



**International  
Petroleum  
Corp.**



## **International Petroleum Corp.**

Internationally Focused Upstream  
Company

## **Transformational Corporate Acquisition of BlackPearl Resources Inc.**

October 10, 2018

NCF00092 ipc 10.18

# Transaction<sup>(1)</sup> Highlights



**“Delivering on our strategy: Second acquisition of quality assets in Canada, with significant upside resource potential and the financial strength to accelerate long term growth and value creation for all shareholders”**

- **Acquiring BlackPearl operated interests in Canada: conventional oil, thermal oil and oil sands properties**
- **IPC to acquire all BlackPearl shares based upon share exchange rate of 0.22 IPC shares for each BlackPearl share**
- **Based on VWAP of IPC shares (SEK 57.8 per share), represents acquisition price of CAD 1.85 per share; 42% premium to spot closing price<sup>(2)</sup> of BlackPearl shares**
- **IPC and BlackPearl shareholders to own 53.5% and 46.5% of enlarged company**
- **BlackPearl:**
  - 2P reserves of 162.4 MMboe<sup>(3)</sup>
  - Contingent resources of 789 MMboe<sup>(3)</sup>
  - Production of 12 Mboepd in 2018, forecast to increase to 16 Mboepd in 2019
- **Significant inventory of undeveloped oil drilling opportunities**
- **Longer term potential of further 80 Mboepd<sup>(3)</sup> with Blackrod development subject to commodity price environment; development approvals received**

1) Completion of the transaction remains subject to shareholder and regulatory approvals 2) Based on BlackPearl closing price on October 9, 2018 3) As at December 31, 2017, see Reader Advisory

# Transaction Rationale

## IPC Position



- **Material conventional low decline production guidance of 32.5 to 34 Mboepd in 2018**
- **Highly cash flow generative with Brent oil price exposure (1H 2018 OCF of MUSD 153 and net debt reduced by MUSD 100)<sup>(1)</sup>**
- **Highly developed reserve base (90% of 2P reserves value is developed)**
- **129.1 MMboe of 2P reserves and 63.4 MMboe of contingent resources with a Reserves Life Index (RLI) of 10.6 years<sup>(2)</sup>**
- **Strategic M&A focus to acquire less mature resource base to drive long term growth and value creation**
- **Value accretive acquisition**

## BlackPearl Position

- **Production growth forecast to increase from 12 Mboepd in 2018 to 16 Mboepd in 2019**
- **Requires funding for development projects and therefore limited free cash flow generated**
- **Combination with IPC provides access to significant free cash flow to fund growth and deleverage**
- **Immediate value uplift for shareholders; 42% premium<sup>(3)</sup>**
- **IPC is the international growth vehicle of the Lundin Group; track record of value creation**
- **Enhances size and trading liquidity, access to broader shareholder base**

1) Non-IFRS measures, see Reader Advisory

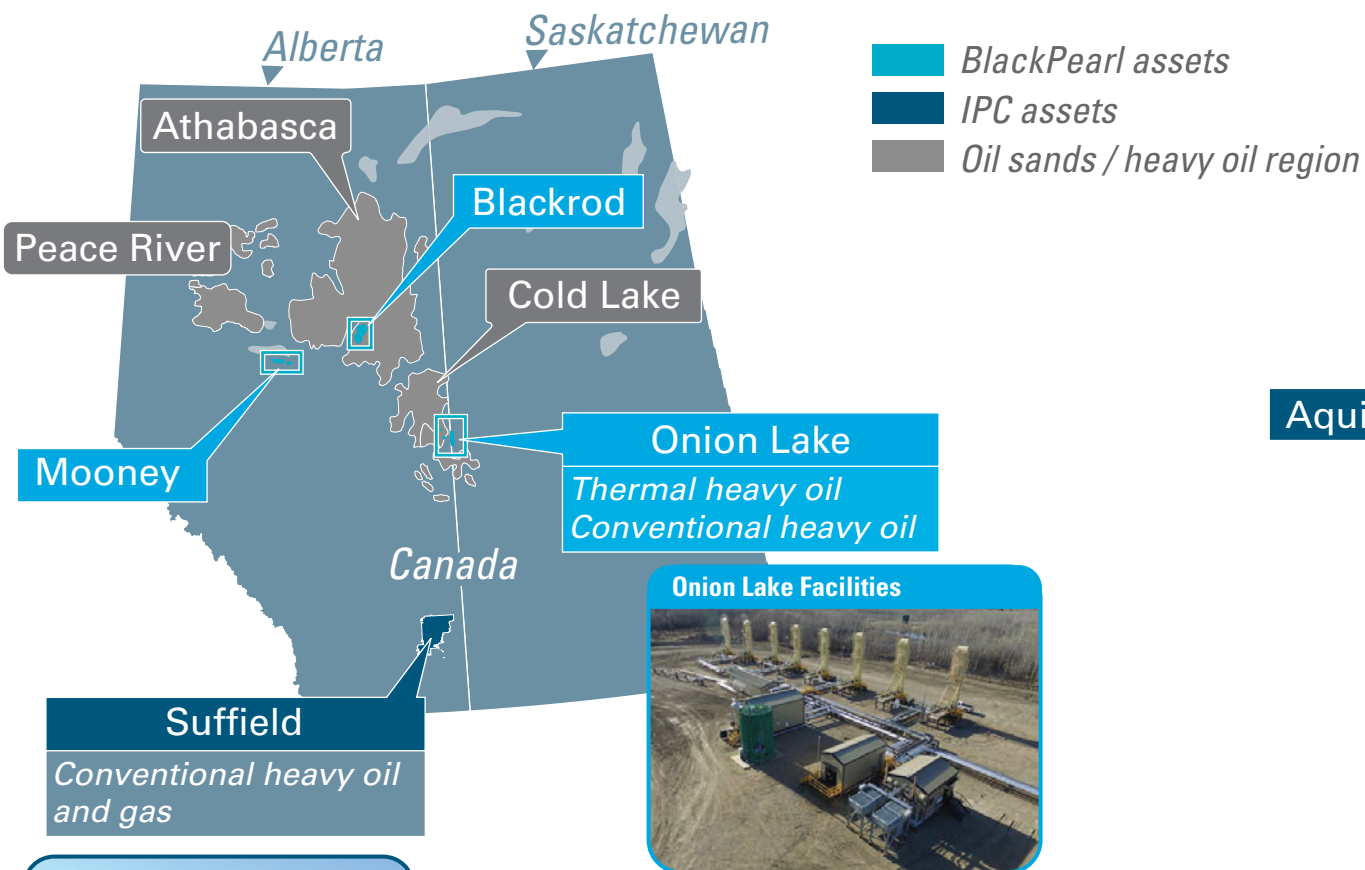
2) As at December 31, 2017, see Reader Advisory

