International Petroleum Corporation

Audited Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

Consolidated Financial Statements

For the years ended December 31, 2018 and 2017
AUDITED

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Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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REPORT OF MANAGEMENT

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

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

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

(Signed) Christophe Nerguararian
Chief Financial Officer

Vancouver, Canada
February 12, 2019

Independent auditor's report

To the Shareholders of International Petroleum Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of International Petroleum Corporation and its subsidiaries, (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of operations for the years ended December 31, 2018 and 2017;
- the consolidated statement of comprehensive income for the years then ended;
- the consolidated balance sheet as at December 31, 2018 and 2017;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***Auditor's responsibilities for the audit of the consolidated financial statements*** section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Emphasis of matter

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Johnson.

PricewaterhouseCoopers AG

Stephen Johnson

Colin Johnson

February 12, 2019

Consolidated Statement of Operations

For the years ended December 31, 2018 and 2017

AUDITED

USD Thousands	Note	2018	2017
Revenue	3	**454,443**	203,001
Cost of sales			
Production costs	4	(179,858)	(64,437)
Depletion and decommissioning costs		(93,851)	(54,555)
Depreciation of other assets		(31,328)	(31,629)
Exploration and business development costs		(2,542)	(3,786)
Impairment costs		–	164
Gross profit/(loss)	3	**146,864**	48,758
Gain on sale of assets	12	25,040	–
General, administration and depreciation expenses		(11,065)	(10,400)
Profit/(loss) before financial items		**160,839**	38,358
Finance income	5	884	94
Finance costs	6	(47,814)	(15,001)
Net financial items		**(46,930)**	(14,907)
Profit/(loss) before tax		**113,909**	23,451
Income tax	7	(10,265)	(728)
Net result		**103,644**	22,723
Net result attributable to:			
Shareholders of the Parent Company		103,617	22,718
Non-controlling interest		27	5
		103,644	22,723
Earnings per share – USD[2]	18	**1.13**	0.23
Earnings per share fully diluted – USD[2]	18	**1.12**	0.23

[1] The acquisition of BlackPearl was completed on December 14, 2018 (see Note 11). For accounting purposes, the preliminary purchase price allocation is reflected in the consolidated balance sheet as at December 31, 2018. Financial results related to the assets acquired will be reported in the consolidated statement of operations from January 1, 2019.

[2] Based on net result attributable to shareholders of the Parent Company.

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the years ended December 31, 2018 and 2017

AUDITED

USD Thousands	2018	2017
Net result	**103,644**	22,723
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss, net of tax:		
Hedging gains reclassified to profit or loss	(1,292)	–
Cash flow hedges gain (loss)	251	1,292
Currency translation adjustments[1]	(2,617)	(3,374)
Total comprehensive income/(loss)	**99,986**	20,641
Total comprehensive income/(loss) attributable to:		
Shareholders of the Parent Company	99,966	20,620
Non-controlling interest	20	21
	99,986	20,641

[1] *Currency translation adjustments for the year ended 2017 were recognized from the Spin-Off date.*

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheet

As at December 31, 2018 and 2017

AUDITED

USD Thousands	Note	December 31, 2018[1]	December 31, 2017
ASSETS			
Non-current assets			
Exploration and evaluation assets	*8*	9,444	7,380
Property, plant and equipment, net	*9*	1,005,424	312,401
Other tangible fixed assets, net	*13*	92,149	123,051
Financial assets		22	5
Deferred tax assets	*7*	75,093	12,398
Derivative instruments	*24*	2,052	–
Total non-current assets		**1,184,184**	455,235
Current assets			
Inventories	*14*	20,636	24,611
Trade and other receivables	*15*	46,061	74,794
Derivative instruments	*24*	14,360	1,372
Current tax receivables	*7*	7,216	20
Cash and cash equivalents	*16*	10,626	33,679
Total current assets		**98,899**	134,476
TOTAL ASSETS		**1,283,083**	589,711
LIABILITIES			
Non-current liabilities			
Financial liabilities	*20*	283,728	59,267
Provisions	*21*	151,474	105,887
Deferred tax liabilities	*7*	55,286	53,943
Derivative instruments	*24*	493	–
Total non-current liabilities		**490,981**	219,097
Current liabilities			
Trade and other payables	*22*	77,615	57,388
Provisions	*21*	12,897	6,025
Derivative instruments	*24*	3,168	–
Current tax liabilities		2,635	259
Total current liabilities		**96,315**	63,672
EQUITY			
Shareholders' equity		695,991	307,166
Non-controlling interest		(204)	(224)
Net shareholders' equity		**695,787**	306,942
TOTAL EQUITY AND LIABILITIES		**1,283,083**	589,711

[1] The acquisition of BlackPearl was completed on December 14, 2018 (see Note 11). For accounting purposes, the preliminary purchase price allocation is reflected in the consolidated balance sheet as at December 31, 2018. Financial results related to the assets acquired will be reported in the consolidated statement of operations from January 1, 2019.

Approved by the Board of Directors

(Signed) C. Ashley Heppenstall
Director

(Signed) Mike Nicholson
Director

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flow

For the years ended December 31, 2018 and 2017

AUDITED

USD Thousands	2018	2017
Cash flow from operating activities		
Net result	**103,644**	22,723
Adjustments for non-cash related items:		
Depletion, depreciation and amortization	125,700	87,162
Exploration costs	260	917
Impairment costs	–	(164)
Current tax	(4,433)	196
Deferred tax	14,698	532
Capitalized financing fees	3,177	700
Foreign currency exchange	18,875	8,922
Interest expense	14,732	1,378
Unwinding of asset retirement obligation discount	9,190	3,674
Decommissioning costs paid	(7,716)	(5,169)
Disposal of Netherlands assets (see Note 12)	(25,040)	–
Share-based costs	3,659	3,224
Other	(2,972)	(1,058)
Cash flow generated from operations (before working capital adjustments and income taxes)	**253,774**	123,037
Changes in working capital	43,882	20,344
Income taxes paid	(95)	476
Interest paid	(14,616)	–
Net cash flow from operating activities	**282,945**	143,857
Cash flow used in investing activities		
Investment in oil and gas properties	(39,044)	(23,077)
Investment in other fixed assets	(1,289)	(546)
Deposit	–	(32,632)
Acquisition of the Suffield Assets (see Note 10)	(375,590)	–
Acquisition of BlackPearl (see Note 11)	2,572	–
Disposal of Netherlands assets	(4,637)	–
Other payments	(1,145)	–
Net cash (outflow) from investing activities	**(419,133)**	(56,255)
Cash flow from financing activities		
Borrowings / (repayments)	119,129	60,000
Paid financing fees	(6,425)	(1,391)
Cash funded from / (to) Lundin Petroleum	–	(31,394)
Share purchase offer	–	(90,632)
Net cash (outflow) from financing activities	**112,704**	(63,417)
Change in cash and cash equivalents	**(23,484)**	24,185
Cash and cash equivalents at the beginning of the period	33,679	13,410
Currency exchange difference in cash and cash equivalents	431	(3,916)
Cash and cash equivalents at the end of the period	**10,626**	33,679

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the years ended December 31, 2018 and 2017

