97	52.55	56.68	59.10	2%
West Texas Intermediate (USD/bbl)	30.00	41.18	49.88	55.87	57.98	2%
Western Canadian Select (USD/bbl)	14.09	25.38	34.43	39.53	41.45	2%
Empress Gas (CAD/MMbtu)	2.26	2.82	3.07	3.14	3.21	2%

9. GRANITE ACQUISITION

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

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

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

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

USD Thousands

Trade and other receivables	1,620
Prepaid expenses and deposits	599
Fair value of risk management assets	1,748
Deferred tax assets	16,730
Property, plant and equipment	47,076
Other fixed assets	85
Accounts payable and accrued liabilities	(6,691)
Decommissioning liabilities	(4,498)
Short-term debt	(27,649)
MTM reserve in equity	(1,311)
Total Consideration	27,709

Settled by:

Cash payment for 39,061,575 common shares of Granite	27,709
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The amounts disclosed above were determined provisionally pending the finalization of the valuation for those assets and liabilities. Up to twelve months from the effective date of the Granite Acquisition, further adjustments may be made to the fair values assigned to the identifiable assets acquired and liabilities assumed.

Acquisition-related costs of approximately USD 0.5 million have been recognized in the income statement for Q1 2020.

Decommissioning obligations

The fair value of the decommissioning obligation at the acquisition date was based on the estimated future cash flows to decommission the acquired oil and natural gas properties at the end of their useful life. The discount rate used to determine the net present value of the decommissioning obligation was a credit risk adjusted rate of 8%.

Notes to the Interim Condensed Consolidated Financial Statements

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10. OTHER TANGIBLE FIXED ASSETS, NET

USD Thousands	FPSO	Other	Total
Cost			
January 1, 2020	205,989	9,420	215,409
Granite Acquisition (see Note 9)	–	85	85
Additions	–	15	15
Currency translation adjustments	(556)	(383)	(939)
March 31, 2020	205,433	9,137	214,570
Accumulated depreciation			
January 1, 2020	(140,735)	(5,659)	(146,394)
Depreciation charge for the period	(3,035)	(203)	(3,238)
Currency translation adjustments	–	160	160
March 31, 2020	(143,770)	(5,702)	(149,472)
Net book value March 31, 2020	61,663	3,435	65,098

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

The FPSO located on the Bertam field, Malaysia, is being depreciated on a unit of production basis from July 2019 based on the Bertam field 2P reserves. The depreciation charge is included in the depreciation of other assets line in the income statement.

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

Notes to the Interim Condensed Consolidated Financial Statements

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11. OTHER ASSETS

USD Thousands	March 31, 2020	December 31, 2019
Long-term receivables	16,892	17,840
Financial assets	26	27
	16,918	17,867

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

12. INVENTORIES

USD Thousands	March 31, 2020	December 31, 2019
Hydrocarbon stocks	3,582	6,123
Well supplies and operational spares	8,993	11,097
	12,575	17,220

13. TRADE AND OTHER RECEIVABLES

USD Thousands	March 31, 2020	December 31, 2019
Trade receivables	31,195	59,386
Underlift	1,784	5,250
Joint operations debtors	2,495	2,412
Prepaid expenses and accrued income	4,410	4,493
Other	2,683	6,293
	42,567	77,834

14. CASH AND CASH EQUIVALENTS

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

15. SHARE CAPITAL

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

	Number of shares
Balance at January 1, 2019	163,720,065
Cancellation of repurchased common shares	(3,929,196)
Balance at December 31, 2019	159,790,869
Cancellation of repurchased common shares	(4,448,112)
Balance at March 31, 2020	155,342,757

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

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

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On November 7, 2019, IPC announced the commencement of a share repurchase program. During the period up to March 31, 2020, IPC repurchased an aggregate of 8,377,308 common shares and all of these shares were cancelled. As at May 6, 2020, IPC had a total of 155,342,757 common shares issued and outstanding.

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

16. EARNINGS PER SHARE

Basic earnings per share are based on net result attributable to the common shareholders and is calculated based upon the weighted-average number of common shares outstanding during the periods presented.