3) Based on BlackPearl closing price on October 9, 2018



# Quality Diversified Asset Portfolio

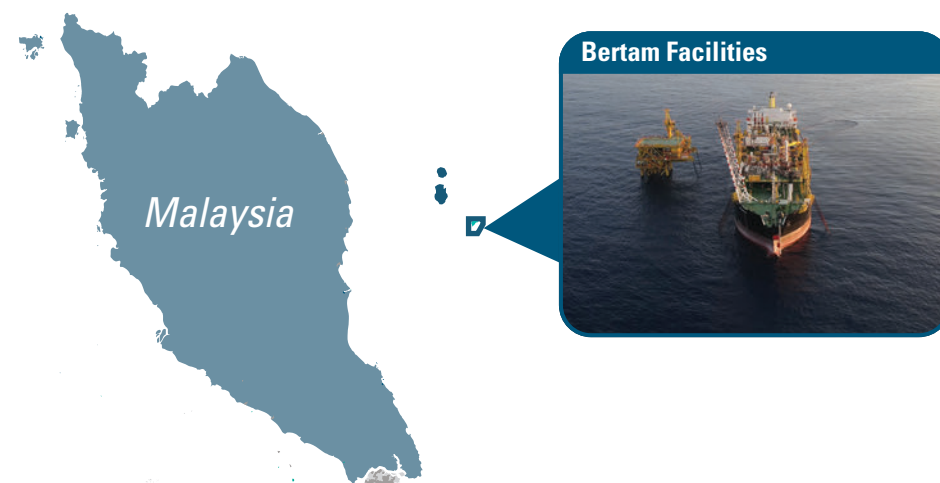
## Canada



## France

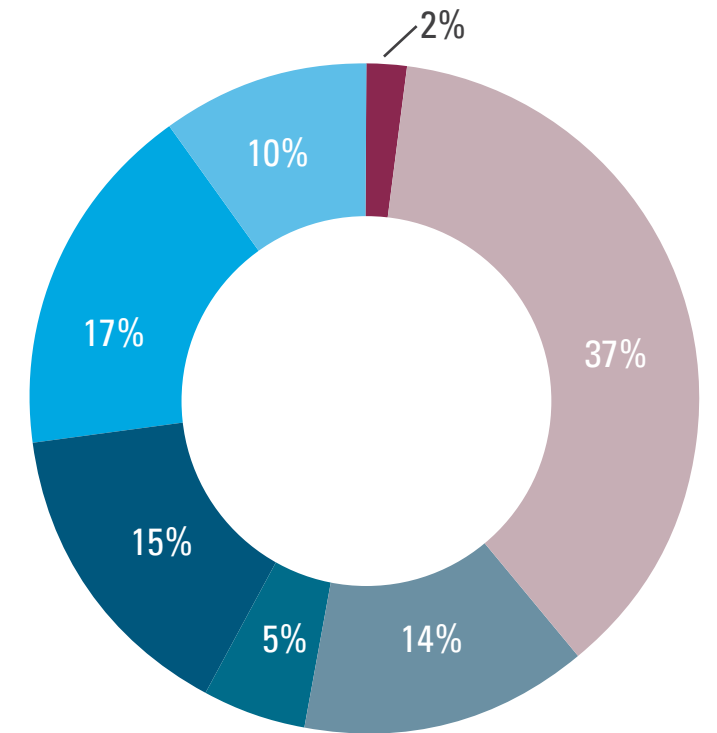


## Malaysia

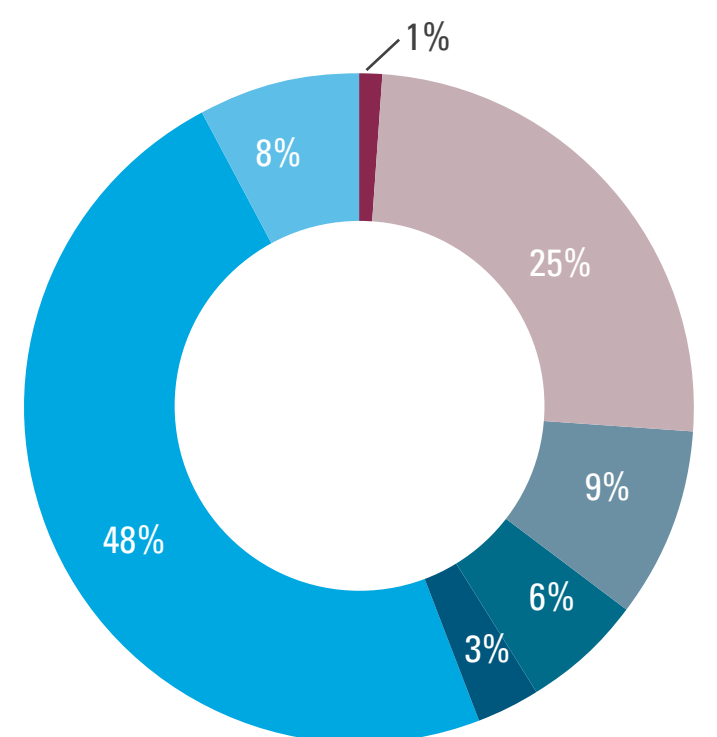


- PXX Onion Lake Thermal
- PXX Conventional
- Suffield Gas
- Suffield Oil
- France
- Malaysia
- Netherlands

