



Q3

International Petroleum Corporation

***Interim Condensed Consolidated
Financial Statements***

*For the three and nine months ended
September 30, 2021*



**International
Petroleum
Corp.**

Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

Contents

Interim Condensed Consolidated Statement of Operations	3
Interim Condensed Consolidated Statement of Comprehensive Income	4
Interim Condensed Consolidated Balance Sheet	5
Interim Condensed Consolidated Statement of Cash Flow	6
Interim Condensed Consolidated Statement of Changes in Equity	7
Notes to the Interim Condensed Consolidated Financial Statements	8

Interim Condensed Consolidated Statement of Operations

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

USD Thousands	Note	Three months ended - September 30		Nine months ended - September 30	
		2021	2020	2021	2020
Revenue	2	172,551	95,346	451,113	220,811
Cost of sales					
Production costs	3	(80,611)	(58,190)	(222,446)	(147,406)
Depletion of oil and gas properties	7	(30,453)	(28,531)	(88,720)	(82,103)
Depreciation of other assets		(2,443)	(2,906)	(7,480)	(8,930)
Exploration and business development costs		(408)	(162)	(1,615)	(5,788)
Gross profit / (loss)	2	58,636	5,557	130,852	(23,416)
General, administration and depreciation expenses		(3,131)	(3,333)	(9,300)	(9,238)
Profit / (loss) before financial items		55,505	2,224	121,552	(32,654)
Finance income	4	209	7,877	217	69
Finance costs	5	(13,169)	(6,844)	(26,352)	(21,787)
Net financial items		(12,960)	1,033	(26,135)	(21,718)
Profit / (loss) before tax		42,545	3,257	95,417	(54,372)
Income tax recovery / (expense)	6	(11,988)	5,593	(16,276)	21,681
Net result		30,557	8,850	79,141	(32,691)
Net result attributable to:					
Shareholders of the Parent Company		30,548	8,851	79,118	(32,679)
Non-controlling interest		9	(1)	23	(12)
		30,557	8,850	79,141	(32,691)
Earnings per share – USD ¹	14	0.20	0.06	0.51	(0.21)
Earnings per share fully diluted – USD ¹	14	0.19	0.06	0.50	(0.21)

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 and nine months ended September 30, 2021 and 2020, UNAUDITED

USD Thousands	Note	Three months ended - September 30		Nine months ended - September 30	
		2021	2020	2021	2020
Net result		30,557	8,850	79,141	(32,691)
Other comprehensive income / (loss)					
Items that may be reclassified to profit or loss:					
Cash flow hedges gain / (loss)		(6,326)	(5,243)	(35,657)	107
Hedging (gains) / losses reclassified to profit or loss	2	8,507	2,551	23,160	(3,750)
Income tax relating to the hedges		(597)	687	3,051	943
Currency translation adjustments		(12,456)	10,689	(4,133)	(9,942)
Total comprehensive income / (loss)		19,685	17,534	65,562	(45,333)
Total comprehensive income / (loss) attributable to:					
Shareholders of the Parent Company		19,678	17,529	65,543	(45,326)
Non-controlling interest		7	5	19	(7)
		19,685	17,534	65,562	(45,333)

See accompanying notes to the interim condensed consolidated financial statements

Interim Condensed Consolidated Balance Sheet

As at September 30, 2021 and December 31, 2020, UNAUDITED

USD Thousands	Note	September 30, 2021	December 31, 2020
ASSETS			
Non-current assets			
Oil and gas properties	7	1,002,498	1,070,904
Other tangible fixed assets	8	49,676	59,198
Right-of-use assets		1,824	1,965
Deferred tax assets	6	73,893	88,347
Other assets	9	35,616	20,239
Total non-current assets		1,163,507	1,240,653
Current assets			
Inventories	10	33,788	17,070
Trade and other receivables	11	87,151	66,151
Derivative instruments	18	–	1,591
Current tax receivables		104	1,157
Cash and cash equivalents	12	22,620	6,498
Total current assets		143,663	92,467
TOTAL ASSETS		1,307,170	1,333,120
LIABILITIES			
Non-current liabilities			
Financial liabilities	15	180,297	301,153
Lease liabilities		1,153	1,347
Provisions	16	217,059	196,945
Deferred tax liabilities	6	22,597	28,085
Total non-current liabilities		421,106	527,530
Current liabilities			
Trade and other payables	17	84,985	63,350
Financial liabilities	15	965	22,982
Current tax liabilities		3,191	184
Lease liabilities		693	671
Provisions	16	6,877	7,204
Derivative instruments	18	13,486	2,746
Total current liabilities		110,197	97,137
EQUITY			
Shareholders' equity		775,716	708,321
Non-controlling interest		151	132
Net shareholders' equity		775,867	708,453
TOTAL EQUITY AND LIABILITIES		1,307,170	1,333,120