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USD Thousands	Parental investment	Share capital and premium	Retained earnings	CTA	IFRS 2 reserve	MTM reserve	Total	Non-controlling interest	Total equity
Balance at January 1, 2017	405,348	–	–	–	–	–	405,348	(252)	405,096
Parent Company net investment/(proceeds)	(31,394)	–	–	–	–	–	(31,394)	7	(31,387)
Net result prior to Spin-Off	(3,362)	–	–	–	–	–	(3,362)	9	(3,353)
Balance at Spin-Off date	370,592	–	–	–	–	–	370,592	(236)	370,356
Formation of the Corporation	(410,000)	410,000	–	–	–	–	–	–	–
Valuation adjustments[1]	39,408	(39,408)	–	–	–	–	–	–	–
Net result after formation of the Corporation	–	–	26,080	–	–	–	26,080	(4)	26,076
Cash flow hedge	–	–	–	–	–	1,292	1,292	–	1,292
Currency translation difference	–	–	–	(3,701)	231	80	(3,390)	16	(3,374)
Purchase and cancellation of common shares	–	(90,632)	–	–	–	–	(90,632)	–	(90,632)
Share based payments	–	–	–	–	3,224	–	3,224	–	3,224
Balance at December 31, 2017	–	279,960	26,080	(3,701)	3,455	1,372	307,166	(224)	306,942

USD Thousands	Parental investment	Share capital and premium	Retained earnings	CTA	IFRS 2 reserve	MTM reserve	Total	Non-controlling interest	Total equity
Balance at January 1, 2018	**–**	**279,960**	**26,080**	**(3,701)**	**3,455**	**1,372**	**307,166**	**(224)**	**306,942**
Net result	–	–	103,617	–	–	–	**103,617**	27	**103,644**
Cash flow hedge	–	–	–	–	–	(1,041)	**(1,041)**	–	**(1,041)**
Currency translation difference	–	–	–	(2,375)	(200)	(35)	**(2,610)**	(7)	**(2,617)**
Total comprehensive income	**–**	**–**	**103,617**	**(2,375)**	**(200)**	**(1,076)**	**99,966**	**20**	**99,986**
Issuance of common shares[2]	–	288,643	–	–	–	–	**288,643**	–	**288,643**
Share based payments	–	(1,487)	–	–	1,703	–	**216**	–	**216**
Balance at December 31, 2018	**–**	**567,116**	**129,697**	**(6,076)**	**4,958**	**296**	**695,991**	**(204)**	**695,787**

[1] *Arises due to the use of the predecessor method of accounting*
[2] *See Note 11*

See accompanying notes to the consolidated financial statements.

1. CORPORATE INFORMATION

A. Formation of and changes in the Group

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

On April 24, 2017, the Spin-Off was completed and IPC's shares commenced trading on the Toronto Stock Exchange and Nasdaq First North under the ticker symbol "IPCO". In June 2018, the shares of IPC ceased trading on Nasdaq First North and commenced trading on the Nasdaq Stockholm.

On January 5, 2018, IPC completed the acquisition of the Suffield area oil and gas assets in southern Alberta, Canada (the "Suffield Assets") (see Note 10).

On December 1, 2018, IPC completed the sale of its non-core, non-operated gas assets in the Netherlands (see Note 12).

On December 14, 2018, IPC completed the acquisition of all of the issued and outstanding shares of BlackPearl Resources Inc. ("BlackPearl") by way of plan of arrangement under the Canada Business Corporations Act (the "BlackPearl Acquisition"). Upon completion of the BlackPearl Acquisition, BlackPearl became a wholly-owned subsidiary of IPC (see Note 11).

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

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

These consolidated financial statements have been approved by the Board of Directors of IPC and authorized for issuance on February 12, 2019.

Basis of preparation prior to the Spin-Off date

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

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

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

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

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

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

- In the past, the business of IPC did not form a separate legal company. Therefore it is not possible to provide an analysis of share capital and reserves. The Corporation's invested capital in these combined financial statements represents the excess of total assets over total liabilities. Net parent company investment primarily represents the contributions from Lundin Petroleum prior to the Spin-Off. The net assets of the Group are represented by the cumulative investment of Lundin Petroleum prior to the Spin-Off in the business (presented as "net parent company investment").

- Prior to the Spin-Off, all funding of the Group came from Lundin Petroleum. These historical funding costs of Lundin Petroleum are not allocated to the operations and have therefore not been reflected in the combined income statement or combined balance sheet.

C. Going concern

The Group's consolidated financial statements for the year ended December 31, 2018 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

Adoption of IFRS 9 "Financial Instruments"

The Group adopted IFRS 9 effective January 1, 2018 and applied it on a retrospective basis. The application of IFRS 9 has not resulted in any differences between the previous carrying amounts and the carrying amounts at the date of initial application of IFRS 9.

Financial instruments are recognized on the consolidated balance sheet on the trade date, the date on which the Group becomes a party to the contractual provisions of the financial instrument. The Group classifies its financial instruments in the following categories:

Financial Assets at Amortized Cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Group's loans and receivables consist of fixed or determined cash flows related solely to principal and interest amounts or contractual sales of oil. The Group's intent is to hold these receivables until cash flows are collected. Loans and receivables are recognized initially at fair value, net of any transaction costs incurred and subsequently measured at amortized cost.

Financial Assets at Fair Value through Other Comprehensive Income ("FVOCI"): Financial assets at fair value through other comprehensive income (FVOCI) comprise:
- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognize in this category. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings without reclassification to profit or loss.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the group's business model is achieved both by collecting contractual cash flows and selling financial assets. On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.
The Group has no financial assets measured at FVOCI.

Financial Assets at Fair Value through Profit or Loss ("FVTPL"): Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortized cost or at fair value through other comprehensive income.

Financial Liabilities at Amortized Cost: Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL, or the Group has opted to measure them at FVTPL. Borrowings and accounts payable are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost.

Financial Liabilities at FVTPL: Financial liabilities measured at FVTPL are liabilities which include embedded derivatives and cannot be classified as amortized cost.

Derivatives used for hedging: Derivative financial instruments are used to manage economic exposure to market risks relating to commodity prices, foreign currency exchange rates and interest rates. Policies and procedures are in place with respect to required documentation and approvals for the use of derivative financial instruments. Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Where specific financial instruments are executed, the Group assesses, both at the time of purchase and on an ongoing basis, whether the financial instrument used in the particular transaction is effective in offsetting changes in fair values or cash flows of the transaction.

The Group has only cash flow hedges which qualify for hedge accounting. The effective portion of changes in the fair value derivatives that qualify as cash flow hedges are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the profit and loss.

Impairment of Financial Assets: IFRS 9 also introduces a new model for the measurement of impairment of financial assets based on expected credit losses which replaces the incurred losses impairment model applied under IAS 39. Under this new model, the Group's accounts receivable are considered collectible within one year or less; therefore, these financial assets are not considered to have a significant financing component and a lifetime expected credit loss ("ECL") is measured at the date of initial recognition of the accounts receivable. ECL allowances have not been recognized for cash and cash equivalents and deposits due to the virtual certainty associated with their collectability. The Group's trade and other receivables are subject to the expected credit loss model under IFRS 9. For the trade and other receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Group considered historical industry default rates as well as credit ratings of major customers. There were no material adjustments to the carrying value of any of the Group's financial instruments following the adoption of IFRS 9. Additional disclosure related to the Group's financial assets is included in Note 24.

Adoption of IFRS 15 "Revenue from Contracts with Customers"

The Group adopted IFRS 15 "Revenue from Contracts with Customers" effective January 1, 2018 and applied it on a retrospective basis. IFRS 15 provides guidance on the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The Group has reviewed its revenue contracts and has determined that there was no material impact on the financial statements with respect to the application of IFRS 15.

The Group principally generates revenue from the sale of oil and gas. Revenue associated with the sale of oil and gas is recognized when control is transferred from the Group to its customers.

Revenue is measured based on the consideration specified in a contract with the customer. Payment terms for the Group's oil and gas sales contracts are within one month following delivery. The Group does not have any contracts where the period between the transfer of the promised goods and services to the customer and payment by the customer exceed one year. As a result, the Group does not adjust its revenue transactions for the time value of money. Revenue represents the Group's share of oil and gas sales net of royalty obligations to governments and other mineral interest owners.