USD Thousands	Three months ended March 31	
	2020	2019
Net result attributable to shareholders of the Parent Company, USD	(40,059,219)	33,137,048
Weighted average number of shares for the period	159,790,869	163,720,065
Earnings per share, USD	(0.25)	0.20
Weighted average diluted number of shares for the period	160,801,631	166,532,898
Earnings per share fully diluted, USD	(0.25)	0.20

17. FINANCIAL LIABILITIES

USD Thousands	March 31, 2020	December 31, 2019
Bank loans	331,841	247,074
Capitalized financing fees	(1,787)	(2,342)
	330,054	244,732
Non-current	301,923	244,732
Current	28,131	–
	330,054	244,732

As at January 1, 2019, the Group had a reserve-based lending credit facility of USD 200 million (the "International RBL") with a maturity to end June 2022 in connection with its oil and gas assets in France, Malaysia and the Netherlands. In addition, the Group had reserve-based lending credit facilities in aggregate of CAD 370 million and outstanding senior secured notes of CAD 75 million in connection with its oil and gas assets in Canada.

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

The borrowing base availability under the International RBL is currently USD 125 million of which USD 95 million was outstanding as at March 31, 2020. The borrowing base availability under the Canadian RBL is currently CAD 375 million of which CAD 297 million was outstanding as at March 31, 2020.

In March 2020, in connection with the completion of the Granite Acquisition, the Group assumed the bank debt of Granite consisting of a revolving credit facility of CAD 42.5 million (the "Granite Facility") of which CAD 40 million was outstanding at March 31, 2020. The Granite Facility has a maturity date of December 31, 2020 and is classified as current.

With the exception of the Granite Facility, no facility repayment schedule results in mandatory repayment within the next twelve months. As such, the amounts outstanding under the International RBL and the Canadian RBL as at March 31, 2020, are classified as non-current.

The Group is in compliance with the covenants under the International RBL, the Canadian RBL and the Granite Facility as at March 31, 2020.

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18. PROVISIONS

USD Thousands	Asset retirement obligation	Farm-in obligation	Pension obligation	Other	Total
January 1, 2020	176,305	6,720	4,413	2,399	189,837
Granite Acquisition (see Note 9)	4,498	–	–	–	4,498
Additions	–	–	–	148	148
Unwinding of asset retirement obligation discount	2,643	–	–	–	2,643
Payments	(725)	(615)	–	–	(1,340)
Currency translation adjustments	(10,255)	(320)	–	(147)	(10,722)
March 31, 2020	172,466	5,785	4,413	2,400	185,064
Non-current	169,184	4,628	4,413	2,400	180,625
Current	3,282	1,157	–	–	4,439
Total	172,466	5,785	4,413	2,400	185,064

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

19. TRADE AND OTHER PAYABLES

USD Thousands	March 31, 2020	December 31, 2019
Trade payables	20,392	17,682
Joint operations creditors	22,338	24,164
Accrued expenses	30,962	40,317
Other	939	3,663
	74,631	85,826

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20. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities by category

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

March 31, 2020 USD Thousands	Total	Financial assets at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Other non-current financial assets	2,379	2,379	–	–
Other assets	16,918	16,918	–	–
Derivative instruments	9,486	–	–	9,486
Joint operation debtors	2,495	2,495	–	–
Other current receivables ¹	36,635	34,851	1,784	–
Cash and cash equivalents	29,368	29,368	–	–
Financial assets	97,281	86,011	1,784	9,486

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

March 31, 2020 USD Thousands	Total	Financial liabilities at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Non-current financial liabilities	303,518	303,518	–	–
Current financial liabilities	28,131	28,131	–	–
Joint operation creditors	22,338	22,338	–	–
Other current liabilities	24,290	24,290	–	–
Financial liabilities	378,277	378,277	–	–

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

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

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

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

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

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

March 31, 2020

USD Thousands	Level 1	Level 2	Level 3
Other current receivables	1,784	–	–
Derivative instruments – current	–	9,486	–
Financial assets	1,784	9,486	–

December 31, 2019

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

The Group had entered into the following forward gas price hedges as at March 31, 2020, as follows:

Period	Volume (Gigajoules (GJ) per day)	Type	Average Pricing
Gas Purchase			
April 1, 2020 – December 31, 2020	4,000	Swap	AECO 5a + CAD 1.49/GJ

