International Petroleum Corporation

# Audited Consolidated Financial Statements

*For the years ended December 31, 2019 and 2018*

International Petroleum Corp.

# Consolidated Financial Statements

## For the years ended December 31, 2019 and 2018

## AUDITED

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# Consolidated Financial Statements

## For the years ended December 31, 2019 and 2018

## AUDITED

### 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 SA, Chartered Professional Accountants, Licensed Public Accountants.

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

(Signed) Christophe Nerguararian
Chief Financial Officer

Vancouver, Canada
February 11, 2020

# *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, 2019 and 2018, 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 statement of operations for the years ended December 31, 2019 and 2018;
- the consolidated statement of comprehensive income for the years then ended;
- the consolidated balance sheet as at December 31, 2019 and 2018;
- the consolidated statement of cash flows for the years then ended;
- the consolidated statement 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.

## *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.

*PricewaterhouseCoopers SA, avenue Giuseppe-Motta 50, case postale, 1211 Genève 2*
*Téléphone: +41 58 792 91 00, Téléfax: +41 58 792 91 10, www.pwc.ch*

PricewaterhouseCoopers SA is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

## *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 Luc Schulthess.

PricewaterhouseCoopers SA

Luc Schulthess

Colin Johnson

February 11, 2020

# Consolidated Statement of Operations

## For the years ended December 31, 2019 and 2018

## AUDITED

| USD Thousands | Note | 2019 | 2018 |
|---|---|---|---|
| **Revenue** | *3* | **553,749** | 454,443 |
| | | | |
| **Cost of sales** | | | |
| Production costs | *4* | (240,771) | (179,858) |
| Depletion and decommissioning costs | | (121,659) | (93,851) |
| Depreciation of other assets | | (23,020) | (31,328) |
| Exploration and business development costs | | (15,395) | (2,542) |
| **Gross profit** | *3* | **152,904** | 146,864 |
| | | | |
| Gain on sale of assets | | – | 25,040 |
| | | | |
| General, administration and depreciation expenses | | (12,042) | (11,065) |
| **Profit before financial items** | | **140,862** | 160,839 |
| | | | |
| Finance income | *5* | 14,364 | 884 |
| Finance costs | *6* | (32,390) | (47,814) |
| **Net financial items** | | **(18,026)** | (46,930) |
| | | | |
| **Profit before tax** | | **122,836** | 113,909 |
| | | | |
| Income tax | *7* | (19,248) | (10,265) |
| **Net result** | | **103,588** | 103,644 |
| | | | |
| Net result attributable to: | | | |
| Shareholders of the Parent Company | | 103,564 | 103,617 |
| Non-controlling interest | | 24 | 27 |
| | | **103,588** | 103,644 |
| | | | |
| Earnings per share – USD[1] | *18* | **0.63** | 1.13 |
| Earnings per share fully diluted – USD[1] | *18* | **0.62** | 1.12 |

[1] *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, 2019 and 2018

## AUDITED

| USD Thousands | 2019 | 2018 |
|---|---|---|
| Net result | 103,588 | 103,644 |
| Other comprehensive income: | | |
| Items that may be reclassified to profit or loss, net of tax: | | |
| Hedging losses reclassified to profit or loss | (2,345) | (1,292) |
| Cash flow hedges gain / (loss) | 1,801 | 251 |
| Re-measurements on defined pension plan | (959) | – |
| Currency translation adjustments | 12,781 | (2,617) |
| Total comprehensive income | 114,866 | 99,986 |
| Total comprehensive income attributable to: | | |
| Shareholders of the Parent Company | 114,846 | 99,974 |
| Non-controlling interest | 20 | 12 |
| | 114,866 | 99,986 |

*See accompanying notes to the consolidated financial statements.*

# Consolidated Balance Sheet

## As at December 31, 2019 and 2018

## AUDITED

| USD Thousands | Note | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Exploration and evaluation assets | 8 | 27,614 | 9,444 |
| Property, plant and equipment, net | 9 | 1,077,881 | 1,005,424 |
| Other tangible fixed assets, net | 11 | 69,015 | 92,149 |
| Right-of-use assets | 12 | 2,700 | – |
| Deferred tax assets | 7 | 57,523 | 75,093 |
| Other assets | 13 | 17,867 | 15,873 |
| Derivative instruments | 24 | – | 2,052 |
| Total non-current assets | | 1,252,600 | 1,200,035 |
| Current assets | | | |
| Inventories | 14 | 17,220 | 20,636 |
| Trade and other receivables | 15 | 77,834 | 46,061 |
| Derivative instruments | 24 | 420 | 14,360 |
| Current tax receivables | 7 | 996 | 7,216 |
| Cash and cash equivalents | 16 | 15,571 | 10,626 |
| Total current assets | | 112,041 | 98,899 |
| TOTAL ASSETS | | 1,364,641 | 1,298,934 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Financial liabilities | 20 | 244,732 | 283,728 |
| Lease liabilities | 12 | 1,906 | – |
| Provisions | 21 | 179,997 | 167,325 |
| Deferred tax liabilities | 7 | 47,565 | 55,286 |
| Derivative instruments | 24 | – | 493 |
| Total non-current liabilities | | 474,200 | 506,832 |
| Current liabilities | | | |
| Trade and other payables | 23 | 85,826 | 77,615 |
| Current tax liabilities | | 2,706 | 2,635 |
| Lease liabilities | 12 | 844 | – |
| Provisions | 21 | 9,840 | 12,897 |
| Derivative instruments | 24 | 416 | 3,168 |
| Total current liabilities | | 99,632 | 96,315 |
| EQUITY | | | |
| Shareholders' equity | | 790,602 | 695,572 |
| Non-controlling interest | | 207 | 215 |
| Net shareholders' equity | | 790,809 | 695,787 |
| TOTAL EQUITY AND LIABILITIES | | 1,364,641 | 1,298,934 |