The Group enters into contracts with customers that can have performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date. The Group applies a practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less, or for performance obligations where the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.

Contract modifications with the Group's customers could change the scope of the contract, the price of the contract, or both. A contract modification exists when the parties to the contract approve the modification either in writing, orally, or based on the parties' customary business practices. Contract modifications are accounted for either as a separate contract when there is an additional product at a stand-alone selling price, or as part of the existing contract, through either a cumulative catch-up adjustment or prospectively over the remaining term of the contract, depending on the nature of the modification and whether the remaining products are distinct.

In its modified retrospective adoption of IFRS 15, the Group applied a practical expedient that allows the Group to avoid re-considering the accounting for any sales contracts that were completed prior to January 1, 2018 and were previously accounted for under its previous revenue accounting policy.

The adoption of IFRS 15 did not result in any adjustments to the amounts recognized in the Group's consolidated financial statements for the years ended December 31, 2017. Additional disclosures regarding the Group's reported revenue from contract with customers as required by IFRS 15 for the year ended December 31, 2018 and 2017 are disclosed in Note 3.

E. New accounting pronouncements

IFRS 16 "Leases"

IFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted. The Group has not adopted the standard before its effective date. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has no material non-cancellable operating lease commitments. The quantitative impact of the adoption of IFRS 16 is not material.

F. Basis of Consolidation

Subsidiaries

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

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

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

G. Joint Arrangements

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

H. Foreign Currency Translation

Transactions and balances

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

Functional and presentation currency

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

Exchange rates for the relevant currencies of the Group with respect to the US Dollar are as follows:

	December 31, 2018		December 31, 2017	
	Average	Period end	Average	Period end
1 EUR equals USD	1.1815	1.1450	1.1293	1.1993
1 USD equals CAD	1.2958	1.3629	1.2982	1.2540
1 USD equals MYR	4.0354	4.1325	4.2994	4.0470

I. 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.

J. 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 categorized as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimates.

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

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

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

K. Other property, plant and equipment

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

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

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

L. 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.

M. Financial Assets and Financial Liabilities

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

Financial Assets at Amortized Cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Group's loans and receivables consist of fixed or determined cash flows related solely to principal and interest amounts or contractual sales of oil. The Group's intent is to hold these receivables until cash flows are collected. Loans and receivables are recognized initially at fair value, net of any transaction costs incurred and subsequently measured at amortized cost.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortized cost or at fair value through other comprehensive income.

Financial Liabilities at Amortized Cost

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL, or the Group has opted to measure them at FVTPL. Borrowings and accounts payable are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial Liabilities at FVTPL
Financial liabilities measured at FVTPL are liabilities which include embedded derivatives and cannot be classified as amortized cost.

Impairment of Financial Assets
The measurement of impairment of financial assets is based on the expected credit losses model. For the trade and other receivables, the Group applies the simplified approach which requires the use of the lifetime expected loss provision for all trade receivables. In estimating the lifetime expected loss provision, the Group considered historical industry default rates as well as credit ratings of major customers. Additional disclosure related to the Group's financial assets is included in Note 24.

N. Derivative Financial Instruments and Hedging Activities

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

The Group documents at the inception of the transaction the relationship between hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 24. Movements on the hedging reserve is reflected in other comprehensive income. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months.

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

O. Inventories

Inventories of consumable well supplies are stated at the lower of cost and net realizable value, cost being determined on a weighted average cost basis. Net realizable 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 realizable 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.

P. Cash and cash equivalents

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

Q. Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as financial expense.
On fields where there is an obligation to contribute to asset retirement obligation costs, a provision is recorded to recognize the future commitment. An asset is created, as part of the oil and gas property, to represent the discounted value of the anticipated asset retirement obligation liability and depleted over the life of the field on a unit of production basis. The corresponding accounting entry to the creation of the asset recognizes the discounted value of the future liability. The discount applied to the anticipated asset retirement obligation liability is subsequently released over the life of the field and is charged to financial expenses. Changes in asset retirement obligation costs and reserves are treated prospectively and consistent with the treatment applied upon initial recognition.

R. Revenue and Other Operating Revenue

Revenue associated with the sale of crude oil and natural gas is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of the product or service to a customer, which is generally when title passes from the Group to its customer. The Group satisfies its performance obligations in contracts with customers upon the delivery of crude oil and natural gas, which is generally at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

Royalties payments to governments and other mineral interest owners are recognized as a cost in the revenue section.

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

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

S. Employee Benefits

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

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

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

T. Taxation

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

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

Deferred income tax is a non-cash charge provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values. Temporary differences can occur for example where investment expenditure is capitalized for accounting purposes but the tax deduction is accelerated or where asset retirement obligation costs are provided for in the financial statements but not deductible for tax purposes until they are actually incurred. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Corporation and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

U. 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.

V. Business combinations

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

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

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

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

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In connection with the preparation of the consolidated financial statements, the Group's management has made assumptions and estimates about future events and applied judgments that affect the reported values of assets, liabilities, revenues, expenses and related disclosures. The assumptions, estimates and judgments are based on historical experience, current trends and other factors that management believes to be relevant at the time the consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that the consolidated financial statements are presented fairly in accordance with IFRS. However, because future events and their effects cannot be determined with certainty, actual results could differ from these assumptions and estimates, and such differences could be material.

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

Estimates in oil and gas reserves

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

Impairment of oil and gas properties

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

Provision for asset retirement obligations

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

Deferred income tax assets

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

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

Fair value of assets acquired and liabilities assumed in a business combination

The fair value of assets acquired and liabilities assumed in a business combination, including contingent consideration and any goodwill, is estimated based on information available at the date of acquisition. Various valuation techniques are applied for measuring fair value including market comparables and discounted cash flows which rely on assumptions such as forward commodity prices, reserves and resources estimates, production costs and discount rates. Changes in these variables could significantly impact the carrying value of the net assets.

3. SEGMENT INFORMATION

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

The following tables present segment information regarding: revenue, production costs, exploration and evaluation costs, impairment costs of oil and gas properties and gross profit. 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 8 and 9.

	2018					
USD Thousands	Canada	Malaysia	France	Netherlands[1]	Other	Total
Crude oil	106,661	181,722	69,596	66	–	**358,045**
NGLs	340	–	–	300	–	**640**
Gas	71,453	–	–	11,254	–	**82,707**
Net sales of oil and gas	**178,454**	**181,722**	**69,596**	**11,620**	**–**	**441,392**
Change in under/over lift position	–	–	408	11	–	**419**
Royalties	(6,296)	–	–	–	–	**(6,296)**
Other operating revenue	134	15,512	1,216	1,642	424	**18,928**
Revenue	**172,292**	**197,234**	**71,220**	**13,273**	**424**	**454,443**
Production costs	(113,003)	(26,959)	(34,120)	(5,776)	–	**(179,858)**
Depletion	(43,415)	(34,488)	(13,596)	(2,352)	–	**(93,851)**
Depreciation of other assets	–	(31,328)	–	–	–	**(31,328)**
Exploration and business development costs	–	(215)	(45)	–	(2,282)	**(2,542)**
Gross profit/(loss)	**15,874**	**104,244**	**23,459**	**5,145**	**(1,858)**	**146,864**

[1] *On December 1, 2018, IPC completed the sale of its non-core, non-operated gas assets in the Netherlands (see Note 12).*