Forecast 2018 Production

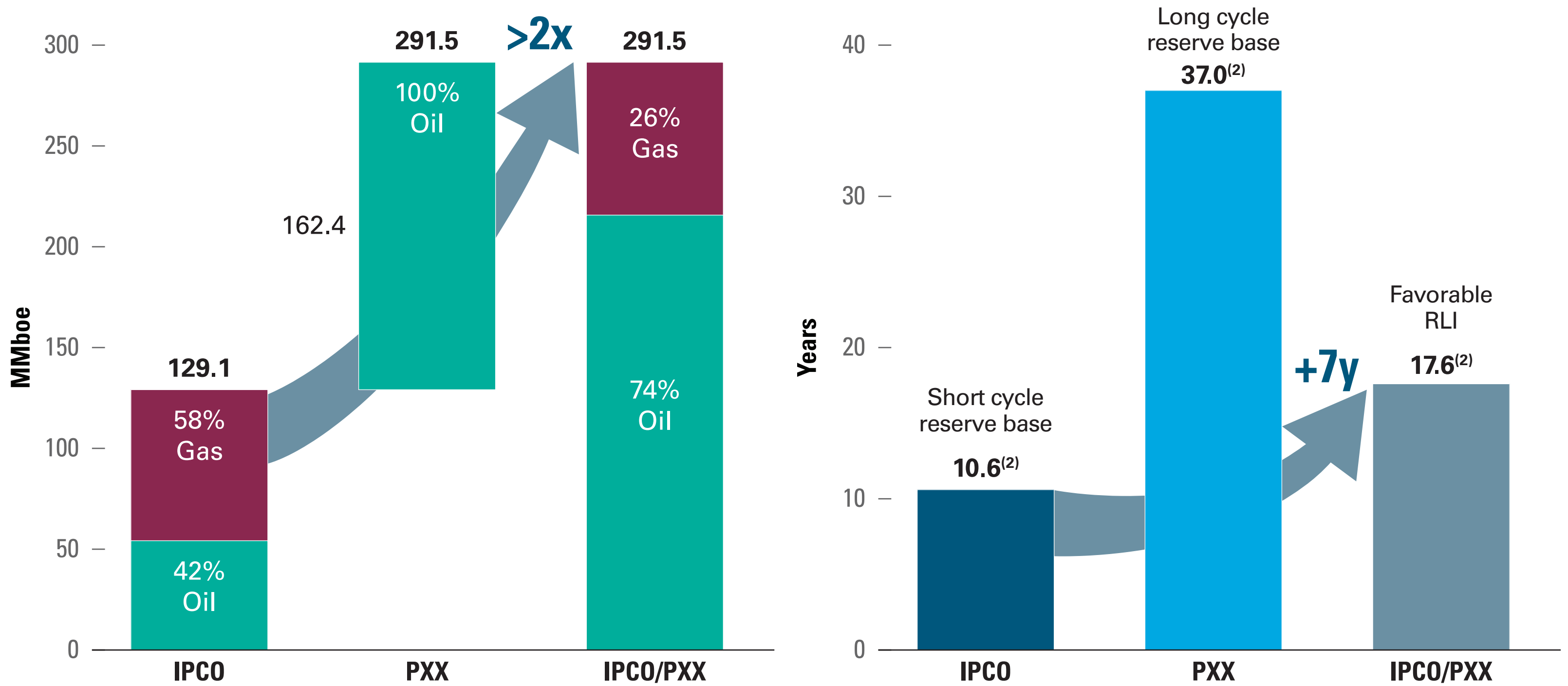


Year end 2017 2P Reserves<sup>(1)</sup>



1) See Reader Advisory

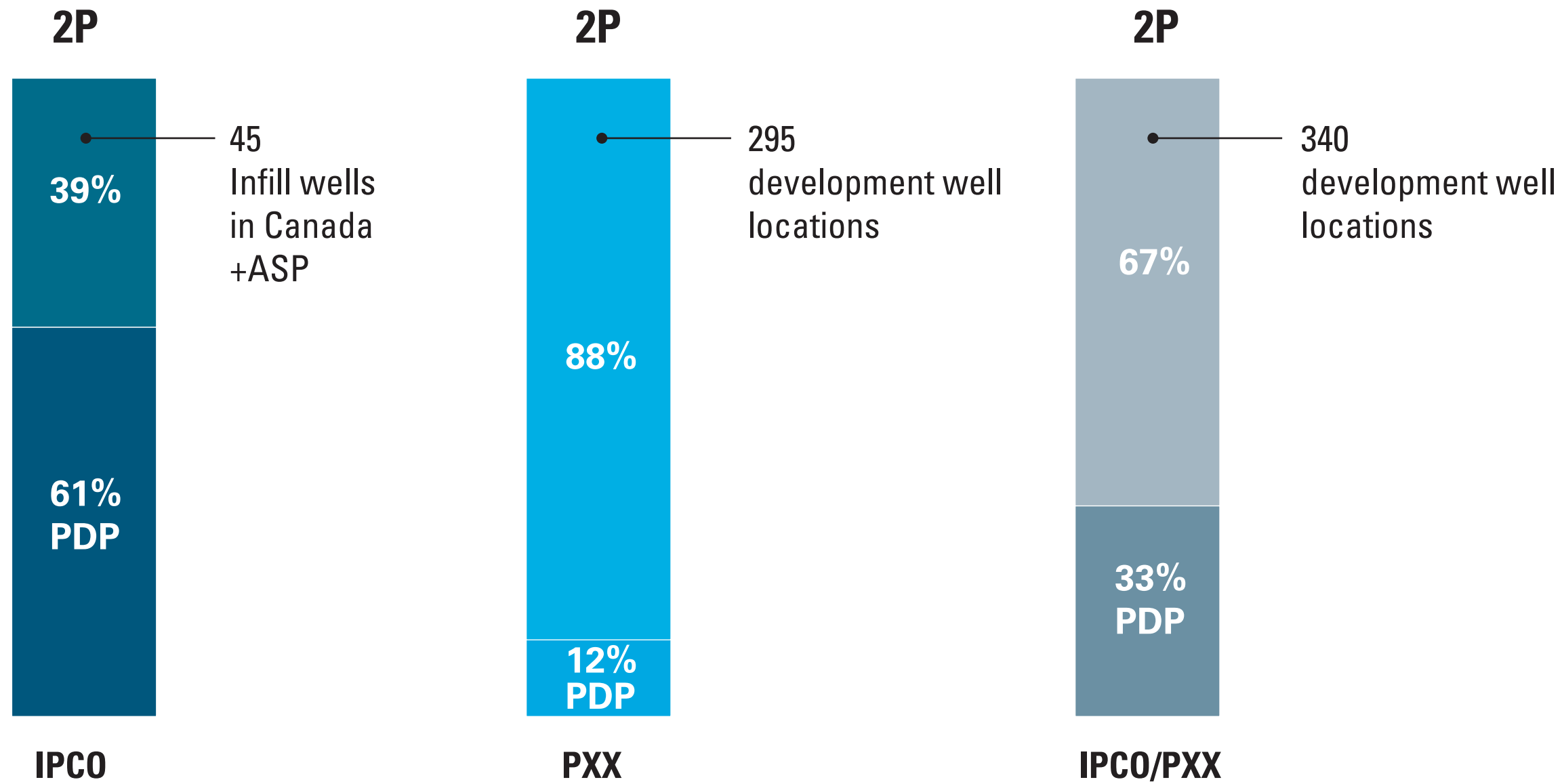
# 2P Reserves<sup>(1)</sup>



1) As at December 31, 2017, see Reader Advisory

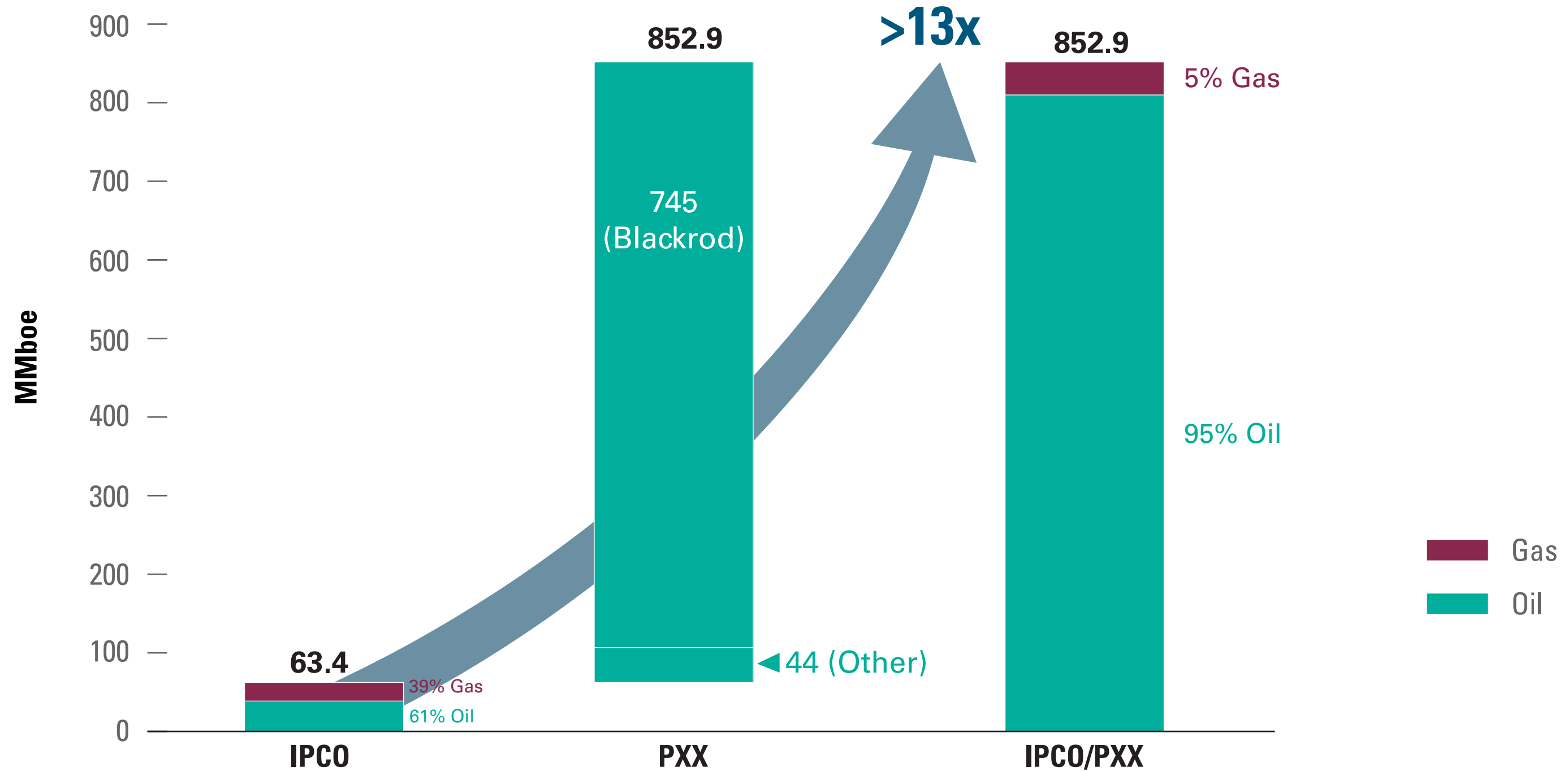
2) Based on mid-point production guidance of IPC and BlackPearl for 2018 of 45,250 boepd