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 and nine months ended September 30, 2021 and 2020, UNAUDITED

USD Thousands	Note	Three months ended - September 30		Nine months ended - September 30	
		2021	2020	2021	2020
Cash flow from operating activities					
Net result		30,557	8,850	79,141	(32,691)
Adjustments for non-cash related items:					
Depletion, depreciation and amortization	7, 8	33,310	31,865	97,500	92,313
Exploration costs	7	–	70	270	5,255
Income tax	6	11,988	(5,593)	16,276	(21,681)
Capitalized financing fees	5	465	588	1,602	1,347
Foreign currency exchange	4, 5	6,624	(7,876)	3,558	1,616
Interest expense	5	2,664	3,100	10,994	9,450
Unwinding of asset retirement obligation discount	5	2,869	2,747	8,667	8,036
Share-based costs		1,519	1,552	4,864	3,696
Other		(73)	260	184	1,399
Cash flow generated from operations (before working capital adjustments and income taxes)		89,923	35,563	223,056	68,740
Changes in working capital		(4,045)	4,356	(20,044)	2,742
Decommissioning costs paid	16	(775)	(101)	(2,663)	(2,828)
Other payments	16	(601)	(1,141)	(879)	(1,756)
Income taxes received / (paid)		791	(125)	451	(2,492)
Interest paid		(2,727)	(3,188)	(10,673)	(9,538)
Net cash flow from operating activities		82,566	35,364	189,248	54,868
Cash flow used in investing activities					
Investment in oil and gas properties	7	(7,663)	(7,315)	(26,549)	(69,927)
Investment in other fixed assets	8	(39)	(82)	(166)	(219)
Acquisition of Granite		–	–	–	(27,709)
Net cash (outflow) from investing activities		(7,702)	(7,397)	(26,715)	(97,855)
Cash flow from financing activities					
Borrowings / (Repayments)	15	(72,845)	(26,887)	(144,514)	59,545
Paid financing fees		–	(1,018)	(605)	(2,926)
Purchase of own shares		–	–	–	(17,602)
Other payments		(228)	(206)	(596)	(664)
Net cash (outflow) from financing activities		(73,073)	(28,111)	(145,715)	38,353
Change in cash and cash equivalents					
Cash and cash equivalents at the beginning of the period		21,262	11,018	6,498	15,571
Currency exchange difference in cash and cash equivalents		(433)	(662)	(696)	(725)
Cash and cash equivalents at the end of the period		22,620	10,212	22,620	10,212

See accompanying notes to the interim condensed consolidated financial statements

Interim Condensed Consolidated Statement of Changes in Equity

For the nine months ended September 30, 2021 and 2020, UNAUDITED

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	–	(32,679)	–	–	–	–	(32,679)	(12)	(32,691)
Acquisition of Granite	–	–	–	–	1,311	–	1,311	–	1,311
Cash flow hedge	–	–	–	–	(4,011)	–	(4,011)	–	(4,011)
Currency translation difference	–	–	(9,701)	(203)	(43)	–	(9,947)	5	(9,942)
Total comprehensive income	–	(32,679)	(9,701)	(203)	(2,743)	–	(45,326)	(7)	(45,333)
Purchase of own shares	(17,602)	–	–	–	–	–	(17,602)	–	(17,602)
Share based payments	670	–	–	2,313	–	–	2,983	–	2,983
Balance at September 30, 2020	532,379	197,359	(3,649)	8,359	(2,740)	(1,051)	730,657	200	730,857

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, 2021	532,379	152,184	16,776	10,088	(877)	(2,229)	708,321	132	708,453
Net result	–	79,118	–	–	–	–	79,118	23	79,141
Cash flow hedge	–	–	–	–	(9,446)	–	(9,446)	–	(9,446)
Currency translation difference	–	–	(4,227)	(68)	166	–	(4,129)	(4)	(4,133)
Total comprehensive income	–	79,118	(4,227)	(68)	(9,280)	–	65,543	19	65,562
Issuance of new shares ¹	93	–	–	–	–	–	93	–	93
Share based payments ²	3,742	–	–	(1,983)	–	–	1,759	–	1,759
Balance at September 30, 2021	536,214	231,302	12,549	8,037	(10,157)	(2,229)	775,716	151	775,867

¹ See Note 13

² In February 2017, stock options were granted under the Corporation's stock option plan. In February 2021, the value of the expired stock options was offset against share premium.