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

	Assets		Liabilities	
USD Thousands	**2018**	**2017**	**2018**	**2017**
Malaysia	215,889	307,334	152,832	293,864
France	273,171	264,266	148,652	147,251
Netherlands[1]	-	87,078	-	50,046
Canada[2]	1,178,213	3,512	909,967	14,873
Corporate	326,810	180,196	183,307	94,069
Other	76,454	69,826	(20,008)	5,167
Intercompany balance elimination	(787,454)	(322,501)	(787,454)	(322,501)
Total Assets / Liabilities	**1,283,083**	589,711	**587,296**	282,769
Shareholders' equity	N/A	N/A	695,991	307,166
Non-controlling interest	N/A	N/A	(204)	(224)
Total equity for the group	N/A	N/A	**695,787**	306,942
Total consolidated	**1,283,083**	589,711	**1,283,083**	589,711

[1] *On December 1, 2018, IPC completed the sale of its non-core, non-operated gas assets in the Netherlands (see Note 12).*
[2] *In 2018, IPC completed the acquisitions of the Suffield Assets (see Note 10) and of BlackPearl (see Note 11).*

4. PRODUCTION COSTS

USD Thousands	**2018**	2017
Cost of operations	130,234	53,389
Tariff and transportation expenses	16,949	3,361
Direct production taxes	8,173	3,999
Operating costs	**155,356**	60,749
Cost of blending[1]	24,512	–
Change in inventory position	(10)	3,688
Total production costs	**179,858**	64,437

[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 year ended December 31, 2018, a cost of USD 684 thousand was recognized relating to the difference between the cost and sale proceeds of the surplus diluent.*

5. FINANCE INCOME

USD Thousands	**2018**	2017
Interest income	104	94
Other financial income	780	–
	884	94

6. FINANCE COSTS

USD Thousands	**2018**	2017
Foreign exchange gain/(loss), net	(17,354)	(8,922)
Interest expense	(14,732)	(1,378)
Unwinding of asset retirement obligation discount	(9,190)	(3,557)
Amortization of loan fees	(3,177)	(700)
Loan commitment fees	(969)	(391)
Other financial costs	(2,392)	(53)
	(47,814)	(15,001)

7. INCOME TAX

USD Thousands	2018	2017
Current tax	4,433	(196)
Deferred tax	(14,698)	(532)
Total tax	**(10,265)**	(728)

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

The current tax for 2018 includes a non-recurring Dutch petroleum tax refund (SPS - "State Profit Share") of USD 7,196 thousand relating to historical intragroup charges and an industry change in the calculation of the present value of the asset retirement obligation.

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

USD Thousands	**2018**	2017
Profit/(loss) before tax	113,909	23,451
Tax calculated at the corporate tax rate in Canada 27%/26%	(30,755)	(6,097)
Effect of foreign tax rates	2	(711)
Tax effect of expenses non-deductible for tax purposes	(4,220)	(580)
Tax effect of uplift on expenses	192	167
Tax effect of income not subject to tax	9,317	6,145
Tax effect of utilization of unrecorded tax losses	699	555
Tax effect of creation of unrecorded tax losses	7,856	62
Adjustments to prior year tax assessments	6,644	(269)
Total tax	**(10,265)**	(728)

Specification of deferred tax assets and tax liabilities[1]

USD Thousands	2018	2017
Unused tax loss carry forward	92,995	15,466
Other	1,092	1,465
Deferred tax assets	**94,087**	16,931
Accelerated allowances	74,070	57,204
Other	210	1,272
Deferred tax liabilities	**74,280**	58,476
Deferred taxes, net	**19,807**	(41,545)

[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.

8. EXPLORATION AND EVALUATION ASSETS

USD Thousands	Canada	Malaysia	France	Netherlands	Total
Cost					
January 1, 2018	–	254	6,186	940	7,380
Additions	–	2,805	759	201	3,765
Expensed exploration and evaluation costs	–	(215)	(45)	–	(260)
Disposal of Netherlands assets (see Note 12)	–	–	–	(1,083)	(1,083)
Currency translation adjustments	–	–	(300)	(58)	(358)
Net book value December 31, 2018	–	**2,844**	**6,600**	–	**9,444**

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

9. PROPERTY, PLANT AND EQUIPMENT, NET

USD Thousands	Canada	Malaysia	France	Netherlands	Total
Cost					
January 1, 2018	–	435,630	363,758	146,536	945,924
Acquisition of the Suffield Assets (see Note 10)	454,735	–	–	–	454,735
Acquisition of BlackPearl (see Note 11)	358,301	–	–	–	358,301
Additions	15,040	12,928	6,129	1,182	35,279
Change in decommissioning estimates	2,095	418	(1,641)	–	872
Disposal of Netherlands assets (see Note 12)	–	–	–	(140,173)	(140,173)
Currency translation adjustments	(41,292)	–	(16,474)	(7,545)	(65,311)
December 31, 2018	**788,879**	**448,976**	**351,772**	–	**1,589,627**
Accumulated depletion					
January 1, 2018	–	(327,583)	(175,457)	(130,483)	(633,523)
Depletion charge for the period	(43,415)	(34,488)	(13,596)	(2,352)	(93,851)
Disposal of Netherlands assets (see Note 12)	–	–	–	126,093	126,093
Currency translation adjustments	2,158	–	8,178	6,742	17,078
December 31, 2018	**(41,257)**	**(362,071)**	**(180,875)**	–	**(584,203)**
Net book value December 31, 2018	**747,622**	**86,905**	**170,897**	–	**1,005,424**

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

Impairment
The Group carried out its impairment testing at December 31, 2018, on an asset basis in conjunction with the annual reserves audit process. The Group used appropriate oil or natural gas price curve based on year end price forecasts, a future cost inflation factor of 2% (2017: 2%) per annum, production and cost profiles based on proved and probable reserves (2P reserves) and a discount rate of 8% (2017: 8%) to calculate the future post-tax cash flows. In 2018, as a result of the testing, no impairment of the oil and gas properties was required. Sensitivity scenarios were run and showed that a USD 5/bbl decrease in the oil price curve, a flat gas price curve at CAD 2.65/mcf or a 2% increase in the discount rate does not result in an impairment charge.

The following prices were used in the impairment testing as at December 31, 2018.

Price Decks	2019	2020	2021	2022	2023	Average annual increase thereafter
Dated Brent (USD/bbl)	64.50	67.90	70.70	73.70	75.30	2%
West Texas Intermediate (USD/bbl)	56.50	63.80	67.60	71.60	73.10	2%
Western Canadian Select (USD/bbl)	35.70	44.95	51.50	54.70	55.85	2%
Empress Gas (CAD/MMbtu)	2.85	2.90	3.00	3.20	3.35	2%

10. ACQUISITION OF THE SUFFIELD ASSETS

On January 5, 2018, IPC acquired the Suffield Assets from Cenovus Energy Inc. for a total consideration, after preliminary closing adjustments and an assessment of the contingent consideration, of USD 376,967 thousand. The amount has reduced from USD 378,567 thousand recorded at March 31, 2018, following the receipt of an updated statement of adjustments and adjustments on the contingent consideration.

The Group recorded deferred taxes due to temporary differences in the carrying amount of the acquired properties and the tax base. This acquisition has been accounted for as a business combination in accordance with IFRS 3 and the purchase price has been allocated, on a preliminary basis, as follows:

USD Thousands	
Property, plant and equipment	454,735
Deferred tax liabilities	(2,682)
Asset retirement obligation	(75,086)
Net assets acquired	**376,967**

USD Thousands	
Deposit	32,223
Cash paid at closing	329,428
Deferred consideration paid at the end of June 2018	9,394
Contingent consideration paid in 2018	4,545
Consideration paid as at December 31, 2018	**375,590**
Estimated contingent consideration to be paid before December 2019	3,809
Subsequent statement of adjustments	(2,607)
Currency impact on contingent payment	175
Total consideration for the acquisition of the Suffield Assets	**376,967**

The Group recognized an amount of USD 2,165 thousand for acquisition-related costs in the income statement for the year ended December 31, 2017. No material acquisition-related costs were recognized in 2018.