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, 2019 and 2018

## AUDITED

| USD Thousands | 2019 | 2018 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Net result | **103,588** | 103,644 |
| Adjustments for non-cash related items: | | |
| Depletion, depreciation and amortization | 146,255 | 125,700 |
| Exploration costs | 13,741 | 260 |
| Impairment costs | – | – |
| Current tax | 5,034 | (4,433) |
| Deferred tax | 14,214 | 14,698 |
| Capitalized financing fees | 2,044 | 3,177 |
| Foreign currency exchange | (9,553) | 18,875 |
| Interest expense | 17,508 | 14,732 |
| Unwinding of asset retirement obligation discount | 10,664 | 9,190 |
| Change in pension liability | 697 | – |
| Disposal of Netherlands assets | – | (25,040) |
| Share-based costs | 3,969 | 3,659 |
| Other | 259 | (2,894) |
| **Cash flow generated from operations (before working capital adjustments and income taxes)** | **308,420** | 261,568 |
| Changes in working capital | (7,068) | 53,882 |
| Decommissioning costs paid | (6,315) | (7,716) |
| Other payments | (1,822) | (1,223) |
| Income taxes paid | (4,923) | (95) |
| Interest paid | (17,651) | (14,616) |
| **Net cash flow from operating activities** | **270,641** | 291,800 |
| **Cash flow used in investing activities** | | |
| Investment in oil and gas properties | (180,587) | (39,044) |
| Investment in other fixed assets | (1,035) | (1,289) |
| Acquisition of the Suffield Assets | (995) | (375,590) |
| Acquisition of BlackPearl (see Note 10) | – | 2,572 |
| Disposal of Netherlands assets | – | (4,637) |
| **Net cash (outflow) from investing activities** | **(182,617)** | (417,988) |
| **Cash flow from financing activities** | | |
| Borrowings / (repayments) | (49,869) | 119,129 |
| Paid financing fees | (606) | (6,425) |
| Repayment to Lundin Petroleum | (14,243) | (10,000) |
| Purchase of own shares | (16,938) | – |
| Other payments | (905) | – |
| **Net cash (outflow) from financing activities** | **(82,561)** | 102,704 |
| **Change in cash and cash equivalents** | **5,463** | (23,484) |
| Cash and cash equivalents at the beginning of the period | 10,626 | 33,679 |
| Currency exchange difference in cash and cash equivalents | (518) | 431 |
| **Cash and cash equivalents at the end of the period** | **15,571** | 10,626 |

*See accompanying notes to the consolidated financial statements.*

# Consolidated Statement of Changes in Equity

## For the years ended December 31, 2019 and 2018

## AUDITED

| USD Thousands | Share capital and premium | Retained earnings | CTA[1] | IFRS 2 reserve | MTM reserve | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2018 | 279,960 | 26,080 | (4,128) | 3,455 | 1,372 | 306,739 | 203 | 306,942 |
| Net result | – | 103,617 | – | – | – | 103,617 | 27 | 103,644 |
| Cash flow hedge | – | – | – | – | (1,041) | (1,041) | – | (1,041) |
| Currency translation difference | – | – | (2,367) | (200) | (35) | (2,602) | (15) | (2,617) |
| Total comprehensive income | – | 103,617 | (2,367) | (200) | (1,076) | 99,974 | 12 | 99,986 |
| Issuance of common shares | 288,643 | – | – | – | – | 288,643 | – | 288,643 |
| Share based payments | (1,487) | – | – | 1,703 | – | 216 | – | 216 |
| Balance at December 31, 2018 | 567,116 | 129,697 | (6,495) | 4,958 | 296 | 695,572 | 215 | 695,787 |

| USD Thousands | Share capital and premium | Retained earnings | CTA[1] | IFRS 2 reserve | MTM reserve | Pension reserve | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2019 | 567,116 | 129,697 | (6,495) | 4,958 | 296 | – | 695,572 | 215 | 695,787 |
| Pension liability adjustment[2] | – | (3,223) | – | – | – | – | (3,223) | – | (3,223) |
| Net result | – | 103,564 | – | – | – | – | 103,564 | 24 | 103,588 |
| Re-measurements on defined pension plan | – | – | – | – | – | (959) | (959) | – | (959) |
| Acquisition of BlackPearl[3] | – | – | – | – | 9,013 | – | 9,013 | – | 9,013 |
| Cash flow hedge | – | – | – | – | (9,557) | – | (9,557) | – | (9,557) |
| Currency translation difference | – | – | 12,547 | 79 | 251 | (92) | 12,785 | (4) | 12,781 |
| Total comprehensive income | – | 103,564 | 12,547 | 79 | (293) | (1,051) | 114,846 | 20 | 114,866 |
| Purchase of own shares [4] | (16,938) | – | – | – | – | – | (16,938) | – | (16,938) |
| Dividend distribution | – | – | – | – | – | – | – | (28) | (28) |
| Share based payments | (867) | – | – | 1,212 | – | – | 345 | – | 345 |
| Balance at December 31, 2019 | 549,311 | 230,038 | 6,052 | 6,249 | 3 | (1,051) | 790,602 | 207 | 790,809 |

[1] *For comparative purposes, CTA and non-controlling interests have been restated in 2018.*
[2] *See Note 22*
[3] *See Note 10*
[4] *See Note 17*

*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").

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

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").

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").

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

These consolidated financial statements have been approved by the Board of Directors of IPC and authorized for issuance on February 11, 2020.

### C. Going concern

The Group's consolidated financial statements for the year ended December 31, 2019, 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 16 "Leases"*

The Group adopted IFRS 16 effective January 1, 2019. In accordance with the transition provisions in IFRS 16 the new rules have been adopted following the modified retrospective approach with the cumulated effect of initially applying the new standards recognized on January 1, 2019. Comparatives for the 2018 financial year have not been restated as permitted under the specific transition provisions in the standard. Reclassification and adjustments arising from the new leasing rules were not significant in the opening balance sheet on January 1, 2019.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019, estimated by country. The change in accounting policy affected the right-of-use assets with an increase amounting to USD 3.1 million and the lease liabilities with an increase amounting to USD 3.1 million in the balance sheet on January 1, 2019. There was no impact on retained earnings on January 1, 2019.

The Group leases various offices, warehouses, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Up to the end of the 2018 financial year, leases of property were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed and variable lease payments and the exercise price of the purchase option. The lease payments are discounted using the incremental borrowing rate and are classified as finance leases. The right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made and any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

### *Other property, plant and equipment, net*

Effective July 1, 2019, the Floating Production Storage and Offloading vessel ("FPSO") located on the Bertam field, Malaysia, is being depleted based on the year's production in relation to estimated total proved and probable ("2P") reserves of oil and gas in accordance with the unit of production method. Prior to this date, the Bertam FPSO was being depreciated on a straight line basis over the six year lease period on the Bertam field from April 2015.