See accompanying notes to the interim condensed consolidated financial statements

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

1. CORPORATE INFORMATION

A. The Group

International Petroleum Corporation (“IPC” or the “Corporation” and, together with its subsidiaries, the “Group”) is in the business of exploring for, developing and producing oil and gas. IPC holds a portfolio of oil and gas production assets and development projects in Canada, Malaysia and France with exposure to growth opportunities.

The Corporation’s common shares are listed on the Toronto Stock Exchange (“TSX”) in Canada and the Nasdaq Stockholm Exchange in Sweden. 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.

On April 10, 2021, IPC increased its working interest in the Bertam field, Malaysia, from 75% to 100% following the completion of the withdrawal of Petronas Carigali Sdn Bhd from Block PM307 and assignment of its working interest to IPC. An irrevocable notice of withdrawal was submitted by Petronas Carigali Sdn Bhd to IPC, as the operator of the Bertam field, in December 2020 following a review of its portfolio. The settlement for the transfer of the 25% additional working interest was the assumption by IPC of an additional USD 1,078 thousand of estimated future decommissioning liability, being the net difference of the estimated decommissioning liability associated with the working interest and the secured amounts transferred.

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, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

These 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. Certain comparative figures have been reclassified to conform with the financial statements presentation in the current year.

The unaudited interim condensed consolidated financial statements have been approved by the Board of Directors of IPC and authorized for issuance on November 2, 2021.

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, 2020.

C. Going concern

The Group’s unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2021, 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 nine months ended September 30, 2021, the Group did not adopt any new standards and interpretations or amendments thereto applicable for financial periods beginning on or after January 1, 2021.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

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 Note 7.

USD Thousands	Three months ended - September 30, 2021				Total
	Canada	Malaysia ¹	France	Other	
Crude oil	125,816	22,206	17,335	–	165,357
NGLs	133	–	–	–	133
Gas	25,639	–	–	–	25,639
Net sales of oil and gas	151,588	22,206	17,335	–	191,129
Change in under/over lift position	–	–	3,439	–	3,439
Royalties	(13,720)	–	–	–	(13,720)
Hedging settlement	(8,507)	–	–	–	(8,507)
Other operating revenue	–	–	210	–	210
Revenue	129,361	22,206	20,984	–	172,551
Production costs	(64,191)	(7,450)	(8,970)	–	(80,611)
Depletion of oil and gas properties	(18,988)	(7,288)	(4,177)	–	(30,453)
Depreciation of other assets	–	(2,443)	–	–	(2,443)
Exploration and business development costs	–	–	–	(408)	(408)
Gross profit / (loss)	46,182	5,025	7,837	(408)	58,636

USD Thousands	Three months ended - September 30, 2020				Total
	Canada	Malaysia ¹	France	Other	
Crude oil	53,471	17,961	10,682	–	82,114
NGLs	54	–	–	–	54
Gas	14,453	–	–	–	14,453
Net sales of oil and gas	67,978	17,961	10,682	–	96,621
Change in under/over lift position	–	–	1,004	–	1,004
Royalties	(4,025)	–	–	–	(4,025)
Hedging settlement	(2,551)	–	–	–	(2,551)
Other operating revenue	–	3,910	327	60	4,297
Revenue	61,402	21,871	12,013	60	95,346
Production costs	(40,037)	(10,189)	(7,964)	–	(58,190)
Depletion of oil and gas properties	(16,815)	(6,902)	(4,814)	–	(28,531)
Depreciation of other assets	–	(2,906)	–	–	(2,906)
Exploration and business development costs	46	20	(136)	(92)	(162)
Gross profit / (loss)	4,596	1,894	(901)	(32)	5,557