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 acquisition, further adjustments may be made to the fair values assigned to the identifiable assets acquired and liabilities assumed, as well as to the fair value of the consideration transferred.

The Suffield Assets contributed revenue and gross profit of USD 172,292 thousand and USD 15,874 thousand respectively for the period from January 5, 2018, to December 31, 2018, which is substantially similar to what would have been contributed, had the acquisition occurred on January 1, 2018.

Contingent consideration
As part of the acquisition of the Suffield Assets, the Group is required to pay Cenovus Energy Inc. additional cash consideration dependent upon the future prices of oil and natural gas for each month between January 2018 and December 2019. The potential undiscounted amount of all future payments that the Group could be required to pay as at December 31, 2018, is up to CAD 18 million (USD 13 million). A total estimated contingent consideration of CAD 10,371 thousand (USD 8,354 thousand) as at December 31, 2018, has been reflected in the Financial Statements. Of this amount, for the year 2018, the contingent consideration amounted to CAD 3,868 thousand (USD 3,000 thousand) for oil and CAD 2,003 thousand (USD 1,545 thousand) for gas.

Asset retirement obligations
The fair value of the asset retirement obligation at the acquisition date was based on the estimated future cash flows to retire 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 asset retirement obligation was a credit risk adjusted rate of 8 percent.

11. ACQUISITION OF BLACKPEARL

On December 14, 2018, IPC completed the BlackPearl Acquisition. Upon completion of the BlackPearl Acquisition, BlackPearl became a wholly-owned subsidiary of IPC.

The BlackPearl Acquisition has been accounted for as a business combination in accordance with IFRS 3, with IPC being the acquirer. For accounting purposes, the preliminary purchase price allocation was reflected as at December 31, 2018 as the financial result from the date of acquisition to December 31, 2018 was not material to the IPC Group.

Total consideration provided, after preliminary closing adjustments, amounted to USD 289 million (CAD 393 million).

The amounts recognized, on a preliminary basis, in respect of the identifiable assets acquired and liabilities assumed are as follows:

USD Thousands	
Cash and cash equivalents	2,572
Trade and other receivables	883
Inventory	42
Prepaid expenses and deposits	882
Fair value of risk management assets	13,909
Deferred tax assets	72,925
Property, plant and equipment	358,301
Other fixed assets	1,037
Accounts payable and accrued liabilities	(16,587)
Fair value of risk management liabilities	(1,564)
Decommissioning liabilities	(28,708)
Long-term debt	(113,728)
Other provisions	(1,321)
Total Consideration	**288,643**
Settled by:	
Equity instruments (75,798,219 common shares of IPC)	**288,643**

Acquisition-related costs of approximately USD 2.3 million have been recognized in the income statement for the year ended December 31, 2018. No material acquisition-related costs are expected to be recognized in 2019.

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 BlackPearl Acquisition, further adjustments may be made to the fair values assigned to the identifiable assets acquired and liabilities assumed.

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%.

12. DISPOSAL OF NETHERLANDS ASSETS

On December 1, 2018, IPC completed the sale of its non-core, non-operated gas assets in the Netherlands with an effective date of January 1, 2018, and recognized an accounting profit of USD 25,040 thousand.

USD Thousands	
Release of asset retirement obligation	42,449
Disposal of exploration and evaluation assets	(1,083)
Disposal of Property, plant and equipment	(14,080)
Other[1]	(2,246)
Gain on sale	**25,040**

[1] *Including repayment of the net revenue from the effective date.*

13. OTHER TANGIBLE FIXED ASSETS, NET

USD Thousands	FPSO	Other	Total
Cost			
January 1, 2018	207,600	7,833	215,433
Additions	–	1,289	1,289
Acquisition of BlackPearl (see Note 11)	–	1,037	1,037
Disposals	–	(658)	(658)
Currency translation adjustments	(1,179)	(298)	(1,477)
December 31, 2018	**206,421**	**9,203**	**215,624**
Accumulated depreciation			
January 1, 2018	(86,387)	(5,995)	(92,382)
Depreciation charge for the period	(31,328)	(521)	(31,849)
Disposals	–	576	576
Currency translation adjustments	–	180	180
December 31, 2018	**(117,715)**	**(5,760)**	**(123,475)**
Net book value December 31, 2018	**88,706**	**3,443**	**92,149**

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

The FPSO located on the Bertam field, Malaysia, is being depreciated over the committed contract term of six years from April 2015. 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.

14. INVENTORIES

USD Thousands	December 31, 2018	December 31, 2017
Hydrocarbon stocks	10,887	10,640
Well supplies and operational spares	9,749	13,971
	20,636	24,611

15. TRADE AND OTHER RECEIVABLES

USD Thousands	December 31, 2018	December 31, 2017
Trade receivables	32,559	24,764
Underlift	1,447	1,102
Joint operations debtors	2,671	10,173
Prepaid expenses and accrued income	4,121	2,934
Other	5,263	35,821
	46,061	74,794

As at December 31, 2017, other items include a deposit of CAD 40 million (USD 31.9 million) in relation to the acquisition of the Suffield Assets (see Note 10).

16. CASH AND CASH EQUIVALENTS

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

17. SHARE CAPITAL

The common shares of IPC started trading on both the Toronto Stock Exchange and the Nasdaq First North in Stockholm on April 24, 2017, with a total of 113,462,148 common shares issued and outstanding. As part of the share purchase offer by a subsidiary of IPC announced following listing, 25,540,302 common shares were tendered (including the 22,805,892 common shares owned by Statoil) and, as part of a subsequent internal reorganization, these shares were subsequently cancelled. Following the completion of the share purchase offer, the total number of common shares issued and outstanding in IPC was 87,921,846. In June 2018, IPC's shares ceased trading on the Nasdaq First North and commenced trading on the Nasdaq Stockholm.

In connection with the completion of the BlackPearl Acquisition, IPC issued a total of 75,798,219 common shares to the former shareholders of BlackPearl (see Note 11). As at February 12, 2019, IPC has a total of 163,720,065 common shares issued and outstanding with no par value.

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.

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

	Number of shares
Share issuance at spin-off date	113,462,148
Cancellation of shares	(25,540,302)
Balance at December 31, 2017	87,921,846
Issuance of common shares	75,798,219
Balance at December 31, 2018	**163,720,065**

18. EARNINGS PER SHARE

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

USD Thousands	2018	2017
Net result attributable to shareholders of the Parent Company, USD	103,617,404	22,718,036
Weighted average number of shares for the period	91,461,733	98,587,027
Earnings per share, USD	**1.13**	0.23
Weighted average diluted number of shares for the period	92,222,705	99,138,548
Earnings per share fully diluted, USD	**1.12**	0.23

19. SHARE-BASED PAYMENTS

The Group has the following share-based compensation plans: (a) a stock option plan ("Stock Option Plan"); (b) a one-time transitional performance and restricted share plan, under which awards have been made in performance shares ("IPC transitional PSP) or in restricted shares ("IPC transitional RSP") in connection with the Spin-Off; and (c) a Performance and Restricted Share Plan approved in July 2018.

Stock Option Plan

The Stock Option Plan was approved by the Board and provides for the grant of stock option awards to employees, consultants and directors. The plan gives the participants a right to buy common shares of IPC at an exercise price equal to the market value at the date of grant. The Board granted stock options under the Stock Option Plan on February 21, 2017, with a three year vesting period and a four year term, whereby the stock options vest equally in three tranches: one third after one year, one third after two years and the final third after three years. The plan is effective from February 21, 2017, and the total outstanding number of stock options at December 31, 2018, is 1,818,100. Each original stock-option was fair valued at the date of grant at CAD 2.01 using a Black-Scholes option pricing model. The assumptions used in the calculation were a risk free rate of 1.02%, expected volatility of 53.70%, dividend yield rate of 0%, and an exercise price of CAD 4.77.