# Reserve Maturity<sup>(1)</sup>



1) As at December 31, 2017, see Reader Advisory

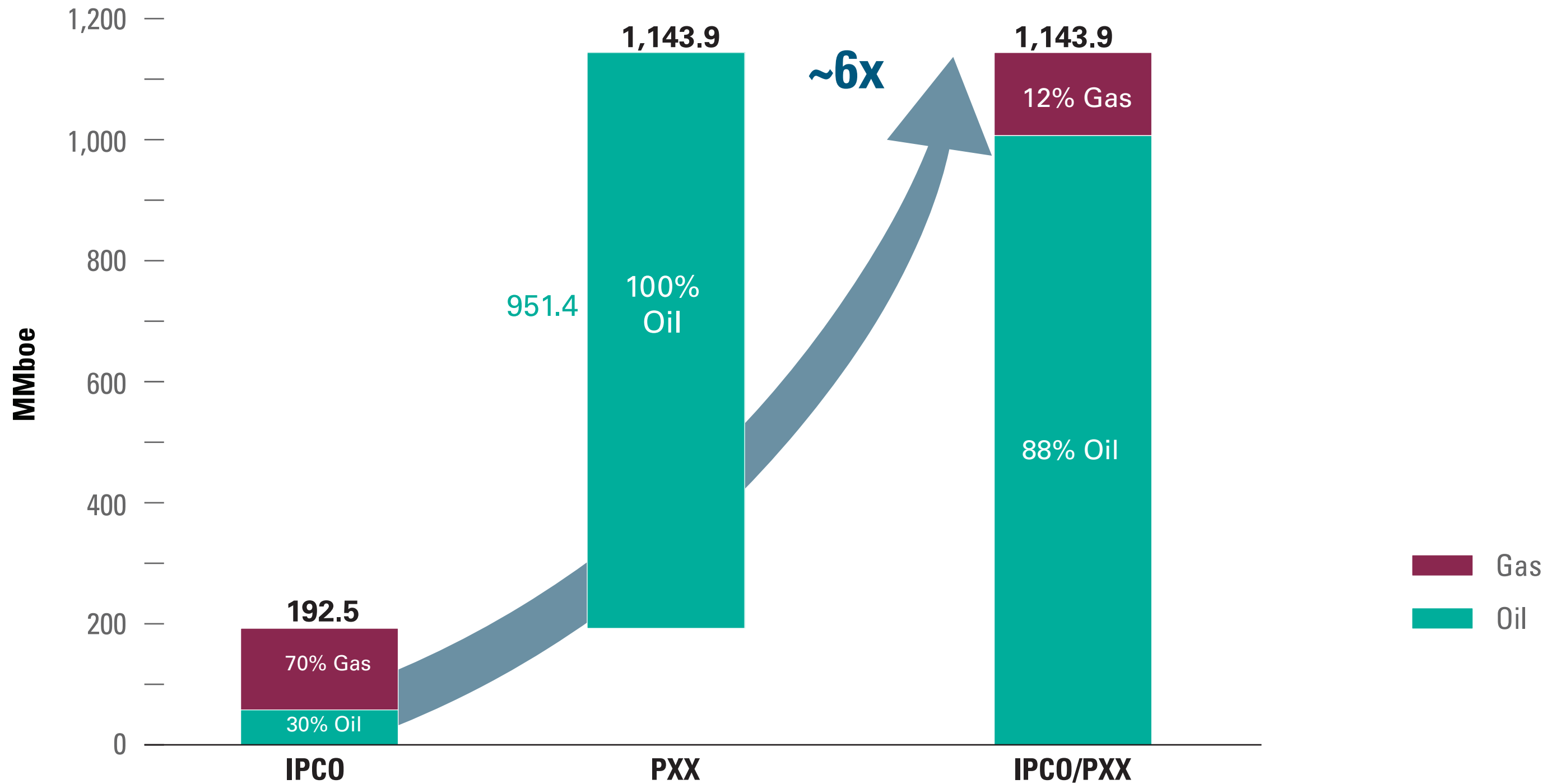
# Contingent Resources<sup>(1)</sup>



1) As at December 31, 2017, see Reader Advisory. Contingent resources are unrisks

# Reserves and Contingent Resources<sup>(1)</sup>

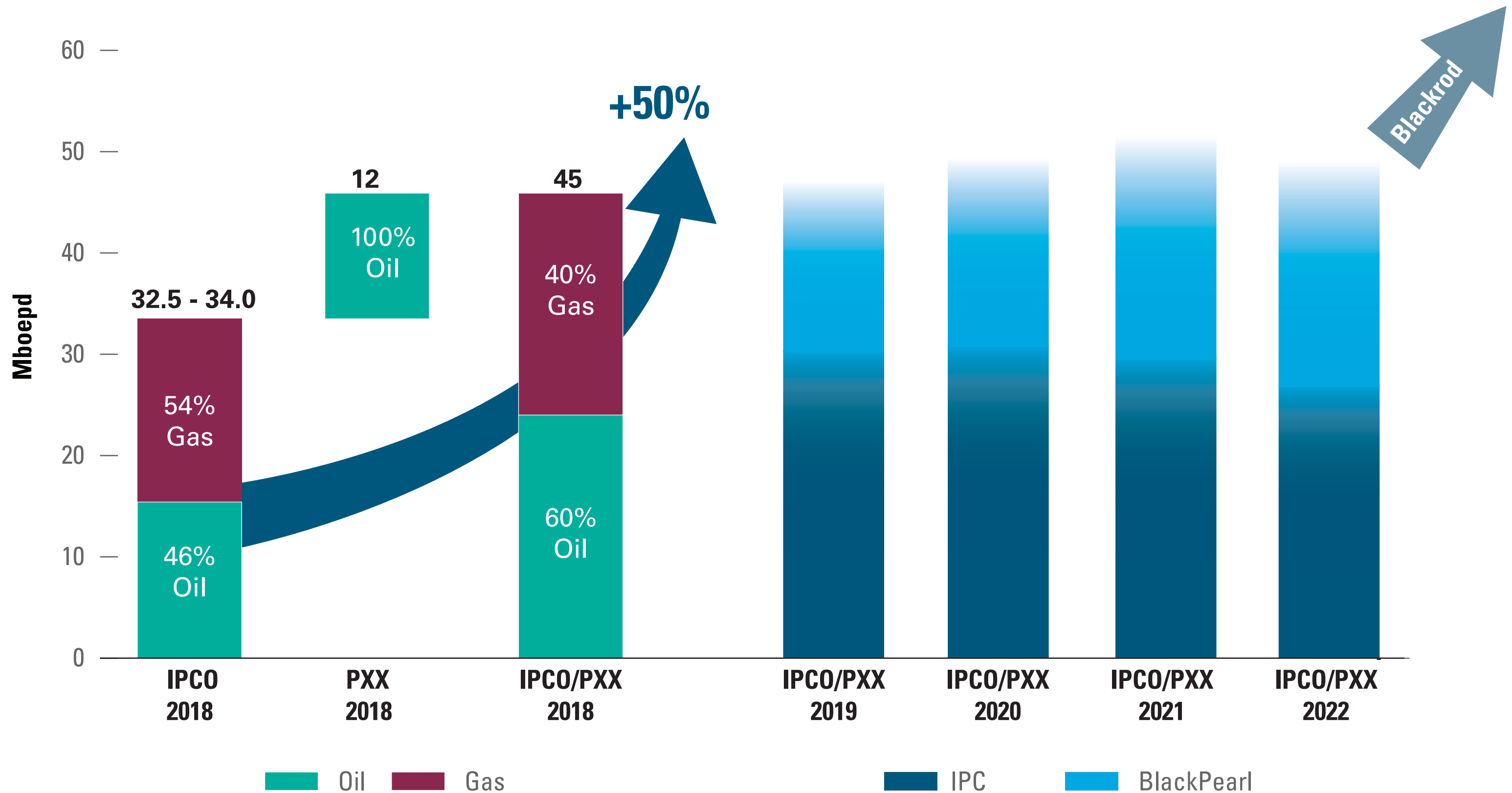
■ More than 1 billion barrels of oil equivalent of resources