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

USD Thousands	Nine months ended - September 30, 2021				Total
	Canada	Malaysia ¹	France	Other	
Crude oil	320,711	53,270	57,086	–	431,067
NGLs	398	–	–	–	398
Gas	66,731	–	–	–	66,731
Net sales of oil and gas	387,840	53,270	57,086	–	498,196
Change in under/over lift position	–	–	2,433	–	2,433
Royalties	(31,361)	–	–	–	(31,361)
Hedging settlement	(23,160)	–	–	–	(23,160)
Other operating revenue	–	4,208	733	64	5,005
Revenue	333,319	57,478	60,252	64	451,113
Production costs	(188,133)	(5,259)	(29,054)	–	(222,446)
Depletion of oil and gas properties	(53,885)	(22,313)	(12,522)	–	(88,720)
Depreciation of other assets	–	(7,480)	–	–	(7,480)
Exploration and business development costs	(4)	(259)	(7)	(1,345)	(1,615)
Gross profit / (loss)	91,297	22,167	18,669	(1,281)	130,852

USD Thousands	Nine months ended - September 30, 2020				Total
	Canada	Malaysia ¹	France	Other	
Crude oil	107,165	41,896	25,367	–	174,428
NGLs	142	–	–	–	142
Gas	41,325	–	–	–	41,325
Net sales of oil and gas	148,632	41,896	25,367	–	215,895
Change in under/over lift position	–	–	(3,060)	–	(3,060)
Royalties	(8,514)	–	–	–	(8,514)
Hedging settlement	3,750	–	–	–	3,750
Other operating revenue	–	11,645	780	315	12,740
Revenue	143,868	53,541	23,087	315	220,811
Production costs	(112,687)	(15,990)	(18,729)	–	(147,406)
Depletion of oil and gas properties	(48,167)	(21,206)	(12,730)	–	(82,103)
Depreciation of other assets	–	(8,930)	–	–	(8,930)
Exploration and business development costs	(2,987)	88	(2,356)	(533)	(5,788)
Gross profit / (loss)	(19,973)	7,503	(10,728)	(218)	(23,416)

¹ The segment Malaysia includes the FPSO Bertam which is owned by the Group. The self-to-self payment of the lease fee for the FPSO Bertam has been eliminated from the revenue and the production costs.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

3. PRODUCTION COSTS

USD Thousands	Three months ended - September 30		Nine months ended - September 30	
	2021	2020	2021	2020
Cost of operations	51,582	39,466	149,035	113,809
Tariff and transportation expenses	8,946	5,503	26,485	15,341
Direct production taxes	2,679	2,558	7,767	5,615
Operating costs	63,207	47,527	183,287	134,765
Cost of blending ¹	18,075	7,739	56,111	13,908
Change in inventory position	(671)	2,924	(16,952)	(1,267)
Total production costs	80,611	58,190	222,446	147,406

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. A net gain of USD 277 thousand and a cost of USD 537 thousand was recognized relating to the difference between the cost and sale proceeds of the surplus diluent for Q3 2021 and Q3 2020 respectively (a gain of USD 207 thousand and a cost of USD 1,269 thousand for the first nine months of 2021 and 2020 respectively).

4. FINANCE INCOME

USD Thousands	Three months ended - September 30		Nine months ended - September 30	
	2021	2020	2021	2020
Foreign exchange gain, net	–	7,876	–	–
Interest income	186	1	194	69
Other financial income	23	–	23	–
Total finance income	209	7,877	217	69

5. FINANCE COSTS

USD Thousands	Three months ended - September 30		Nine months ended - September 30	
	2021	2020	2021	2020
Foreign exchange loss, net	(6,624)	–	(3,558)	(1,616)
Interest expense	(2,664)	(3,100)	(10,994)	(9,450)
Unwinding of asset retirement obligation discount	(2,869)	(2,747)	(8,667)	(8,036)
Amortization of loan fees	(465)	(588)	(1,602)	(1,347)
Loan commitment fees	(406)	(372)	(1,140)	(913)
Other financial costs	(141)	(37)	(391)	(425)
Total finance costs	(13,169)	(6,844)	(26,352)	(21,787)

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

6. INCOME TAX RECOVERY / (EXPENSE)

USD Thousands	Three months ended - September 30		Nine months ended - September 30	
	2021	2020	2021	2020
Current tax	(575)	25	(2,622)	(1)
Deferred tax	(11,413)	5,568	(13,654)	21,682
Total tax recovery / (expense)	(11,988)	5,593	(16,276)	21,681

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

Specification of deferred tax assets and tax liabilities¹

USD Thousands	September 30, 2021	December 31, 2020
Unused tax loss carry forward	118,875	133,753
Other	6,232	2,841
Deferred tax assets	125,107	136,594
Accelerated allowances	73,811	76,014
Other	–	318
Deferred tax liabilities	73,811	76,332
Deferred taxes, net	51,296	60,262

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 Canada. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets.