The Group had entered into the following forward oil price hedges as at March 31, 2020, as follows:

Period	Volume (barrels per day)	Type	Average Pricing
April 1, 2020 – June 30, 2020	100	Swap	WTI – USD 60.15/bbl
April 1, 2020 – June 30, 2020	600	Swap	WTI – CAD 71.49/bbl
April 1, 2020 – June 30, 2020	6,150	Collar	WTI USD 35/bbl to USD 71.74/bbl
July 1, 2020 – September 30, 2020	700	Swap	WTI – CAD 70.67/bbl
October 1, 2020 – December 31, 2020	350	Swap	WTI – CAD 71.25/bbl

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

21. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

IPC has an obligation to make payments towards historic costs on Block PM307 in Malaysia payable on the Bertam field for every 1 MMboe gross that the field produces above 10 MMboe gross. The estimated liability based on current 2P reserves has been provided for in the Group's Balance Sheet (see Note 18).

The Bertam field (IPC working interest of 75%) has leased the FPSO Bertam from another Group company for an initial period of six years commencing April 2015, with four one-year options to extend such lease beyond the initial period, up to April 2025.

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22. RELATED PARTIES

Lundin Energy (previously “Lundin Petroleum”) has charged the Group USD 192 thousand in respect of office space rental and USD 74 thousand in respect of shared services provided during Q1 2020.

All transactions with related parties are in the normal course of business and are made on the same terms and conditions as with parties at arm’s length.

23. IMPACT OF COVID-19

During Q1 2020, crude oil prices decreased substantially due to a drop in global oil demand triggered by the impact of the Covid-19 virus on the global economy and the lack of an agreement between OPEC and non-OPEC countries regarding proposed production cuts. While OPEC and other countries agreed in April 2020 to decrease production, downward pressure on commodity prices has remained and could continue for the foreseeable future.

Accordingly, IPC announced a revised 2020 business plan in April 2020. At that time, IPC revised its forecast 2020 net average production to be in the range of 30,000 to 45,000 barrels of oil equivalent (boe) per day (boepd), estimated operating costs for 2020 to be in the range of USD 12 to 13 per boe, and reductions in total forecast 2020 expenditure of between USD 125 and 190 million as compared to estimates announced at IPC’s Capital Markets Day (CMD) in February 2020.

Operational decisions that IPC has subsequently made result in revised forecast 2020 expenditure reductions of between USD 175 and 190 million as compared to CMD estimates. This comprises USD 85 million in reduced capital and decommissioning expenditures and USD 90 to 105 million in reduced operating costs. As a result, IPC’s forecast 2020 net average production guidance range is 30,000 to 37,000 boepd. IPC’s estimated 2020 capital and decommissioning expenditures are USD 77 million and IPC’s forecast 2020 operating costs are in the range of USD 140 to 155 million, resulting in estimated 2020 unit operating costs in the range of USD 12 to 13 per boe. The upper end of IPC’s revised production guidance assumes that the production curtailments in Canada to the end of June 2020 continue through to the end of the year, with the lower end of the range assuming full curtailment of IPC’s Canadian oil production in the second half of 2020. IPC retains the flexibility to ramp production back up during the second half of 2020 should market conditions improve.

In response to the significant decrease and volatility in commodity prices since December 31, 2019, the Group updated its impairment testing as at March 31, 2020. As a result of the testing, the Group determined that no impairment of the recorded book value of the Group’s oil and gas properties was required as at March 31, 2020 (See Note 8).

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

24. SUBSEQUENT EVENTS

In April 2020, the Group entered into the following oil price hedges in Canada:

Period	Volume (barrels per day)	Type	Average Pricing
May 2020	2,400	Swap	WTI – USD 16.40/bbl
June 2020	1,700	Swap	WTI – USD 22.20/bbl
June 2020	8,550	Swap	WTI/WCS differential of USD 9.30/bbl

In May 2020, the Group entered into a EUR 13 million unsecured credit facility in France. The facility has an initial term of 12 months and is extendable by the Group for up to a further five years.

No other events have occurred since March 31, 2020, that are expected to have a substantial effect on this financial report. The implications of Covid-19 which continue to impact IPC’s business also after March 31, 2020 are closely monitored by the Group.

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