## E. 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.

## F. 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.

## G. 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, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Average | Period end | Average | Period end |
| 1 EUR equals USD | 1.1196 | 1.1234 | 1.1815 | 1.1450 |
| 1 USD equals CAD | 1.3270 | 1.2994 | 1.2958 | 1.3629 |
| 1 USD equals MYR | 4.1422 | 4.0905 | 4.0354 | 4.1325 |

## H. 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.

## I. 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.

### J. 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 on a unit of production basis from July 2019 based on the Bertam field 2P reserves. Prior to this date the Bertam FPSO was being depreciated on a straight line basis over the six year lease period on the Bertam field from April 2015.

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.

### K. Leases

The Group leases various offices, warehouses, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 5 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Right-of-use assets and corresponding liabilities are recognized when the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed and variable lease payments and the exercise price of the purchase option. The lease payments are discounted using the incremental borrowing rate and are classified as finance leases. The right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made and any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

## 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 Instruments

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 for all companies within the Group except for one Swiss subsidiary, International Petroleum SA. 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.

International Petroleum SA has a defined benefit pension plan that is managed through a private pension plan. Independent actuaries determine the cost of the defined benefit plan on an annual basis, and the subsidiary pays the annual insurance premium. The pension plan provides benefits coverage to the employees of International Petroleum SA in the event of retirement, death or disability. International Petroleum SA and its employees jointly finance retirement and risk benefits. Employees of International Petroleum SA pay 40% of the savings contributions, of the risk contributions and of the cost contributions and International Petroleum SA contributes the difference between the total of all required pension plan contributions and the total of all employees' contributions.

### *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 impairment test 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 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.

| | 2019 | | | | |
|---|---|---|---|---|---|
| USD Thousands | Canada | Malaysia | France | Other | Total |
| Crude oil | 300,210 | 129,789 | 55,232 | – | **485,231** |
| NGLs | 331 | – | – | – | **331** |
| Gas | 77,330 | – | – | – | **77,330** |
| **Net sales of oil and gas** | **377,871** | **129,789** | **55,232** | **–** | **562,892** |
| Change in under/over lift position | – | – | 3,817 | – | **3,817** |
| Royalties | (27,804) | – | – | – | **(27,804)** |
| Hedging settlement | (2,345) | – | – | – | **(2,345)** |
| Other operating revenue | – | 15,513 | 1,005 | 671 | **17,189** |
| **Revenue** | **347,722** | **145,302** | **60,054** | **671** | **553,749** |
| Production costs | (177,498) | (33,378) | (29,895) | – | **(240,771)** |
| Depletion | (77,677) | (30,077) | (13,905) | – | **(121,659)** |
| Depreciation of other assets | – | (23,020) | – | – | **(23,020)** |
| Exploration and business development costs | (44) | (13,697) | – | (1,654) | **(15,395)** |
| **Gross profit/(loss)** | **92,503** | **45,130** | **16,254** | **(983)** | **152,904** |

| | 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.*

| | Assets | | Liabilities | |
|---|---|---|---|---|
| USD Thousands | 2019 | 2018 | 2019 | 2018 |
| Malaysia | 306,302 | 215,889 | 209,357 | 152,832 |
| France | 233,625 | 273,171 | 165,177 | 148,652 |
| Canada | 1,277,012 | 1,178,213 | 994,966 | 909,967 |
| Corporate | 375,651 | 326,810 | 149,854 | 183,307 |
| Other | 60,691 | 76,454 | (56,882) | (20,008) |
| Intercompany balance elimination | (888,640) | (787,454) | (888,640) | (787,454) |
| Total Assets / Liabilities | 1,364,641 | 1,283,083 | 573,832 | 587,296 |
| Shareholders' equity | N/A | N/A | 790,602 | 695,991 |
| Non-controlling interest | N/A | N/A | 207 | (204) |
| Total equity for the group | N/A | N/A | 790,809 | 695,787 |
| Total consolidated | 1,364,641 | 1,283,083 | 1,364,641 | 1,283,083 |

## 4. PRODUCTION COSTS

| USD Thousands | 2019 | 2018 |
|---|---|---|
| Cost of operations | 180,894 | 130,234 |
| Tariff and transportation expenses | 25,173 | 16,949 |
| Direct production taxes | 7,741 | 8,173 |
| Operating costs | 213,808 | 155,356 |
| Cost of blending[1] | 21,919 | 24,512 |
| Change in inventory position | 5,044 | (10) |
| Total production costs | 240,771 | 179,858 |

*[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, 2019, a cost of USD 2,289 thousand was recognized relating to the difference between the cost and sale proceeds of the surplus diluent.*

## 5. FINANCE INCOME

| USD Thousands | 2019 | 2018 |
|---|---|---|
| Foreign exchange gain/(loss), net | 9,553 | – |
| Interest income | 235 | 104 |
| Other financial income | 4,576 | 780 |
| | 14,364 | 884 |

The other financial income of USD 4.6 million for the year ended December 31, 2019, mainly relates to the release of provisions relating to unrealized contingent consideration and other adjustments relating to the acquisition of the Suffield Assets.