7. OIL AND GAS PROPERTIES

USD Thousands	September 30, 2021	December 31, 2020
Exploration and Evaluation Assets	19,470	20,986
Property, plant and Equipment	983,028	1,049,918
Oil and Gas Properties	1,002,498	1,070,904

Exploration and Evaluation Assets

USD Thousands	Canada	Malaysia	France	Total
Cost				
January 1, 2021	15,409	44	5,533	20,986
Additions ¹	(1,306)	420	7	(879)
Expensed exploration and evaluation costs	(4)	(259)	(7)	(270)
Reclassification	–	(76)	–	(76)
Currency translation adjustments	22	–	(313)	(291)
Net book value September 30, 2021	14,121	129	5,220	19,470

¹ Net revenues on appraisal projects are being offset against capitalised costs of Exploration and Evaluation assets.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

USD Thousands	Canada	Malaysia	France	Total
Cost				
January 1, 2020	13,899	6,761	6,954	27,614
Additions	4,264	460	522	5,246
Expensed exploration and evaluation costs	(3,011)	(741)	(2,389)	(6,141)
Reclassification ¹	(84)	(6,436)	(51)	(6,571)
Currency translation adjustments	341	–	497	838
Net book value December 31, 2020	15,409	44	5,533	20,986

¹ The reclassification to the property, plant and equipment producing pool relates to the successful appraisal drilling in Malaysia.

Property, Plant and Equipment

USD Thousands	Canada	Malaysia	France	Total
Cost				
January 1, 2021	1,004,605	523,728	437,660	1,965,993
Additions	22,999	2,976	1,453	27,428
Additional working interest ¹	–	1,078	–	1,078
Reclassification	–	76	–	76
Currency translation adjustments	(309)	–	(24,497)	(24,806)
September 30, 2021	1,027,295	527,858	414,616	1,969,769
Accumulated depletion				
January 1, 2021	(195,322)	(420,191)	(300,562)	(916,075)
Depletion charge for the period	(53,885)	(22,313)	(12,522)	(88,720)
Currency translation adjustments	930	–	17,124	18,054
September 30, 2021	(248,277)	(442,504)	(295,960)	(986,741)
Net book value September 30, 2021	779,018	85,354	118,656	983,028

¹ Relates to the increased decommissioning liability relating to the additional 25% working interest in the Bertam field, Malaysia. (Also see Note 1)

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

USD Thousands	Canada	Malaysia	France	Total
Cost				
January 1, 2020	905,394	493,231	385,775	1,784,400
Granite Acquisition	47,076	–	–	47,076
Additions	40,816	20,274	11,323	72,413
Change in estimates	(11,395)	3,787	4,423	(3,185)
Reclassification	84	6,436	51	6,571
Currency translation adjustments	22,630	–	36,088	58,718
December 31, 2020	1,004,605	523,728	437,660	1,965,993
Accumulated depletion				
January 1, 2020	(122,595)	(392,432)	(191,492)	(706,519)
Depletion charge for the period	(66,810)	(27,759)	(17,327)	(111,896)
Impairment costs of oil and gas properties	–	–	(73,143)	(73,143)
Currency translation adjustments	(5,917)	–	(18,600)	(24,517)
December 31, 2020	(195,322)	(420,191)	(300,562)	(916,075)
Net book value December 31, 2020	809,283	103,537	137,098	1,049,918

8. OTHER TANGIBLE FIXED ASSETS

USD Thousands	FPSO	Other	Total
Cost			
January 1, 2021	208,063	10,413	218,476
Additions	2	164	166
Disposals	–	(57)	(57)
Currency translation adjustments	(1,384)	(312)	(1,696)
September 30, 2021	206,681	10,208	216,889
Accumulated depreciation			
January 1, 2021	(152,416)	(6,862)	(159,278)
Depreciation charge for the period	(7,480)	(750)	(8,230)
Disposals	–	57	57
Currency translation adjustments	–	238	238
September 30, 2021	(159,896)	(7,317)	(167,213)
Net book value September 30, 2021	46,785	2,891	49,676

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

USD Thousands	FPSO	Other	Total
Cost			
January 1, 2020	205,989	9,420	215,409
Granite Acquisition	–	85	85
Additions	–	426	426
Disposals	–	(79)	(79)
Currency translation adjustments	2,074	561	2,635
December 31, 2020	208,063	10,413	218,476
Accumulated depreciation			
January 1, 2020	(140,735)	(5,659)	(146,394)
Depreciation charge for the period	(11,681)	(882)	(12,563)
Disposals	–	79	79
Currency translation adjustments	–	(400)	(400)
December 31, 2020	(152,416)	(6,862)	(159,278)
Net book value December 31, 2020	55,647	3,551	59,198

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 statement of operations.