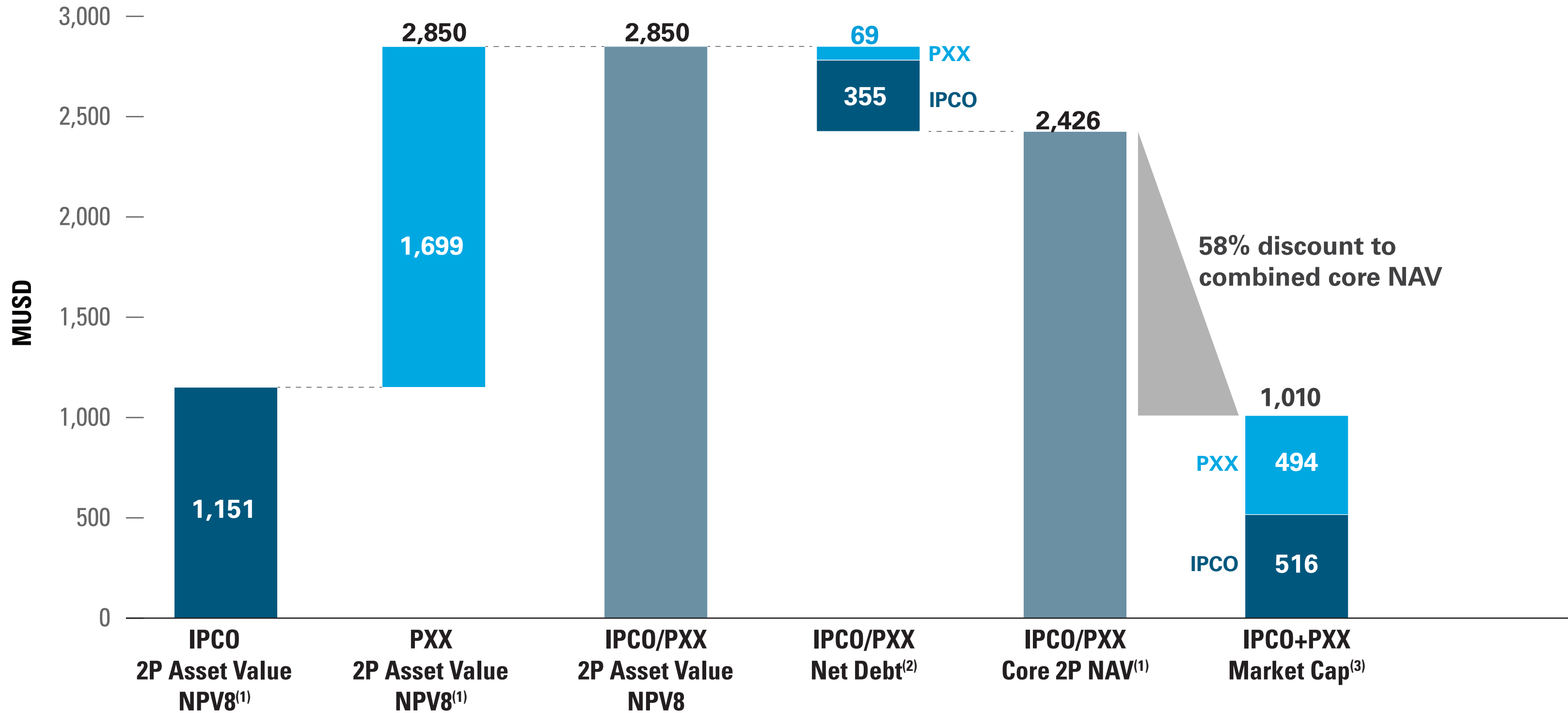
1) As at December 31, 2017, see Reader Advisory. Contingent resources are unrisked



# Production



# 2P Net Asset Value (NAV)



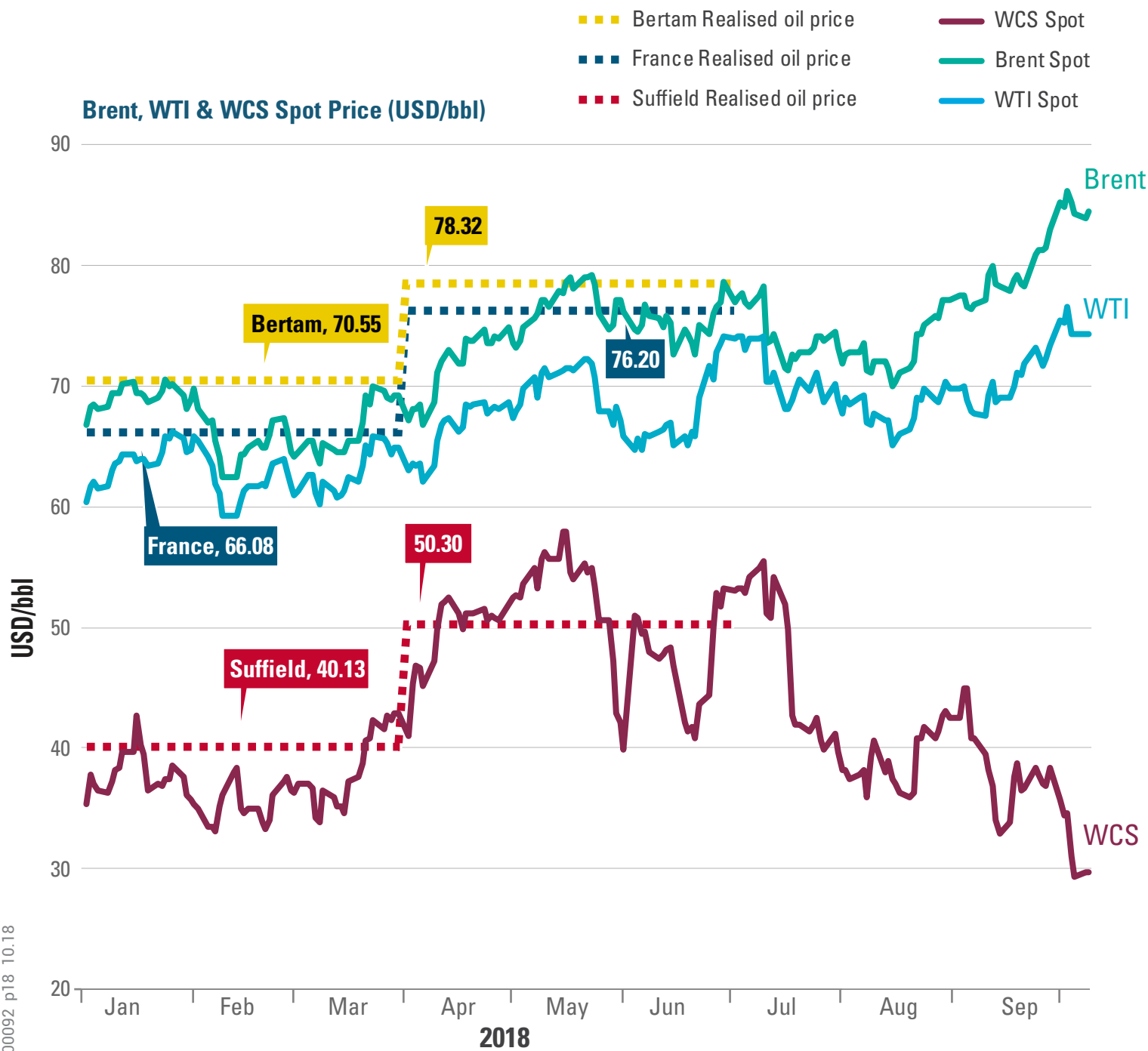
1) As at December 31, 2017, see Reader Advisory