## 6. FINANCE COSTS

| USD Thousands | 2019 | 2018 |
|---|---|---|
| Foreign exchange gain/(loss), net | – | (17,354) |
| Interest expense | (17,508) | (14,732) |
| Unwinding of asset retirement obligation discount | (10,664) | (9,190) |
| Amortization of loan fees | (2,044) | (3,177) |
| Loan commitment fees | (1,606) | (969) |
| Other financial costs | (568) | (2,392) |
| | **(32,390)** | (47,814) |

## 7. INCOME TAX

| USD Thousands | 2019 | 2018 |
|---|---|---|
| Current tax | (5,034) | 4,433 |
| Deferred tax | (14,214) | (14,698) |
| **Total tax** | **(19,248)** | (10,265) |

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 7.5 million 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 | 2019 | 2018 |
|---|---|---|
| **Profit before tax** | 122,836 | 113,909 |
| Tax calculated at the corporate tax rate in Canada 27% | (33,166) | (30,755) |
| | | |
| Effect of foreign tax rates | (2,049) | 2 |
| Tax effect of expenses non-deductible for tax purposes | (2,637) | (4,220) |
| Tax effect of uplift on expenses | – | 192 |
| Tax effect of income not subject to tax | 9,256 | 9,317 |
| Tax effect of utilization of unrecorded tax losses | (166) | 699 |
| Tax effect of creation of unrecorded tax losses | 3,216 | 7,856 |
| Adjustments to prior year tax assessments | 6,298 | 6,644 |
| **Total tax** | **(19,248)** | (10,265) |

Specification of deferred tax assets and tax liabilities[1]

| USD Thousands | 2019 | 2018 |
|---|---|---|
| Unused tax loss carry forward | 92,855 | 92,995 |
| Other | 1,020 | 1,092 |
| **Deferred tax assets** | **93,875** | 94,087 |
| Accelerated allowances | 83,811 | 74,070 |
| Other | 106 | 210 |
| **Deferred tax liabilities** | **83,917** | 74,280 |
| **Deferred taxes, net** | **9,958** | 19,807 |

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

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

Deferred tax assets in relation to tax loss carried forwards are only recognized in so far that there is a reasonable certainty as to the timing and the extent of their realization. The recognized unused tax loss carry forward mainly relates to the BlackPearl Acquisition (see Note 10).

## 8. EXPLORATION AND EVALUATION ASSETS

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

The 2019 expensed exploration and evaluation costs mainly relates to unsuccessful drilling in Malaysia on the Keruing exploration prospect and the infill pilot well in the A-14 area.

| USD Thousands | 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 | – | – | (1,083) | (1,083) |
| Currency translation adjustments | – | (300) | (58) | (358) |
| Net book value December 31, 2018 | 2,844 | 6,600 | – | 9,444 |

## 9. PROPERTY, PLANT AND EQUIPMENT, NET

| USD Thousands | Canada | Malaysia | France | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| January 1, 2019 | 788,879 | 448,976 | 351,772 | 1,589,627 |
| BlackPearl Acquisition (see Note 10) | 12,346 | – | – | 12,346 |
| Additions | 72,719 | 36,714 | 39,693 | 149,126 |
| Change in estimates | (9,204) | 7,541 | 734 | (929) |
| Currency translation adjustments | 40,654 | – | (6,424) | 34,230 |
| **December 31, 2019** | **905,394** | **493,231** | **385,775** | **1,784,400** |
| **Accumulated depletion** | | | | |
| January 1, 2019 | (41,257) | (362,071) | (180,875) | (584,203) |
| Depletion charge for the period | (77,677) | (30,077) | (13,905) | (121,659) |
| Write-off | – | (284) | – | (284) |
| Currency translation adjustments | (3,661) | – | 3,288 | (373) |
| **December 31, 2019** | **(122,595)** | **(392,432)** | **(191,492)** | **(706,519)** |
| **Net book value December 31, 2019** | **782,799** | **100,799** | **194,283** | **1,077,881** |

| USD Thousands | Canada | Malaysia | France | Netherlands | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| January 1, 2018 | – | 435,630 | 363,758 | 146,536 | 945,924 |
| Acquisition of the Suffield Assets | 454,735 | – | – | – | 454,735 |
| BlackPearl Acquisition (see Note 10) | 358,301 | – | – | – | 358,301 |
| Additions | 15,040 | 12,928 | 6,129 | 1,182 | 35,279 |
| Change in estimates | 2,095 | 418 | (1,641) | – | 872 |
| Disposal of Netherlands assets | – | – | – | (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 | – | – | – | 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 |

### Impairment test

The Group carried out its impairment testing at December 31, 2019, on a CGU basis in conjunction with the annual reserves audit process. The Group used appropriate oil or natural gas price curves based on year end price forecasts, a future cost inflation factor of 2% (2018: 2%) per annum, production and cost profiles based on proved and probable reserves (2P reserves) and a discount rate of 8% (2018: 8%) to calculate the future post-tax cash flows. In 2019, 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 2.70/mcf or a 2% increase in the discount rate did not result in an impairment charge.

The following prices were used in the impairment testing as at December 31, 2019.

| Price Decks | 2020 | 2021 | 2022 | 2023 | 2024 | Average annual increase thereafter |
|---|---|---|---|---|---|---|
| Dated Brent (USD/bbl) | 65.00 | 68.00 | 70.00 | 71.40 | 72.83 | 2% |
| West Texas Intermediate (USD/bbl) | 61.00 | 65.00 | 67.00 | 68.34 | 69.71 | 2% |
| Western Canadian Select (USD/bbl) | 45.46 | 49.26 | 51.02 | 52.03 | 53.07 | 2% |
| Empress Gas (CAD/MMbtu) | 2.88 | 3.10 | 3.26 | 3.34 | 3.43 | 2% |

## 10. ACQUISITION OF BLACKPEARL

On December 14, 2018, IPC completed the BlackPearl Acquisition for total consideration of USD 288,643 thousand. The purchase price has been allocated as set out in the table below.

| 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 | 69,592 |
| Property, plant and equipment | 370,647 |
| 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) |
| MTM reserve in equity | (9,013) |
| **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 were recognized during 2019.

## 11. OTHER TANGIBLE FIXED ASSETS, NET

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

| 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 10) | – | 1,037 | 1,037 |
| Disposal | – | (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) |
| Disposal | – | 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 |

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

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

## 12. RIGHT OF USE ASSETS

| USD Thousands | Buildings |
|---|---|
| January 1, 2019 | – |
| Book value recognized at January 1, 2019 following IFRS 16 adoption | 3,137 |
| Additions | 333 |
| Depreciation | (790) |
| Currency translation adjustments | 20 |
| **Right-of-use-assets December 31, 2019** | **2,700** |
| | |
| Current | 844 |
| Non-Current | 1,906 |
| **Lease Liabilities** | **2,750** |

In the previous year, the group only recognized lease assets and lease liabilities in relation to leases that were classified as "finance leases" under IAS 17 Leases. The change in accounting policy affected the right-of-use assets with an increase amounting to USD 3.1 million and the lease liabilities with an increase amounting to USD 3.1 million in the balance sheet on January 1, 2019. There was no impact on retained earnings on January 1, 2019. (see Note 1).