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 statement of operations.

9. OTHER ASSETS

USD Thousands	September 30, 2021	December 31, 2020
Long-term receivables	27,887	20,210
Financial assets	7,729	29
	35,616	20,239

Long-term receivables represent cash payments made to an asset retirement obligation fund and financial assets mainly represent secured amounts transferred for the future asset retirement obligation, in respect of the Bertam field, Malaysia. The increase in long-term receivables and financial assets have been transferred following the assignment of the additional 25% working interest of the Bertam field. (Also see Notes 1 and 16).

10. INVENTORIES

USD Thousands	September 30, 2021	December 31, 2020
Hydrocarbon stocks	23,438	6,606
Well supplies and operational spares	10,350	10,464
	33,788	17,070

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

11. TRADE AND OTHER RECEIVABLES

USD Thousands	September 30, 2021	December 31, 2020
Trade receivables	67,467	51,614
Underlift	7,126	5,057
Joint operations debtors	1,646	1,792
Prepaid expenses and accrued income	9,535	5,524
Other	1,377	2,164
	87,151	66,151

12. CASH AND CASH EQUIVALENTS

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

13. SHARE CAPITAL

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

	Number of shares
Balance at January 1, 2020	159,790,869
Cancellation of repurchased common shares	(4,448,112)
Balance at December 31, 2020	155,342,757
Stock option exercise	25,000
Balance at September 30, 2021	155,367,757

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

As at January 1, 2020, the total number of common shares issued and outstanding in IPC was 159,790,869. During Q1 2020, IPC repurchased an aggregate of 4,448,112 common shares under a share repurchase program and all of these shares were cancelled. IPC suspended further share repurchases under the program which expired in November 2020. Following the exercise of stock options during February 2021, the number of issued and outstanding common shares of the Corporation increased by 25,000 to 155,367,757 common shares with voting rights. As at September 30, 2021, and as at November 2, 2021, IPC had a total of 155,367,757 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 does not impact the earnings per share calculations.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

14. 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.

	Three months ended - September 30		Nine months ended - September 30	
	2021	2020	2021	2020
Net result attributable to shareholders of the Parent Company, USD	30,547,724	8,851,030	79,117,753	(32,679,147)
Weighted average number of shares for the period	155,367,757	155,342,757	155,362,610	156,809,168
Earnings per share, USD	0.20	0.06	0.51	(0.21)
Weighted average diluted number of shares for the period	157,892,777	156,924,485	157,887,630	158,390,896
Earnings per share fully diluted, USD	0.19	0.06	0.50	(0.21)

15. FINANCIAL LIABILITIES

USD Thousands	September 30, 2021	December 31, 2020
Bank loans	183,819	327,691
Capitalized financing fees	(2,557)	(3,556)
	181,262	324,135

As at January 1, 2020, the Group had a reserve-based lending credit facility of USD 175 million (the "International RBL") with a maturity to end of June 2022 in connection with its oil and gas assets in France and Malaysia. In addition, the Group had a reserve-based lending credit facility of CAD 375 million (the "Canadian RBL") with a maturity date in May 2021, in connection with its oil and gas assets in Canada.

In May 2020, IPC entered into a EUR 13 million unsecured credit facility in France (the "France Facility") under a financial assistance program instituted by the French government. In April 2021, IPC extended the France Facility until May 2026, with quarterly repayments commencing in August 2022. The France Facility amount was fully drawn as at September 30, 2021, and as at November 2, 2021.

In June 2020, the Group amended and extended the International RBL to a facility size of USD 125 million, with a maturity at the end of December 2024. In July 2020, the facility size was further increased to USD 140 million.

In March 2020, in connection with the completion of the acquisition of Granite Oil Corp. ("Granite"), the Group assumed the bank debt of Granite consisting of a revolving credit facility of CAD 42.5 million (the "Granite Facility"). In July 2020, the Group amended and extended the Canadian RBL to a facility size of CAD 350 million with a maturity extended until the end of May 2022. In December 2020, the Granite Facility was amended to a CAD 30 million revolving credit facility.