The number of awards outstanding under the Stock Option Plan at December 31, 2018, are summarized in the table below.

IPC Stock Option Plan	2018
Outstanding at January 1, 2018	1,856,600
Awarded during the period	–
Forfeited during the period	(38,500)
Exercised during the period	–
Outstanding at December 31, 2018	**1,818,100**
Vesting date	
February 21, 2018	606,030
February 21, 2019	606,030
February 21, 2020	606,040
Outstanding at December 31, 2018	**1,818,100**

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

IPC Transitional PSP Plan

The 2015 IPC transitional PSP awards are effective from April 24, 2017, subject to certain performance conditions being met and vested on June 30, 2018, at a price of CAD 8.67 per award.

The 2016 IPC transitional PSP awards are effective from April 24, 2017, subject to certain performance conditions being met. The total outstanding number of awards at December 31, 2018, is 733,307 which vest on June 30, 2019. 75 percent of the awards will vest subject to continued employment only and have been fair valued at the grant date at CAD 4.77. The remaining 25 percent will vest subject to continued employment and on a straight-line basis for the share price performance between 100 percent and 125 percent of CAD 4.77 and have been fair valued at the grant date at CAD 2.79 using an adjusted share price calculated with a hybrid valuation model based on the Monte Carlo simulation. The assumptions used in the calculation of the adjusted share price were a risk free rate of 0.76%, expected volatility of 52.80%, dividend yield rate of 0%, and an exercise price of CAD zero.

The number of awards outstanding under the IPC Transitional PSP Plan at December 31, 2018, are summarized in the table below.

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

IPC Transitional RSP Plan

The 2015 IPC transitional RSP awards was effective from April 24, 2017, and vested on May 31, 2018, at a price of CAD 8.20 per award.

The 2016 IPC transitional RSP awards are effective from April 24, 2017. The total outstanding number of awards at December 31, 2018, is 58,446 which vest on May 31, 2019, subject to continued employment. Each award was fair valued at the grant date at CAD 4.77. On May 31, 2018, 49,985 awards vested at a price of CAD 8.20 per award.

The number of awards outstanding under the IPC Transitional RSP Plan at December 31, 2018, are summarized in the table below.

IPC Transitional RSP Plan	2015 Awards	2016 Awards	Total
Outstanding at January 1, 2018	35,088	117,702	152,790
Awarded during the period	–	–	–
Forfeited during the period	(1,514)	(9,271)	(10,785)
Exercised during the period	(33,574)	(49,985)	(83,559)
Outstanding at December 31, 2018	–	**58,446**	**58,446**
Vesting date			
May 31, 2019	–	58,446	58,446
Outstanding at December 31, 2018	–	**58,446**	**58,446**

IPC Performance and Restricted Share Plan

The shareholders of IPC approved at the Annual General Meeting held on July 10, 2018, a new Performance and Restricted Share Plan. The plan is effective from July 10, 2018, and awards under the plan will be accounted from the date of grant. Awards under the plan were granted in the third quarter of 2018.

The 2018 IPC Performance Share Plan ("PSP") awards are subject to continued employment and to certain performance conditions being met. The total outstanding number of awards at December 31, 2018, is 501,500 which vest on June 30, 2021. Each award was fair valued at the grant date at CAD 5.39 using an adjusted share price calculated with a hybrid valuation model based on the Monte Carlo simulation. The assumptions used in the calculation of the adjusted share price were a risk free rate of 2.00%, expected volatility of 42.50%, dividend yield rate of 0%, and an exercise price of CAD zero.

IPC Performance Share Plan	2018 PSP	Total
Outstanding at January 1, 2018	–	–
Awarded during the period	501,500	501,500
Forfeited during the period	–	–
Exercised during the period	–	–
Outstanding at December 31, 2018	**501,500**	**501,500**
Vesting date		
June 30, 2021	501,500	501,500
Outstanding at December 31, 2018	**501,500**	**501,500**

The total outstanding number of awards under the 2018 IPC Restricted Share Plan ("RSP") as at December 31, 2018, is 206,772 which vest over three years as to one-third on each of June 30, 2019, June 30, 2020, and June 30, 2021, subject to continued employment. Each award was fair valued at the grant date at CAD 8.75.

IPC Restricted Share Plan	2018 RSP	Total
Outstanding at January 1, 2018	–	–
Awarded during the period	211,878	211,878
Forfeited during the period	(5,106)	(5,106)
Exercised during the period	–	–
Outstanding at December 31, 2018	**206,772**	**206,772**
Vesting date		
June 30, 2019	68,924	68,924
June 30, 2020	68,924	68,924
June 30, 2021	68,924	68,924
Outstanding at December 31, 2018	**206,772**	**206,772**

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

USD Thousands	2018	2017
IPC Stock Option Plan	870	1,482
IPC Transitional PSP – 2015 Awards	544	754
IPC Transitional PSP – 2016 Awards	1,052	724
IPC Transitional RSP – 2015 Awards	138	77
IPC Transitional RSP – 2016 Awards	295	187
IPC PSP – 2018 Awards	341	–
IPC RSP – 2018 Awards	419	–
	3,659	3,224

20. FINANCIAL LIABILITIES

USD Thousands	December 31, 2018	December 31, 2017
Bank loans	232,357	60,000
Senior secured notes	55,030	–
Capitalized financing fees	(3,659)	(733)
	283,728	59,267

In connection with the completion of the Suffield acquisition, the Group entered into an amendment to the existing reserve-based lending credit facility on December 20, 2017, to increase such facility from USD 100 million to USD 200 million and to extend the maturity to end June 2022. Concurrently, IPC Alberta Ltd entered into a CAD 250 million reserve-based lending credit facility with a maturity date of January 2021 and a CAD 60 million second lien facility in Canada on January 5, 2018.

As at December 31, 2018, the USD 200 million reserve-based lending credit facility was drawn to USD 68 million and the Canadian reserve-based lending credit facility was drawn to CAD 144.0 million. The CAD 60 million second lien facility was repaid in August 2018 and the facility was cancelled. No facility repayment schedule results in mandatory repayment within the next twelve months.

In December 2018, in connection with the completion of the acquisition of BlackPearl, the Group assumed the debt of BlackPearl consisting of a reserve-based lending credit facility of CAD 120 million (CAD 80 million outstanding as at December 31, 2018) and senior secured notes outstanding of CAD 75 million. The reserve-based lending facility has a maturity in May 2021 and the senior secured notes have a maturity date in June 2020.

As such, the loans outstanding as at December 31, 2018, are classified as non-current.

The Group is in compliance with the covenants under the credit facility agreements as at December 31, 2018.