## 13. OTHER ASSETS

| USD Thousands | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Long-term receivables | 17,840 | 15,851 |
| Financial assets | 27 | 22 |
| | **17,867** | 15,873 |

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

## 14. INVENTORIES

| USD Thousands | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Hydrocarbon stocks | 6,123 | 10,887 |
| Well supplies and operational spares | 11,097 | 9,749 |
| | **17,220** | 20,636 |

## 15. TRADE AND OTHER RECEIVABLES

| USD Thousands | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Trade receivables | 59,386 | 32,559 |
| Underlift | 5,250 | 1,447 |
| Joint operations debtors | 2,412 | 2,671 |
| Prepaid expenses and accrued income | 4,493 | 4,121 |
| Other | 6,293 | 5,263 |
| | **77,834** | 46,061 |

## 16. CASH AND CASH EQUIVALENTS

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

## 17. SHARE CAPITAL

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

| | Number of shares |
|---|---|
| Balance at January 1, 2018 | 87,921,846 |
| Issuance of common shares | 75,798,219 |
| Balance at December 31, 2018 | 163,720,065 |
| Cancellation of repurchased common shares | (3,929,196) |
| **Balance at December 31, 2019** | **159,790,869** |

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

As at January 1, 2018, the total number of common shares issued and outstanding in IPC was 87,921,846. 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.

On November 7, 2019, IPC announced the commencement of a share repurchase program. During the period up to December 31, 2019, IPC repurchased an aggregate of 3,929,196 common shares and all of these shares were cancelled. As at December 31, 2019, IPC had a total of 159,790,869 common shares issued and outstanding. As at February 11, 2020, following the cancellation of a further 2,540,000 common shares repurchased during January 2020, IPC has a total of 157,250,869 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.

## 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.

| USD Thousands | 2019 | 2018 |
|---|---|---|
| Net result attributable to shareholders of the Parent Company, USD | 103,563,460 | 103,617,404 |
| Weighted average number of shares for the period | 163,709,271 | 91,461,733 |
| **Earnings per share, USD** | **0.63** | 1.13 |
| Weighted average diluted number of shares for the period | 166,332,393 | 92,222,705 |
| **Earnings per share fully diluted, USD** | **0.62** | 1.12 |

## 19. SHARE-BASED PAYMENTS

The Group has the following share-based compensation plans: (a) a stock option plan (“Stock Option Plan”); and (b) 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, 2019, is 1,808,566. 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, 2019, are summarized in the table below.

| IPC Stock Option Plan | 2019 |
|---|---|
| **Outstanding at January 1, 2019** | 1,818,100 |
| Awarded during the period | – |
| Forfeited during the period | (5,534) |
| Exercised during the period | (4,000) |
| **Outstanding at December 31, 2019** | **1,808,566** |
| | |
| **Share options exercisable:** | |
| At December 31,2018 | 602,855 |
| At December 31,2019 | 1,205,711 |

### IPC Transitional PSP

In connection with the Spin-off, the Group put in place a one-time Transitional Performance Share Plan (“TPSP”) for certain officers and employees of the Corporation. The 2016 IPC TPSP awards were effective from April 24, 2017, and vested on June 30, 2019, at a price of CAD 4.64 per award.

The number of awards outstanding under the IPC TPSP at December 31, 2019, are summarized in the table below. No further awards will be granted under the IPC TPSP.

| IPC Transitional PSP | 2016 Awards | Total |
|---|---|---|
| **Outstanding at January 1, 2019** | 733,307 | **733,307** |
| Awarded during the period | – | – |
| Forfeited during the period | – | – |
| Exercised during the period | (733,307) | (733,307) |
| **Outstanding at December 31, 2019** | – | – |

### IPC Transitional RSP

In connection with the Spin-off, the Group put in place a one-time Transitional Restricted Share Plan (“TRSP”) for certain employees of the Corporation. The 2016 IPC TRSP awards were effective from April 24, 2017, and vested on May 31, 2019, at a price of CAD 5.91 per award.

The number of awards outstanding under the IPC TRSP at December 31, 2019, are summarized in the table below. No further awards will be granted under the IPC TRSP.

| IPC Transitional RSP | 2016 Awards | Total |
|---|---|---|
| **Outstanding at January 1, 2019** | 58,446 | **58,446** |
| Awarded during the period | – | – |
| Forfeited during the period | (739) | (739) |
| Exercised during the period | (57,707) | (57,707) |
| **Outstanding at December 31, 2019** | – | – |

### IPC Performance and Restricted Share Plan

The shareholders of IPC approved at the Annual General Meeting held on July 10, 2018, a 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.

The IPC Performance Share Plan ("PSP") 2018 awards are subject to continued employment and to certain performance conditions being met. The total outstanding number of awards at December 31, 2019, 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.

The IPC Performance Share Plan ("PSP") 2019 awards are subject to continued employment and to certain performance conditions being met. The total outstanding number of awards at December 31, 2019, is 902,933 which vest on June 30, 2022. Each award was fair valued at the grant date at CAD 4.28 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 Awards | 2019 Awards | Total |
|---|---|---|---|
| **Outstanding at January 1, 2019** | 501,500 | – | **501,500** |
| Awarded during the period | – | 902,933 | 902,933 |
| Forfeited during the period | – | – | – |
| Exercised during the period | – | – | – |
| **Outstanding at December 31, 2019** | **501,500** | **902,933** | **1,404,433** |
| | | | |
| **Vesting date** | | | |
| June 30, 2021 | 501,500 | – | 501,500 |
| June 30, 2022 | – | 902,933 | 902,933 |
| **Outstanding at December 31, 2019** | **501,500** | **902,933** | **1,404,433** |

The first third of the IPC Restricted Share Plan ("RSP") 2018 awards vested on June 30, 2019, at a price of CAD 5.89 per award. The total outstanding number of 2018 awards under the IPC RSP as at December 31, 2019, is 135,267 which vest over two years on each of June 30, 2020, and June 30, 2021, subject to continued employment. Each award was fair valued at the grant date at CAD 8.75.