In June 2021, the Group consolidated the amounts outstanding under the Granite Facility into the Canadian RBL and the Granite Facility was terminated. As of June 30, 2021, the Canadian RBL was amended to a facility size of CAD 300 million with a maturity extended until the end of May 2023. Under the Canadian RBL, the Group is required, and has satisfied the requirement, to hedge 40% of forecast Canadian oil production from June 30, 2021, to December 31, 2021. There are currently no mandatory hedging requirements beyond the end of 2021.

The borrowing base availability under the International RBL was agreed in June 2021 at USD 105 million of which USD 22 million was drawn as at September 30, 2021. The borrowing base availability under the Canadian RBL was CAD 300 million of which CAD 187 million was drawn as at September 30, 2021.

The amounts drawn under the International RBL and the Canadian RBL as at September 30, 2021, are classified as non-current as there are no mandatory repayments within the next twelve months.

An amount of USD 965 thousand drawn under the France Facility as at September 30, 2021 is classified as current representing the repayment planned within the next twelve months.

The Group is in compliance with the covenants of the financing facilities as at September 30, 2021.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

16. PROVISIONS

USD Thousands	Asset retirement obligation	Farm-in obligation	Pension obligation	Other	Total
January 1, 2021	192,701	4,350	5,558	1,540	204,149
Additions ¹	15,993	–	–	117	16,110
Unwinding of asset retirement obligation discount	8,667	–	–	–	8,667
Payments	(2,663)	(601)	–	(278)	(3,542)
Reclassification ²	1,414	–	–	–	1,414
Currency translation adjustments	(2,647)	(169)	–	(46)	(2,862)
September 30, 2021	213,465	3,580	5,558	1,333	223,936
Non-current	207,781	2,386	5,558	1,333	217,058
Current	5,684	1,194	–	–	6,878
Total	213,465	3,580	5,558	1,333	223,936

¹ The addition of USD 15,993 thousand relates to the increased decommissioning liability relating to the additional 25% working interest in the Bertam field, Malaysia. The majority of this additional liability is covered by secured amounts transferred on assignment of the working interest. (Also see Notes 1 and 9)

² The reclassification of the asset retirement obligation related to the 2021 payment to the asset retirement obligation fund in respect of the Bertam field, Malaysia.

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	4,498	–	–	–	4,498
Additions	–	–	603	1,269	1,872
Unwinding of asset retirement obligation discount	10,837	–	–	–	10,837
Changes in estimates	(2,563)	(622)	703	–	(2,482)
Payments	(4,324)	(1,814)	(636)	(2,179)	(8,953)
Reclassification ¹	1,967	–	–	–	1,967
Currency translation adjustments	5,981	66	475	51	6,573
December 31, 2020	192,701	4,350	5,558	1,540	204,149
Non-current	187,012	3,107	5,558	1,268	196,945
Current	5,689	1,243	–	272	7,204
Total	192,701	4,350	5,558	1,540	204,149

¹ The reclassification of the asset retirement obligation related to the 2020 payment to the asset retirement obligation fund in respect of the Bertam field, Malaysia.

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

In calculating the present value of the asset retirement obligation provision, a blended rate of 6% (2020: 6%) was used, based on a credit risk adjusted rate.

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

17. TRADE AND OTHER PAYABLES

USD Thousands	September 30, 2021	December 31, 2020
Trade payables	9,839	11,635
Joint operations creditors	21,914	14,135
Accrued expenses	50,126	34,453
Other	3,106	3,127
	84,985	63,350

18. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities by category

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

September 30, 2021 USD Thousands	Total	Financial assets at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Other assets	35,616	35,616	–	–
Joint operation debtors	1,646	1,646	–	–
Other current receivables ¹	76,074	68,948	7,126	–
Cash and cash equivalents	22,620	22,620	–	–
Financial assets	135,956	128,830	7,126	–

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

September 30, 2021 USD Thousands	Total	Financial liabilities at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Non-current financial liabilities	180,297	180,297	–	–
Current financial liabilities	965	965	–	–
Derivative instruments	13,486	–	–	13,486
Joint operation creditors	21,914	21,914	–	–
Other current liabilities	16,136	16,136	–	–
Financial liabilities	232,798	219,312	–	13,486