The net debt and the movements in net debt can be summarized as follows:

USD Thousands	Cash	Bank loans due after 1 year	Senior secured notes due after 1 year	Total
Net debt as at January 1, 2018	33,679	(60,000)	–	(26,321)
Cash flows	(23,484)	(172,357)	(55,030)	(250,871)
Currency translation adjustments	431	–	–	431
Net debt as at December 31, 2018	**10,626**	**(232,357)**	**(55,030)**	**(276,761)**

USD Thousands	Cash	Bank loans due after 1 year	Total
Net debt as at January 1, 2017	13,410	–	13,410
Cash flows	24,185	(60,000)	(35,815)
Currency translation adjustments	(3,916)	–	(3,916)
Net debt as at December 31, 2017	33,679	(60,000)	(26,321)

21. PROVISIONS

USD Thousands	Asset retirement obligation	Farm in obligation	Other	Total
January 1, 2018	104,633	5,557	1,722	111,912
Acquisition of the Suffield Assets (see Note 10)	75,086	–	8,355	83,441
Acquisition of BlackPearl (see Note 11)	28,708	–	1,321	30,029
Disposal of Netherlands assets (see Note 12)	(42,449)	–	(419)	(42,868)
Additions	–	–	15	15
Unwinding of asset retirement obligation discount	9,190	–	–	9,190
Changes in estimates	(3,876)	1,910	–	(1,966)
Payments	(7,716)	(1,223)	(3,963)	(12,902)
Reclassification[1]	–	–	(700)	(700)
Currency translation adjustments	(10,890)	(197)	(693)	(11,780)
December 31, 2018	**152,686**	**6,047**	**5,638**	**164,371**
Non-current	145,509	3,628	2,337	**151,474**
Current	7,177	2,419	3,301	**12,897**
Total	**152,686**	**6,047**	**5,638**	**164,371**

[1] *The Suffield Assets contingent consideration related to the price of gas for December 2018 has been reclassified to current liabilities for an amount of CAD 878 thousand.*

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

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

In calculating the present value of the asset retirement obligation provision, a discount rate of 8 percent was used in Canada and 3.5 percent for France and Malaysia for 2018 and 2017 based on a credit risk adjusted rate.

22. TRADE AND OTHER PAYABLES

USD Thousands	**December 31, 2018**	December 31, 2017
Trade payables	13,398	3,133
Residual working capital liability to Lundin Petroleum[1]	14,008	23,460
Overlift	–	37
Joint operations creditors	13,506	19,643
Accrued expenses	35,142	7,056
Other	1,561	4,059
	77,615	57,388

[1] *See Note 28*

23. 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, 2018 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	**22**	22	–	–
Derivative instruments	**16,412**	–	–	16,412
Joint operation debtors	**2,671**	2,671	–	–
Other current receivables[1]	**46,485**	45,038	1,447	–
Cash and cash equivalents	**10,626**	10,626	–	–
Financial assets	**76,216**	**58,357**	**1,447**	**16,412**

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

December 31, 2018 USD Thousands	Total	Financial liabilities at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Long term financial liabilities	**283,728**	283,728	–	–
Derivative instruments	**3,661**	–	–	3,661
Joint operation creditors	**13,506**	13,506	–	–
Other current liabilities	**31,602**	31,602	–	–
Financial liabilities	**332,497**	**328,836**	–	**3,661**

December 31, 2017 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	5	5	–	–
Derivative instruments	1,372	–	–	1,372
Joint operation debtors	10,173	10,173	–	–
Other current receivables[1]	61,707	60,605	1,102	–
Cash and cash equivalents	33,679	33,679	–	–
Financial assets	106,936	104,462	1,102	1,372

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

December 31, 2017 USD Thousands	Total	Financial liabilities at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Long term financial liabilities	59,267	59,267	–	–
Joint operation creditors	19,643	19,643	–	–
Other current liabilities	30,948	30,911	37	–
Financial liabilities	109,858	109,821	37	–

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, 2018 USD Thousands	Level 1	Level 2	Level 3
Other current receivables	1,447	–	–
Derivative instruments – current	–	14,360	–
Derivative instruments – non current	–	2,052	–
Financial assets	**1,447**	**16,412**	**–**
Derivative instruments – current	–	3,168	–
Derivative instruments – non current	–	493	–
Financial liabilities	–	**3,661**	**–**

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

24. MANAGEMENT OF FINANCIAL RISK

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

a) Credit risk

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Corporation. The Corporation believes that its maximum exposure to credit risk as at December 31, 2018, is the carrying value of its trade receivables. The Company's policy is to limit credit risk by limiting the counterparties to major oil and gas companies. Where it is determined that there is a credit risk for oil and gas sales, the policy is to require an irrevocable letter of credit for the full value of the sale. The policy on joint operation parties is to rely on the provisions of the underlying joint operating agreements to take possession of the licence or the partner's share of production for non-payment of cash calls or other amounts due.

As at December 31, 2018, the trade receivables amounted to USD 32,559 thousand and there is no recent history of default. Cash and cash equivalents are maintained with banks having strong long-term credit ratings.

b) Liquidity risk

Liquidity risk is defined as the risk that the Company could not be able to settle or meet its obligations on time or at a reasonable price. Corporation treasury is responsible for liquidity, funding as well as settlement management. The Corporation has in place a planning and forecasting process to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis. The Corporation ensures that there is sufficient available capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Corporation has credit facilities in place to assist with meeting its cash flow needs as required (Note 20).

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

USD Thousands	**December 31, 2018**	December 31, 2017
Non-current		
Repayment within 1-2 years:		
- Bank loans	–	60,000
- Senior secured notes (CAD 75 million)	55,030	–
Repayment within 2 - 5 years:		
- Bank loans	232,357	–
	287,387	60,000
Current		
Repayment within 6 months:		
- Trade payables	13,398	3,133
- Overlift	–	37
- Joint operation creditors	13,506	19,643
- Other current liabilities	1,561	4,059
- Current tax liabilities	2,635	259
- Residual working capital liability to Lundin Petroleum[1]	14,008	–
Repayment after 6 months:		
- Residual working capital liability to Lundin Petroleum[1]	–	23,460
	45,108	50,591

[1] *See Note 28*

c) Foreign exchange risk

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

The following table summarizes the effect that a change in these currencies against the US Dollar would have on operating result and equity through the conversion of the income statements of the Group's subsidiaries from functional currency to the presentation currency US Dollar for the year ended at December 31, 2018.

Shift of currency exchange rates USD Thousands	**Average rate 2018**	**USD weakening 10%**	**USD strengthening 10%**
Operating profit in the financial statements (USD Thousands)		160,839	160,839
USD /EUR	0.8464	0.7694	0.9310
CAD/USD	1.2958	1.1780	1.4254
Total effect on operating profit (USD Thousands)		**(4,311)**	**4,311**

d) Commodity price risk

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

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in the price of oil and natural gas. Commodity prices are impacted by world economic events that affect supply and demand, which are generally beyond the Group's control. Changes in crude oil prices may significantly affect the Corporation's results of operations, cash generated from operating activities, capital spending and the Corporation's ability to meet its obligations. The majority of the Corporation's production is sold under short-term contracts; consequently the Group is at risk to near term price movements. The Corporation manages this risk by constantly monitoring commodity prices and factoring them into operational decisions, such as contracting or expanding its capital expenditures program.

The Corporation enters into certain risk management contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These risk management contracts are not used for trading or speculative purposes. The Corporation has designated its risk management contracts as effective accounting hedges, and thus has applied hedge accounting. As a result, all risk management contracts are recorded at fair value at each reporting period with the change in fair value being recognized on the statement of comprehensive income.