2) Non-IFRS measure, see Reader Advisory. As at January 1, 2018

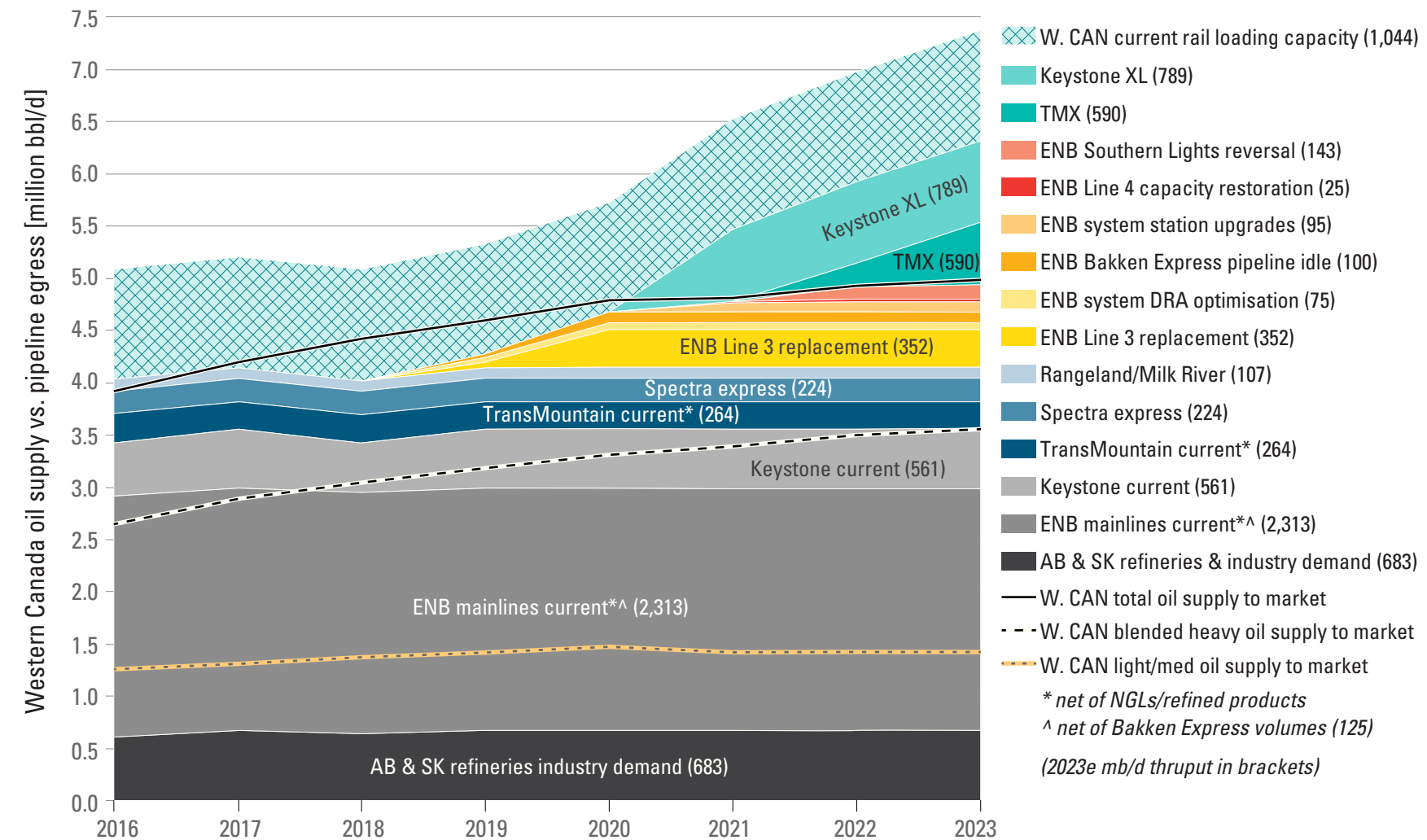
3) Based on the closing price of IPC shares as at October 9, 2018, converted to USD

# Canadian Macro Supply and Pipeline Egress

## Brent, WTI, WCS and realised oil prices



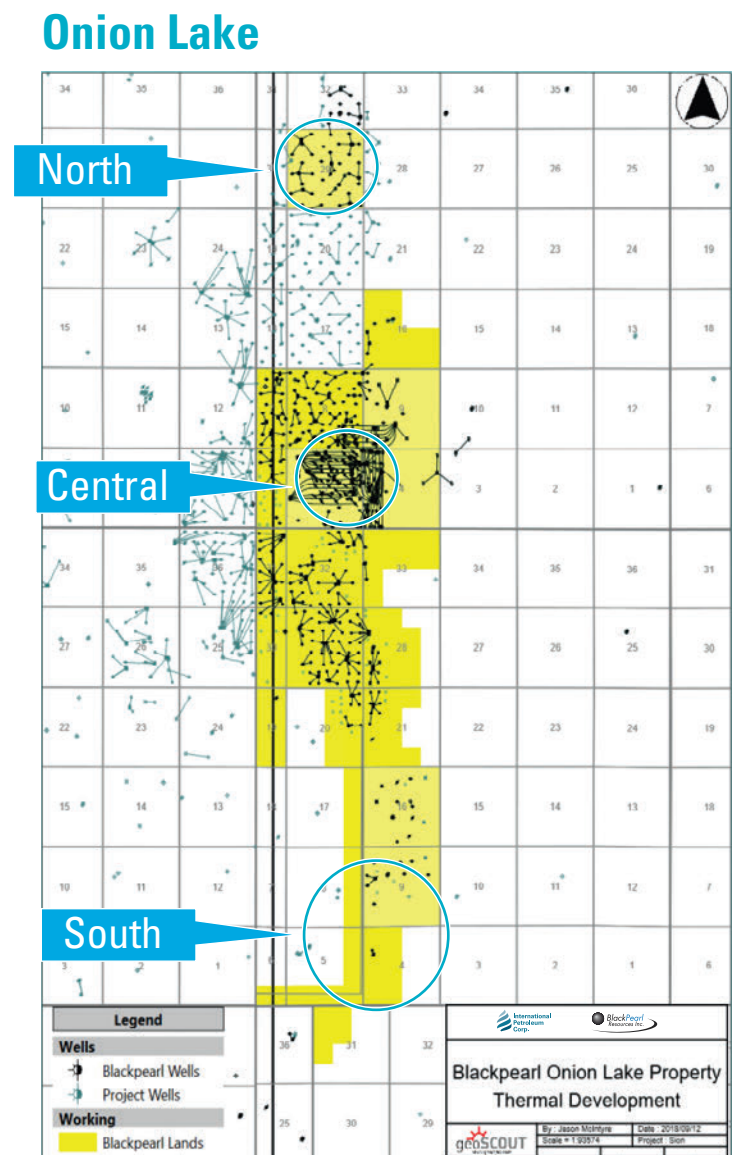
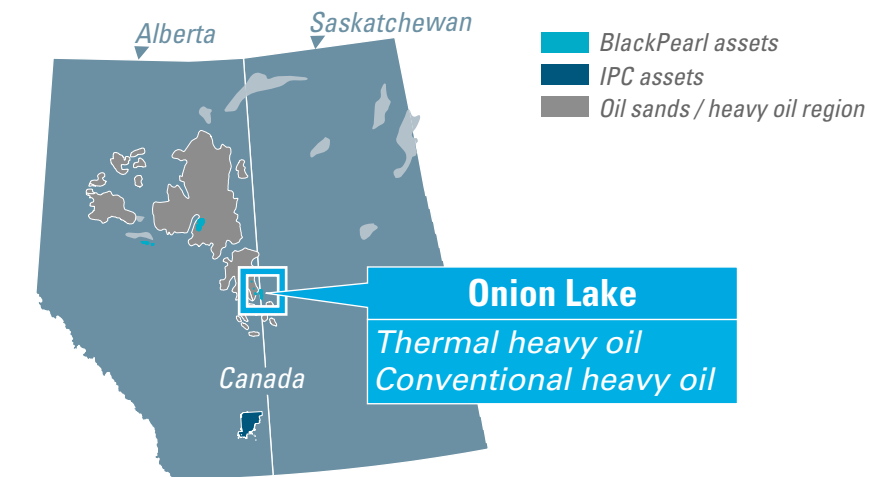
Source: Bloomberg