December 31, 2020 USD Thousands	Total	Financial assets at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Other assets	20,239	20,239	–	–
Derivative instruments	1,591	–	–	1,591
Joint operation debtors	1,792	1,792	–	–
Other current receivables ¹	59,992	54,935	5,057	–
Cash and cash equivalents	6,498	6,498	–	–
Financial assets	90,112	83,464	5,057	1,591

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

December 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	301,153	301,153	–	–
Current financial liabilities	22,982	22,982	–	–
Derivative instruments	2,746	–	–	2,746
Joint operation creditors	14,135	14,135	–	–
Other current liabilities	15,617	15,617	–	–
Financial liabilities	356,633	353,887	–	2,746

The carrying amount of the Group's financial assets approximate their fair values at the balance sheet dates.

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:

September 30, 2021 USD Thousands	Level 1	Level 2	Level 3
Other current receivables	7,126	–	–
Financial assets	7,126	–	–
Derivative instruments – current	–	13,486	–
Financial liabilities	–	13,486	–

December 31, 2020 USD Thousands	Level 1	Level 2	Level 3
Other current receivables	5,057	–	–
Derivative instruments – current	–	1,591	–
Financial assets	5,057	1,591	–
Derivative instruments – current	–	2,746	–
Financial liabilities	–	2,746	–

The Group had gas price sale financial hedges outstanding as at September 30, 2021, which are summarized as follows:

Period	Volume (Gigajoules (GJ) per day)	Type	Average Pricing
October 1, 2021 – December 31, 2021	21,667	AECO Swap	CAD 3.24/GJ
January 1, 2022 - March 31, 2022	20,000	AECO Swap	CAD 4.15/GJ
April 1, 2022 – September 30, 2022	20,000	AECO Swap	CAD 3.14/GJ

The Group had oil price sale financial hedges outstanding as at September 30, 2021, which are summarized as follows:

Period	Volume (barrels per day)	Type	Average Pricing
October 1, 2021 - December 31, 2021	5,000	WCS Swap	USD 44.16/bbl
October 1, 2021 – December 31, 2021	3,300	WTI Collar	USD 57.94/bbl - 77.26/bbl
October 1, 2021 - December 31, 2021	3,300	WCS/WTI Differential	USD -13.94/bbl

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

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020, UNAUDITED

19. 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 16).

The Bertam field has leased the FPSO Bertam from another Group company until April 2022, with three further one-year options to extend such lease up to April 2025.

20. RELATED PARTIES

Lundin Energy has charged the Group USD 480 thousand in respect of office space rental and USD 1,040 thousand in respect of shared services provided during the first nine months of 2021.

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.

21. IMPACT OF COVID-19

The current and any future Covid-19 outbreaks may increase IPC's exposure to, and magnitude of, each of the risks and uncertainties identified in IPC's Annual Information Form for the year ended December 31, 2020 ("AIF") and previous annual information forms, financial reports and MD&A that result from a reduction in demand for oil and gas consumption and/or lower commodity prices and/or reliance on third parties. The extent to which Covid-19 impacts IPC's business, results of operations and financial condition will depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, the duration and spread of the current and any future Covid-19 outbreaks, their severity, the actions taken to contain such outbreaks or treat their impact, and how quickly and to what extent normal economic and operating conditions resume and their impacts to IPC's business, results of operations and financial condition which could be more significant in upcoming periods as compared with the nine months ended September 30, 2021. Even after the Covid-19 outbreaks have subsided, IPC may continue to experience materially adverse impacts to IPC's business as a result of the global economic impact.

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

22. SUBSEQUENT EVENTS

As of November 1, 2021, the Canadian RBL was amended to a facility size of CAD 250 million, with an unamended maturity of end May 2023.

In November 2021, IPC's Board of Directors has approved, subject to acceptance by the TSX, the repurchase of up to approximately 10.8 million common shares, representing approximately 7% of IPC's outstanding common shares (or 10% of IPC's "public float" as at November 2, 2021), over a period of twelve months. IPC currently does not hold any common shares in treasury.

No other events have occurred since September 30, 2021, that are expected to have a substantial effect on this financial report.

Corporate Office
International Petroleum Corp
Suite 2000
885 West Georgia Street
Vancouver, BC
V6C 3E8, Canada

Tel: +1 604 689 7842
E-mail: info@international-petroleum.com
Web: international-petroleum.com