The outstanding derivative instruments can be specified as follows:

Fair value of outstanding derivative instruments in the balance sheet

	December 31, 2018		December 31, 2017	
USD Thousands	**Assets**	**Liabilities**	Assets	Liabilities
Currency hedge	–	–	1,372	–
Oil price hedge	13,740	171	–	–
Gas price hedge	2,672	3,490	–	–
Total	**16,412**	**3,661**	1,372	–
Non-current	2,052	493	–	–
Current	14,360	3,168	1,372	–
Total	**16,412**	**3,661**	1,372	–

The Group had entered into the following forward gas price hedges as at December 31, 2018, as follows:

Period	Volume (Gigajoules (GJ) per day)	Average Pricing
Gas Sale		
January 1, 2019 - March 31, 2019	25,000	AECO 5a + CAD 0.89/GJ
January 1, 2019 - March 31, 2019	25,000	Fixed Price @ CAD 4.27/GJ
January 1, 2019 - March 31, 2019	2,500	AECO 5a + CAD 2.655/GJ
January 1, 2019 - March 31, 2019	5,500	AECO 5a + CAD 3.055/GJ
January 1, 2019 - March 31, 2019	2,000	AECO 5a + CAD 2.985/GJ
January 1, 2019 - March 31, 2019	2,500	AECO 5a + CAD 3.355/GJ
January 1, 2019 - March 31, 2019	2,500	Sell 5a Floating / Buy CAD 1.41/GJ Fixed
January 1, 2019 - March 31, 2019	2,500	Fixed Price @ CAD 4.35/GJ
January 1, 2019 - March 31, 2019	2,500	Fixed Price @ CAD 4.365/GJ
January 1, 2019 - January 31, 2019	7,500	Fixed Price @ CAD 4.06/GJ
January 1, 2019 - January 31, 2019	2,500	AECO 5a + CAD 2.355/GJ
January 1, 2019 - March 31, 2019	2,500	Gas Daily Iroquois – USD 1.95/MMBTU
Gas Purchase		
January 1, 2019 - December 31, 2019	2,000	AECO 5a + CAD 1.50/GJ
January 1, 2019 - December 31, 2019	4,000	AECO 5a + CAD 1.65/GJ
January 1, 2019 - December 31, 2019	2,000	AECO 5a + CAD 1.53/GJ
January 1, 2020 - December 31, 2020	2,000	AECO 5a + CAD 1.4875/GJ
January 1, 2019 - December 31, 2020	2,000	AECO 5a + CAD 1.4950/GJ

The Group had entered into the following forward oil price hedges as at December 31, 2018, as follows:

Period	Volume (barrels per day)	Average Pricing
January 1, 2019 - March 31, 2019	500	WTI USD 40/bbl to USD 60/bbl
January 1, 2019 - March 31, 2019	500	WTI USD 43.25/bbl to USD 57/bbl
January 1, 2019 - March 31, 2019	1,600	WTI USD 40/bbl to USD 58.25/bbl
January 1, 2019 - March 31, 2019	2,000	WTI USD 50/bbl to USD 62.75/bbl
January 1, 2019 - March 31, 2019	2,000	WTI USD 50/bbl to USD 65.95/bbl
January 1, 2019 - March 31, 2019	1,000	WTI USD 35/bbl to USD 55.15/bbl
April 1, 2019 – June 30, 2019	1,500	WTI USD 45/bbl to USD 59.05/bbl
April 1, 2019 – June 30, 2019	1,200	WTI USD 45/bbl to USD 59.75/bbl
April 1, 2019 – June 30, 2019	1,000	WTI USD 50/bbl to USD 72.05/bbl
April 1, 2019 – June 30, 2019	1,000	WTI CAD 65/bbl to CAD 93/bbl
April 1, 2019 – June 30, 2019	1,000	WCS CAD 53/bbl
April 1, 2019 – June 30, 2019	1,000	WCS CAD 55/bbl
April 1, 2019 – June 30, 2019	500	WTI USD 50/bbl to USD 82.90/bbl
July 1, 2019 – September 30, 2019	2,000	WTI USD 50/bbl to USD 59.25/bbl
July 1, 2019 – September 30, 2019	2,000	WTI USD 50/bbl to USD 62/bbl
July 1, 2019 – September 30, 2019	4,000	WTI USD 50/bbl to USD 81.30/bbl
July 1, 2019 – September 30, 2019	500	WTI USD 50/bbl to USD 81.75/bbl
October 1, 2019 – December 31, 2019	1,500	WTI USD 50/bbl to USD 69.35/bbl
October 1, 2019 – December 31, 2019	1,500	WTI CAD 65/bbl to CAD 89.00/bbl
January 1, 2020 - March 31, 2020	3,500	WTI USD 50/bbl to USD 77.50/bbl
April 1, 2020 – June 30, 2020	2,750	WTI USD 35/bbl to USD 63.50/bbl

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

The table below summarizes the effect that a change in the oil and gas price would have had on the net result and equity at December 31, 2018:

Net income in the financial statements (USD Thousands)	103,644	103,644
Possible shift (%)	(10%)	10%
Total effect on net income (USD Thousands)	**(32,527)**	**32,527**

e) Interest rate risk

The Group's exposure to interest rate risk arises from both the interest rate impact on its cash and cash equivalents as well as on its debt facilities. As at December 31, 2018, the Group's long-term debt is comprised of partially floating rate debt tied to LIBOR. As such, changes in interest rate will have an impact on interest expense.

The total interest expense for 2018 amounted to USD 14,732 thousand. A 100 basis point shift in the interest rate would have resulted in a change in the total interest expense for the year of USD 2,759 thousand.

25. MANAGEMENT OF CAPITAL RISK

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

No significant changes were made in the objectives, policies or procedures during the year ended December 31, 2018, or in the comparative periods.

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

26. SALARY AND OTHER COMPENSATION EXPENSES

a) Employee compensation expenses

The following table provides a breakdown of gross salaries, short-term benefits, share-based compensation and other compensation expenses included in the consolidated statement of comprehensive income (loss):

USD Thousands	**2018**	2017
Salaries, bonuses and other short-term benefits	33,133	16,973
Security social costs	5,121	4,068
Share-based incentive plans [1]	3,659	3,224
	41,913	24,265

[1] *Vested during the period and based on IFRS 2 valuation (see Note 19).*

b) Remuneration of Directors and Senior Management

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

Directors' fees include Board and Committee fees. Senior Management's remuneration includes salary, short-term benefits, bonuses and any other compensation earned in 2018 and in 2017 from the Spin-Off date.

USD Thousands	**2018**	2017
Directors' fees	484	334
Senior Management's salaries, bonuses and other short-term benefits	4,099	2,712
Share-based incentive plans paid to Senior Management	1,127	–
	5,710	3,046

27. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As part of the acquisition of the Suffield Assets, the Group is required to pay Cenovus Energy Inc. additional cash consideration dependent upon the future prices of oil and natural gas for each month between January 2018 and December 2019. The potential undiscounted amount of all future payments that the Group could be required to pay as at December 31, 2018, is up to CAD 18 million (USD 13 million). A total estimated contingent consideration of CAD 10,371 thousand (USD 8,354 thousand) as at December 31, 2018, has been reflected in the Financial Statements. Of this amount, for the year 2018, the contingent consideration amounted to CAD 3,868 thousand (USD 3,000 thousand) for oil and CAD 2,003 thousand (USD 1,545 thousand) for gas.

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 21).

The Bertam field (IPC working interest of 75 percent) has leased the FPSO Bertam from another Group company for an initial period of six years commencing April 2015.

IPC has a residual liability for working capital owed to Lundin Petroleum AB (see Note 28).

28. RELATED PARTIES

As a result of the Spin-Off, the Group had a residual liability for working capital owed to Lundin Petroleum of USD 14,008 thousand including accrued interest as at December 31, 2018 following a further USD 10,000 thousand payment in December 2018. Instalments relating to the working capital amount bear interest at 3.5% from the date of the original repayment schedule. The amount is reflected as a current liability as it is due before the end of June 2019. Expensed interest of USD 548 thousand is included in 2018 related to this liability.

Lundin Petroleum has charged the Group USD 678 thousand in respect of office space rental and USD 2,348 thousand in respect of shared services provided during the year 2018. IPC has charged Lundin Petroleum USD 146 thousand in respect of consultancy fees during the year 2018.

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.

29. SUBSEQUENT EVENTS

No events have occurred since December 31, 2018, that are expected to have a substantial effect on this financial report.

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