Source: GMP FirstEnergy, CAPP, Alberta Energy Regulator, Company disclosure

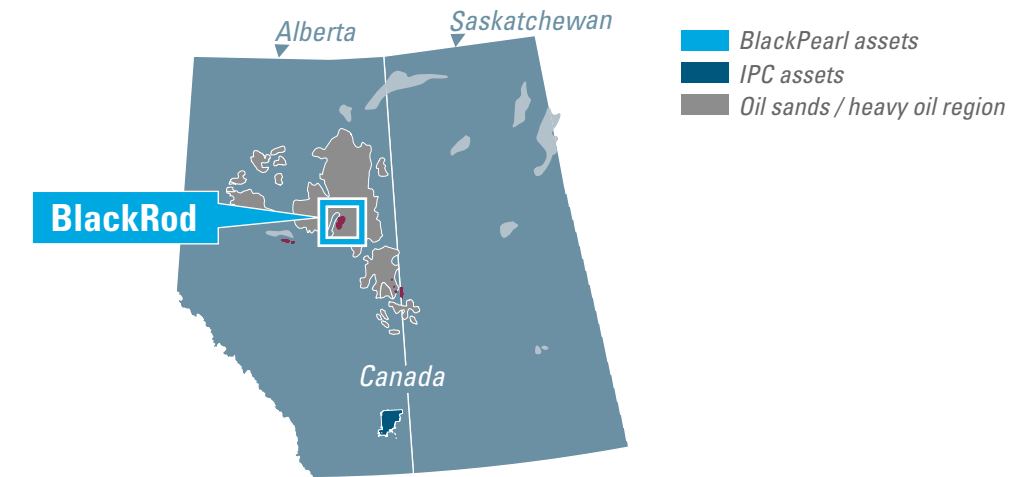
# BlackPearl Onion Lake Thermal

- **100% operated by BlackPearl**
- **Phase I commenced production in 2015: 6,000 bopd**
- **Phase II commenced steam injection in Q1 2018**
  - 6,000 bopd nameplate capacity reached in late September
  - Total expansion cost CAD 175 million
  - < CAD 30,000 per flowing barrel, top tier industry metric
- **Facility optimisation commenced in Q3 2018**
  - CAD 15 million; potential to increase by further 2,000 bopd; CAD 7,500 per flowing barrel
  - Completion expected 1H 2019; approximately 9-12 months post completion to reach capacity



# BlackPearl BlackRod - SAGD Project

- **100% operated by BlackPearl**
- **745 MMboe of contingent resources<sup>(1)</sup>**
- **Regulatory approval for 80,000 bopd project**
  - > 20 year reserve life at 80,000 bopd
- **5 year pilot programme has validated commercial production rates**
- **Application filed for third well pair; up to 1,400 metres with steam flow control devices**



1) Unrisked



# People and Management

- **Highly experienced organisation transferring from BlackPearl with local knowledge and operating capability**
  - Senior country management - Chris Hogue (VP Operations) and Ed Sobel (VP Exploration)
  - Operational staff
  - Asset management experts
  
- **Strong HSE culture**
  
- **John Festival (BlackPearl CEO) to join IPC board**
  
- **IPC executive management and board otherwise unchanged**

## Approval and Timing

- **Transaction recommended by management and Boards of IPC and BlackPearl**
- **IPC management and Lundin family as shareholders of IPC commitment to vote in favour of transaction**
- **BlackPearl management, Lundin family and Burgundy Asset Management as shareholders of BlackPearl commitment to vote in favour of transaction**
- **Six month post-completion lock-up for IPC and BlackPearl management and Lundin family**
- **Shareholder, regulatory, Alberta court and bank approval required; prospectus to be filed in Sweden**
- **Completion expected before year end 2018**

# IPC and BlackPearl Combination Highlights



- **Creating company with >1 billion USD market cap**
- **Reserves and resources >1 billion boe with >17 years Reserve Life Index<sup>(1)</sup>**
- **Clear short term line of sight to >50 Mboepd production**
- **Longer term potential >100 Mboepd with Blackrod**
- **Financially resilient combined company; 1H 2018 OCF of USD 178 million<sup>(2)</sup>**
- **Ability to accelerate funding of growth projects or return money to shareholders**
- **Highly attractive combined valuation at ~58% discount to 2P NAV<sup>(3)</sup>**

1) As at December 31, 2017, see Reader Advisory

2) Non-IFRS measure, see Reader Advisory

3) As at January 1, 2018

# Reader Advisory

## Important Information

This presentation is not an offer to sell or a solicitation of any offer to buy any securities issued by IPC or BlackPearl in any jurisdiction where such offer or sale would be unlawful. Copies of this presentation are not being made and may not be distributed or sent into any jurisdiction in which such distribution would be unlawful or would require registration or other measures.

In any EEA member state, other than Sweden, that has implemented Directive 2003/71/EC as amended (together with any applicable implementing measures in any member state, the "Prospectus Directive"), this presentation is only addressed to and is only directed at qualified investors in that member state within the meaning of the Prospectus Directive.

For Swedish purposes only, any offering of the securities referred to in this presentation will be made by means of a prospectus. This presentation is not a prospectus for the purposes of the Prospectus Directive. Swedish investors should not base their decision to vote at the shareholders' meetings of IPC and BlackPearl as referred to in this presentation except on the basis of information contained in the aforementioned prospectus and/or the joint management information circular referred to above.

## Forward-Looking Statements

This presentation contains statements and information which constitute "forward-looking statements" or "forward-looking information" (within the meaning of applicable securities legislation). Such statements and information (together, "forward-looking statements") relate to future events, including IPC's or BlackPearl's future performance, business prospects or opportunities. Actual results may differ materially from those expressed or implied by forward-looking statements. The forward-looking statements contained in this presentation are expressly qualified by this cautionary statement. Forward-looking statements speak only as of the date of this presentation, unless otherwise indicated. IPC does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws.

All statements other than statements of historical fact may be forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, forecasts, guidance, budgets, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "forecast", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "budget" and similar expressions) are not statements of historical fact and may be "forward-looking statements". Forward-looking statements include, but are not limited to, statements with respect to: timing and certainty regarding completion of the Transaction, including fulfilling the conditions precedent to such completion; the ability of IPC to maintain stable long-term production and take advantage of growth and development upside opportunities post-completion of the Transaction; the ability of IPC to integrate the assets and personnel of BlackPearl; any combined market capitalization, production, financial and net asset values figures in respect of IPC post-completion of the Transaction, including reserves and resources; the process for completing the Transaction; the ability of the Parties to obtain necessary approvals and otherwise satisfy the conditions to closing the Transaction; the absence of material events which may interfere with the Transaction being completed; estimates of reserves; estimates of contingent resources; estimates of prospective resources; the ability to generate free cash flows and use that cash to repay debt and to continue to deleverage; and future drilling and other exploration and development activities. Statements relating to "reserves" and "contingent resources" are also deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated and that the reserves and resources can be profitably produced in the future. Ultimate recovery of reserves or resources is based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

The forward-looking statements are based on certain key expectations and assumptions made by IPC, including expectations and assumptions concerning: prevailing commodity prices and currency exchange rates; applicable royalty rates and tax laws; interest rates; future well production rates and reserve and contingent resource volumes; operating costs; the timing of receipt of regulatory approvals; the performance of existing wells; the success obtained in drilling new wells; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the successful completion of acquisitions and dispositions; the benefits of acquisitions; the state of the economy and the exploration and production business in the jurisdictions in which IPC operates and globally; the availability and cost of financing, labour and services; and the ability to market crude oil, natural gas and natural gas liquids successfully.