The total outstanding number of 2019 awards under the IPC RSP as at December 31, 2019, is 460,791 which vest over three years as to one-third on each of June 30, 2020, June 30, 2021, and June 30, 2022, subject to continued employment. Each award was fair valued at the grant date at CAD 5.84.

| IPC Restricted Share Plan | 2018 Awards | 2019 Awards | Total |
|---|---|---|---|
| **Outstanding at January 1, 2019** | 206,772 | – | **206,772** |
| Awarded during the period | – | 463,158 | 463,158 |
| Forfeited during the period | (595) | (2,367) | (2,962) |
| Exercised during the period | (70,910) | – | (70,910) |
| **Outstanding at December 31, 2019** | **135,267** | **460,791** | **596,058** |
| | | | |
| **Vesting date** | | | |
| June 30, 2020 | 67,950 | 153,597 | 221,547 |
| June 30, 2021 | 67,317 | 153,597 | 220,914 |
| June 30, 2022 | – | 153,597 | 153,597 |
| **Outstanding at December 31, 2019** | **135,267** | **460,791** | **596,058** |

In connection with the BlackPearl Acquisition, the Group granted 314,365 awards under the IPC RSP for certain officers and employees which vest over three years as to one-third on each of December 31, 2019, December 31, 2020, and December 31, 2021, subject to continued employment. Each award was fair valued at the grant date at CAD 4.35.

| IPC Restricted Share Plan - BlackPearl | 2019 RSP | Total |
|---|---|---|
| **Outstanding at January 1, 2019** | – | – |
| Awarded during the period | 328,481 | 328,481 |
| Forfeited during the period | (13,729) | (13,729) |
| Exercised during the period | (387) | (387) |
| **Outstanding at December 31, 2019** | **314,365** | **314,365** |
| | | |
| **Vesting date** | | |
| December 31, 2019 | 108,669 | 108,669 |
| December 31, 2020 | 102,882 | 102,882 |
| December 31, 2021 | 102,814 | 102,814 |
| **Outstanding at December 31, 2019** | **314,365** | **314,365** |

Under IPC Performance and Restricted Share Plan in 2019, the Group proposed to non-employee directors of the Corporation to elect for awards for fees for services performed as a director and otherwise payable in cash. These awards will vest immediately at the time of grant. However, these awards may not be redeemed before the end of service as a director of the Corporation. The total outstanding RSP awards outstanding as at December 31, 2019, is 25,349. Each award was fair valued at the grant date at CAD 5.76.

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

| USD Thousands | 2019 | 2018 |
|---|---|---|
| IPC Stock Option Plan | 365 | 870 |
| IPC Transitional PSP – 2015 Awards | – | 544 |
| IPC Transitional PSP – 2016 Awards | 646 | 1,052 |
| IPC Transitional RSP – 2015 Awards | – | 138 |
| IPC Transitional RSP – 2016 Awards | 86 | 295 |
| IPC PSP – 2018 Awards | 680 | 341 |
| IPC RSP – 2018 Awards | 455 | 419 |
| IPC PSP – 2019 Awards | 1,242 | – |
| IPC RSP – 2019 Awards | 495 | – |
| | **3,969** | **3,659** |

## 20. FINANCIAL LIABILITIES

| USD Thousands | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Bank loans | 247,074 | 232,357 |
| Senior secured notes | – | 55,030 |
| Capitalized financing fees | (2,342) | (3,659) |
| | **244,732** | 283,728 |

In connection with the completion of the Suffield acquisition in January 2018, the Group entered into an amendment to its reserve-based lending credit facility 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 and a CAD 60 million second lien facility in Canada in January 2018.

In August 2018, the Group fully repaid and cancelled the Canadian second lien CAD 60 million loan facility.

In December 2018, in connection with the completion of the BlackPearl Acquisition, the Group assumed the debt of BlackPearl consisting of a reserve-based lending credit facility of CAD 120 million and senior secured notes outstanding of CAD 75 million. The reserve-based lending facility had a maturity date in May 2021 and the senior secured notes had a maturity date in June 2020.

Effective as of June 1, 2019, IPC Alberta Ltd. and BlackPearl amalgamated into IPC Canada Ltd., which is a wholly-owned subsidiary of IPC. At the same time, the reserve-based lending credit facilities of IPC Alberta and BlackPearl were combined into one reserve-based lending credit facility of IPC Canada in the amount of CAD 375 million. The IPC Canada reserve-based credit lending facility has a maturity date in May 2021. The senior secured notes of BlackPearl of CAD 75 million were fully repaid and cancelled in June 2019, from a drawdown under the CAD 375 million reserve-based lending credit facility.

The borrowing base availability under the Group's reserve-based lending credit facility is currently USD 125 million of which USD 73 million was outstanding as at December 31, 2019. The borrowing base availability of IPC Canada's reserve-based lending credit facility is currently CAD 375 million of which CAD 226 million was outstanding as at December 31, 2019.

No facility repayment schedule results in mandatory repayment within the next twelve months. As such, the loans outstanding as at December 31, 2019, are classified as non-current.

The Group is in compliance with the covenants under the credit facility agreements as at December 31, 2019.

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

| USD Thousands | Cash | Lease liabilities | Bank loans due after 1 year | Senior secured notes due after 1 year | Total |
|---|---|---|---|---|---|
| **Net debt as at January 1, 2019** | 10,626 | – | (232,357) | (55,030) | (276,761) |
| Cash flows | 5,463 | – | (14,717) | 55,030 | 45,776 |
| Lease liabilities | – | (2,750) | – | – | (2,750) |
| Currency translation adjustments | (518) | – | – | – | (518) |
| **Net debt as at December 31, 2019** | **15,571** | **(2,750)** | **(247,074)** | – | **(234,253)** |
| **Net debt (excluding lease liabilities)** | | | | | **(231,503)** |

| 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) |

## 21. PROVISIONS

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

[1] *For comparative purposes, the asset retirement obligation has been restated to appropriately reflect the asset retirement obligation on a gross basis in Malaysia. The impact of this adjustment was not considered material to the current or comparative periods (see Note 13).*

[2] *The release of the provision and the other payments related to the unrealized and realized contingent consideration relating to the acquisition of the Suffield Assets.*

[3] *See Note 22*

[4] *The reclassification of the asset retirement obligation related to the 2019 payment to the asset retirement obligation fund in respect of the Bertam asset, Malaysia (see Note 13).*

[5] *The Suffield Assets contingent consideration related to the price of gas for November and December 2019 has been reclassified to current liabilities for an amount of CAD 519 thousand.*

| USD Thousands | Asset retirement obligation | Farm-in obligation | Other | Total |
|---|---|---|---|---|
| January 1, 2018[1] | 116,547 | 5,557 | 1,722 | 123,826 |
| Acquisition of the Suffield Assets | 75,086 | – | 8,355 | 83,441 |
| Acquisition of BlackPearl (see Note 10) | 28,708 | – | 1,321 | 30,029 |
| Disposal of Netherlands assets | (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 | 3,937 | – | (700) | 3,237 |
| Currency translation adjustments | (10,890) | (197) | (693) | (11,780) |
| December 31, 2018 | 168,537 | 6,047 | 5,638 | 180,222 |
| Non-current | 161,360 | 3,628 | 2,337 | 167,325 |
| Current | 7,177 | 2,419 | 3,301 | 12,897 |
| Total | 168,537 | 6,047 | 5,638 | 180,222 |

*[1] For comparative purposes, the asset retirement obligation has been restated to appropriately reflect the asset retirement obligation on a gross basis in Malaysia. The impact of this adjustment was not considered material to the current or comparative periods (see Note 13).*

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

In calculating the present value of the asset retirement obligation provision, a blended rate of 6% (2018: 6%) was used, based on a credit risk adjusted rate.

## 22. PENSION LIABILITY

The Group operates a pension plan in Switzerland that is managed through a private pension plan. As of January 1, 2019, the Group began to account for its pension plan in accordance with IAS 19 which has resulted in a USD 3,223 thousand adjustment to opening retained earnings to record the pension liability on that date. The impact of this adjustment was not considered material to the current or comparative periods. The amount recognized in the balance sheet associated with the Swiss pension plan is as follows:

| USD Thousands | December 31, 2019 |
|---|---|
| Present value of defined benefit obligation | 10,760 |
| Fair value of plan assets | (6,347) |
| **Pension obligation – December 31, 2019** | **4,413** |

The movement in the defined benefit obligation over the year is as follows:

| USD Thousands | For the year ended December 31, 2019 |
|---|---|
| Opening balance | 8,506 |
| Current service cost | 656 |
| Additional contributions paid by employees | 450 |
| Ordinary contributions paid by employees | 372 |
| Interest expense on defined benefit obligation | 76 |
| Actuarial loss on defined benefit obligation | 956 |
| Administration costs | 12 |
| Benefits paid from plan assets | (484) |
| Foreign exchange loss | 216 |
| **Defined benefit obligation, ending balance** | **10,760** |

The weighted average duration of the defined benefit obligation is 20.9 years. There is no maturity profile since the average remaining life before active employees reach final age according to the plan is 11.7 years.

The movement in the fair value of the plan assets over the year is as follows:

| USD Thousands | For the year ended December 31, 2019 |
|---|---|
| Opening balance | 5,282 |
| Additional contributions paid by employees | 450 |
| Ordinary contributions paid by employer | 558 |
| Ordinary contributions paid by employees | 372 |
| Interest income on plan assets | 47 |
| Return on plan assets excluding interest income | (3) |
| Foreign exchange gain | 125 |
| Benefits paid from plan assets | (484) |
| **Fair value of plan assets, ending balance** | **6,347** |

The plan assets are under an insurance contract comprised entirely of free funds and reserves, such as fluctuation reserves and employer contribution reserves, for which there is no quoted price in an active market.

The amount recognized in the income statement associated with the Group's pension plan is as follows:

| USD Thousands | For the year ended December 31, 2019 |
|---|---|
| Current service cost | 656 |
| Interest expense on defined benefit obligation | 76 |
| Administration costs | 12 |
| Interest income on plan assets | (47) |
| **Total expense recognized** | **697** |

The expense associated with the Group's pension plan of USD 697 thousand was included within general and administrative expenses. The Group also recognized in other comprehensive income a USD 959 thousand net actuarial loss on defined benefit obligations and pension plan assets.

The principal actuarial assumptions used to estimate the Group's pension obligation are as follows:

| USD Thousands | For the year ended December 31, 2019 |
|---|---|
| Discount rate | 0.25% |
| Inflation rate | 1.00% |
| Future salary increase | 1.00% |
| Future pension increases | 0.00% |
| Retirement ages, male ('M') and female ('F') | M65/F64 |

Assumptions regarding future mortality are set based on actuarial advice in accordance with the BVG 2015 GT generational published statistics and experience in Switzerland. The discount rate is determined by reference to the yield on high-quality corporate bonds. The rate of inflation is based on the expected value of future annual inflation adjustments in Switzerland. The rate for future salary increases is based on the average increase in the salaries paid by the Group, and the rate of pension increases is based on the annual increase in risk, retirement and survivors' benefits.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | Change in assumption | Increase in assumption | Decrease in assumption |
|---|---|---|---|
| Discount rate | 0.50% | Decrease by 9.8% | Increase by 11.4% |
| Salary growth rate | 0.50% | Increase by 1.0% | Decrease by 0.9% |
| Life Expectancy | One year | Increase by 1.6% | Decrease by 1.7% |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension liability recognized within the consolidated balance sheet.