Although IPC believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because neither IPC nor BlackPearl can give assurances that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the risks that the parties will not receive required approvals to complete the Transaction or may not be able to satisfy the conditions to closing; the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to reserves, resources, production, revenues, costs and expenses; health, safety and environmental risks; commodity price and exchange rate fluctuations; interest rate fluctuations; marketing and transportation; loss of markets; environmental risks; competition; incorrect assessment of the value of acquisitions; failure to complete or realize the anticipated benefits of acquisitions or dispositions; the ability to access sufficient capital from internal and external sources; failure to obtain required regulatory and other approvals; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations. Readers are cautioned that the foregoing list of factors is not exhaustive.

Additional information on these and other factors that could affect IPC, or its operations or financial results, are included in IPC's Annual Information Form (AIF) for the year ended December 31, 2017 (See "Cautionary Statement Regarding Forward-Looking Information", "Reserves and Resources Advisory" and "Risk Factors") and other reports on file with applicable securities regulatory authorities, including previous financial reports, management's discussion and analysis and material change reports, which may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or IPC's website ([www.international-petroleum.com](http://www.international-petroleum.com)).

Additional information on these and other factors that could affect BlackPearl, or its operations or financial results, are included in BlackPearl's Annual Information Form (AIF) for the year ended December 31, 2017 (See "Cautionary Statement Regarding Forward-Looking Information", "Reserves and Resources Advisory" and "Risk Factors") and other reports on file with applicable securities regulatory authorities, including previous financial reports, management's discussion and analysis and material change reports, which may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or BlackPearl's website ([www.blackpearlresources.ca](http://www.blackpearlresources.ca)).

## Non-IFRS Measures

References are made in this presentation to "operating cash flow" (OCF), "operating costs" and "net debt", which are not generally accepted accounting measures under International Financial Reporting Standards (IFRS) and do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable with definitions of OCF, operating costs and net debt that may be used by other public companies. Non-IFRS measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Management believes that OCF, operating costs and net debt are useful supplemental measures that may assist shareholders and investors in assessing the cash generated by and the financial performance and position of IPC and BlackPearl. Management also uses non-IFRS measures internally in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess IPC's and BlackPearl's ability to meet its future capital expenditure and working capital requirements. Management believes these non-IFRS measures are important supplemental measures of operating performance because they highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS financial measures.

Management believes such measures allow for assessment of IPC's and BlackPearl's operating performance and financial condition on a basis that is more consistent and comparable between reporting periods. IPC and BlackPearl also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers.

The definition of each non-IFRS measure is presented in IPC's MD&A for the six months ended June 30, 2018 (See "Non-IFRS Measures" therein).

# Reader Advisory

## **Disclosure of Oil and Gas Information**

This presentation contains references to estimates of gross 2P reserves attributed to IPC's and BlackPearl's oil and gas assets. Gross reserves are the total working interest reserves before the deduction of any royalties and including any royalty interests receivable.

Reserve estimates, contingent resource estimates, prospective resource estimates and estimates of future net revenue in respect of IPC's oil and gas assets in France, Malaysia and the Netherlands are effective as of December 31, 2017 and were prepared by IPC and audited by ERC Equipoise Ltd. (ERCE), an independent qualified reserves auditor, in accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities (NI 51-101) and the Canadian Oil and Gas Evaluation Handbook (the COGE Handbook), and using McDaniel's January 1, 2018 price forecasts as referred to below.

Reserves estimates, contingent resource estimates and estimates of future net revenue in respect of IPC's oil and gas assets in Canada are effective as of January 5, 2018, being the completion date for the acquisition of these assets by IPC, and were evaluated by McDaniel & Associates Consultants Ltd. (McDaniel), an independent qualified reserves evaluator, in accordance with NI 51-101 and the COGE Handbook, and using McDaniel's January 1, 2018 price forecasts. The volumes are reported and aggregated by IPC in this presentation as being as at December 31, 2017. The price forecasts used in the reserve audit / evaluation are available on the website of McDaniel ([www.mcdan.com](http://www.mcdan.com)), and are contained in IPC's AIF.

Reserves estimates, contingent resource estimates and estimates of future net revenue in respect of BlackPearl's oil and gas assets were evaluated by Sproule Associates Limited (Sproule) in a report prepared by Sproule dated January 18, 2018 evaluating the oil and gas reserves attributable to BlackPearl's properties as at December 31, 2017 and the contingent resource reports prepared by Sproule dated January 17, 2018 for the Blackrod, Onion Lake and Mooney properties as at December 31, 2017.

"2P reserves" means gross proved plus probable reserves. "Proved reserves" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. "Probable reserves" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies are conditions that must be satisfied for a portion of contingent resources to be classified as reserves that are: (a) specific to the project being evaluated; and (b) expected to be resolved within a reasonable timeframe. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. It is also appropriate to classify as contingent resources the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent resources are further classified in accordance with the level of certainty associated with the estimates and may be sub-classified based on a project maturity and/or characterized by their economic status.

There are three classifications of contingent resources: low estimate, best estimate and high estimate. Best estimate is a classification of estimated resources described in the COGE Handbook as being considered to be the best estimate of the quantity that will be actually recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the best estimate.

Contingent resources are further classified based on project maturity. The project maturity subclasses include development pending, development on hold, development unclarified and development not viable. All of IPC's contingent resources are classified as development unclarified. Development unclarified is defined as a contingent resource that requires further appraisal to clarify the potential for development and has been assigned a lower chance of development until contingencies can be clearly defined. Chance of development is the probability of a project being commercially viable. Of IPC's 63.4 MMboe best estimate contingent resources (unrisked), 17.4 MMboe are light and medium crude oil, 7.4 MMboe are heavy crude oil and 38.6 MMboe are conventional natural gas.

References to "unrisked" contingent resources volumes means that the reported volumes of contingent resources have not been risked (or adjusted) based on the chance of commerciality of such resources. In accordance with the COGE Handbook for contingent resources, the chance of commerciality is solely based on the chance of development based on all contingencies required for the re-classification of the contingent resources as reserves being resolved. Therefore unrisked reported volumes of contingent resources do not reflect the risking (or adjustment) of such volumes based on the chance of development of such resources.

The contingent resources reported in this presentation are estimates only. The estimates are based upon a number of factors and assumptions each of which contains estimation error which could result in future revisions of the estimates as more technical and commercial information becomes available. The estimation factors include, but are not limited to, the mapped extent of the oil and gas accumulations, geologic characteristics of the reservoirs, and dynamic reservoir performance. There are numerous risks and uncertainties associated with recovery of such resources, including many factors beyond IPC's and BlackPearl's control. There is uncertainty that it will be commercially viable to produce any portion of the contingent resources referred to in this presentation.

2P reserves and contingent resources audited by ERCE and evaluated by McDaniel in respect of IPC, and 2P reserves and contingent resources evaluated by Sproule in respect of BlackPearl, have been aggregated in this presentation. Estimates of reserves and future net revenue for individual properties may not reflect the same level of confidence as estimates of reserves and future net revenue for all properties, due to aggregation. This presentation contains estimates of the net present value of the future net revenue from reserves. The estimated values of future net revenue disclosed in this presentation do not represent fair market value. There is no assurance that the forecast prices and cost assumptions used in the reserve evaluations will be attained and variances could be material.

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 thousand cubic feet (Mcf) per 1 barrel (bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a 6:1 conversion basis may be misleading as an indication of value.

## **Currency**

All dollar amounts in this presentation are expressed in United States dollars, except where otherwise noted. References herein to USD mean United States dollars. References herein to CAD mean Canadian dollars.





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