## 23. TRADE AND OTHER PAYABLES

| USD Thousands | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Trade payables | 17,682 | 13,398 |
| Residual working capital liability to Lundin Petroleum[1] | – | 14,008 |
| Joint operations creditors | 24,164 | 13,506 |
| Accrued expenses | 40,317 | 35,142 |
| Other | 3,663 | 1,561 |
| | **85,826** | 77,615 |

[1] *See Note 29*

## 24. 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, 2019<br>USD Thousands | Total | Financial assets at amortized cost | Fair value recognized in profit or loss (FVTPL) | Derivatives used for hedging |
|---|---|---|---|---|
| Other non-current financial assets | **2,700** | 2,700 | – | – |
| Other assets | **17,867** | 17,867 | – | – |
| Derivative instruments | **420** | – | – | 420 |
| Joint operation debtors | **2,412** | 2,412 | – | – |
| Other current receivables[1] | **71,925** | 66,675 | 5,250 | – |
| Cash and cash equivalents | **15,571** | 15,571 | – | – |
| **Financial assets** | **110,895** | **105,225** | **5,250** | **420** |

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

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

| December 31, 2018<br>USD Thousands | Total | Financial assets at amortized cost | Fair value recognized in profit or loss (FVTPL) | Derivatives used for hedging |
|---|---|---|---|---|
| Other assets | 15,873 | 15,873 | – | – |
| 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 | 92,067 | 74,208 | 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<br>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 |

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, 2019<br>USD Thousands | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| Other current receivables | 5,250 | – | – |
| Derivative instruments – current | – | 420 | – |
| **Financial assets** | **5,250** | **420** | **–** |
| | | | |
| Derivative instruments – current | – | 416 | – |
| **Financial liabilities** | – | **416** | **–** |

| December 31, 2018<br>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 | – |

## 25. 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, 2019, is the carrying value of its trade receivables. The Group'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, 2019, the trade receivables amounted to USD 59,386 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 Group 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, 2019 | December 31, 2018 |
|---|---|---|
| Non-current | | |
| Repayment within 1-2 years: | | |
| - Senior secured notes (CAD 75 million) | – | 55,030 |
| | | |
| Repayment within 2 - 5 years: | | |
| - Bank loans | 247,074 | 232,357 |
| | **247,074** | 287,387 |
| | | |
| Current | | |
| Repayment within 6 months: | | |
| - Trade payables | 17,682 | 13,398 |
| - Joint operation creditors | 24,164 | 13,506 |
| - Other current liabilities | 3,663 | 1,561 |
| - Current tax liabilities | 2,706 | 2,635 |
| - Residual working capital liability to Lundin Petroleum[1] | – | 14,008 |
| | **48,215** | 45,108 |

[1] *See Note 29*

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, 2019.

| Shift of currency exchange rates<br>USD Thousands | Average rate 2019 | USD weakening 10% | USD strengthening 10% |
|---|---|---|---|
| Operating profit in the financial statements (USD Thousands) | | 140,862 | 140,862 |
| | | | |
| USD /EUR | 0.8932 | 0.8120 | 0.9825 |
| CAD/USD | 1.3270 | 1.2064 | 1.4597 |
| | | | |
| Total effect on operating profit (USD Thousands) | | (10,672) | 10,672 |

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, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| USD Thousands | Assets | Liabilities | Assets | Liabilities |
| Oil price hedge | 58 | 416 | 13,740 | 171 |
| Gas price hedge | 362 | – | 2,672 | 3,490 |
| **Total** | **420** | **416** | 16,412 | 3,661 |
| Non-current | – | – | 2,052 | 493 |
| Current | 420 | 416 | 14,360 | 3,168 |
| **Total** | **420** | **416** | 16,412 | 3,661 |

The Group had entered into the following forward gas price hedges as at December 31, 2019, as follows:

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

The Group had entered into the following forward oil price hedges as at December 31, 2019, as follows:

| Period | Volume (barrels per day) | Average Pricing |
|---|---|---|
| January 1, 2020 - March 31, 2020 | 3,500 | WTI USD 50/bbl to USD 77.50/bbl |
| April 1, 2020 – June 30, 2020 | 6,150 | WTI USD 35/bbl to USD 71.74/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, 2019:

| | | |
|---|---|---|
| Net income in the financial statements (USD Thousands) | 103,588 | 103,588 |
| Possible shift (%) | (10%) | 10% |
| **Total effect on net income (USD Thousands)** | **(41,459)** | **41,459** |

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, 2019, 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 2019 amounted to USD 17,508 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 3,125 thousand.

## 26. 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, 2019, 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.

## 27. 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 | 2019 | 2018 |
|---|---|---|
| Salaries, bonuses and other short-term benefits | 45,266 | 33,133 |
| Security social costs | 5,896 | 5,121 |
| Share-based incentive plans [1] | 3,969 | 3,659 |
| | 55,131 | 41,913 |

[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, Chief Operating Officer, Senior Vice President Canada, Vice President of Asset Management and Corporate Planning Canada, Vice President of Exploration Canada 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 2019.

| USD Thousands | 2019 | 2018 |
|---|---|---|
| Directors' fees | 815 | 484 |
| Senior Management's salaries, bonuses and other short-term benefits | 5,207 | 4,099 |
| Share-based incentive plans paid to Senior Management | 1,669 | 1,127 |
| | 7,691 | 5,710 |

## 28. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As part of the acquisition of the Suffield Assets, the Group was 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 contingent consideration relating to 2018 and in 2019 amounted to CAD 7,711 thousand (USD 5,934 thousand) in total, being CAD 5,708 thousand (USD 4,393 thousand) for oil and CAD 2,003 thousand (USD 1,541 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%) has leased the FPSO Bertam from another Group company for an initial period of six years commencing April 2015, with four one-year options to extend such lease beyond the initial period, up to April 2025.

## 29. RELATED PARTIES

As a result of the Spin-Off, the Group had a residual liability for working capital owed to Lundin Petroleum. The final settlement of USD 14,243 thousand was paid in June 2019 and no further amounts are outstanding to Lundin Petroleum in respect of the working capital.

Lundin Petroleum has charged the Group USD 651 thousand in respect of office space rental and USD 2,005 thousand in respect of shared services provided during the year 2019.

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.

## 30. SUBSEQUENT EVENTS

On January 20, 2020, IPC announced the proposed acquisition of all of the issued and outstanding shares of Granite Oil Corp. ("Granite") by way of a plan of arrangement under the Business Corporations Act (Alberta) (the "Granite Acquisition"). The completion of the Granite Acquisition remains subject to certain conditions and is expected to occur in early March 2020.

On November 7, 2019, IPC announced the commencement of a share repurchase program. During the period up to December 31, 2019, IPC repurchased an aggregate of 3,929,196 common shares and all of these shares were cancelled. As at December 31, 2019, IPC had a total of 159,790,869 common shares issued and outstanding. As at February 11, 2020, following the cancellation of a further 2,540,000 common shares repurchased during January 2020, IPC has a total of 157,250,869 common shares issued and outstanding with no par value.

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

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