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**International Petroleum Corporation**

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***Interim Condensed Consolidated  
Financial Statements***

*For the three and six months ended June 30, 2020*



**International  
Petroleum  
Corp.**

# **Interim Condensed Consolidated Financial Statements**

For the three and six months ended June 30, 2020 and 2019

**UNAUDITED**

## **Contents**

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

# Interim Condensed Consolidated Statement of Operations

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

USD Thousands	Note	Three months ended June 30		Six months ended June 30	
		2020	2019	2020	2019
<b>Revenue</b>	2	<b>44,929</b>	129,357	<b>125,465</b>	276,777
<b>Cost of sales</b>					
Production costs	3	(30,075)	(52,396)	(89,216)	(115,169)
Depletion and decommissioning costs		(23,298)	(29,697)	(53,572)	(59,558)
Depreciation of other assets	10	(2,989)	(7,789)	(6,024)	(15,578)
Exploration and business development costs		(5,104)	(188)	(5,626)	(300)
<b>Gross profit / (loss)</b>	2	<b>(16,537)</b>	39,287	<b>(28,973)</b>	86,172
General, administration and depreciation expenses		(3,095)	(2,714)	(5,905)	(6,025)
<b>Profit / (loss) before financial items</b>		<b>(19,632)</b>	36,573	<b>(34,878)</b>	80,147
Finance income	4	12,378	5,107	68	9,060
Finance costs	5	(5,967)	(11,271)	(22,819)	(19,291)
<b>Net financial items</b>		<b>6,411</b>	(6,164)	<b>(22,751)</b>	(10,231)
<b>Profit / (loss) before tax</b>		<b>(13,221)</b>	30,409	<b>(57,629)</b>	69,916
Income tax	6	11,749	(4,665)	16,088	(11,030)
<b>Net result</b>		<b>(1,472)</b>	25,744	<b>(41,541)</b>	58,886
Net result attributable to:					
Shareholders of the Parent Company		(1,471)	25,743	(41,530)	58,880
Non-controlling interest		(1)	1	(11)	6
		<b>(1,472)</b>	25,744	<b>(41,541)</b>	58,886
Earnings per share – USD <sup>1</sup>	16	<b>(0.01)</b>	0.16	<b>(0.26)</b>	0.36
Earnings per share fully diluted – USD <sup>1</sup>	16	<b>(0.01)</b>	0.15	<b>(0.26)</b>	0.35

<sup>1</sup> Based on net result attributable to shareholders of the Parent Company.

See accompanying notes to the interim condensed consolidated financial statements.

## Interim Condensed Consolidated Statement of Comprehensive Income

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

USD Thousands	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
<b>Net result</b>	<b>(1,472)</b>	25,744	<b>(41,541)</b>	58,886
<b>Other comprehensive income / (loss):</b>				
Items that may be reclassified to profit or loss, net of tax:				
Hedging gains / (losses) reclassified to profit or loss	3,448	(2,879)	6,301	(2,380)
Cash flow hedges gain / (loss)	(11,657)	5,819	(6,996)	1,532
Currency translation adjustments	12,114	7,286	(20,631)	11,529
<b>Total comprehensive income / (loss)</b>	<b>2,433</b>	35,970	<b>(62,867)</b>	69,567
Total comprehensive income/ (loss) attributable to:				
Shareholders of the Parent Company	2,432	35,967	(62,855)	69,562
Non-controlling interest	1	3	(12)	5
	<b>2,433</b>	35,970	<b>(62,867)</b>	69,567

See accompanying notes to the interim condensed consolidated financial statements.

# Interim Condensed Consolidated Balance Sheet

As at June 30, 2020 and December 31, 2019

UNAUDITED

USD Thousands	Note	June 30, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	7	18,385	27,614
Property, plant and equipment, net	8	1,096,167	1,077,881
Other tangible fixed assets, net	10	62,608	69,015
Right-of-use assets		2,211	2,700
Deferred tax assets	6	83,107	57,523
Other assets	11	18,989	17,867
<b>Total non-current assets</b>		<b>1,281,467</b>	1,252,600
<b>Current assets</b>			
Inventories	12	19,965	17,220
Trade and other receivables	13	42,271	77,834
Derivative instruments	20	1,595	420
Current tax receivables	6	1,008	996
Cash and cash equivalents	14	11,018	15,571
<b>Total current assets</b>		<b>75,857</b>	112,041
<b>TOTAL ASSETS</b>		<b>1,357,324</b>	1,364,641
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities	17	319,761	244,732
Lease liabilities		1,414	1,906
Provisions	18	185,529	179,997
Deferred tax liabilities	6	42,673	47,565
<b>Total non-current liabilities</b>		<b>549,377</b>	474,200
<b>Current liabilities</b>			
Trade and other payables	19	54,525	85,826
Financial liabilities	17	29,207	–
Current tax liabilities		220	2,706
Lease liabilities		841	844
Provisions	18	8,105	9,840
Derivative instruments	20	2,565	416
<b>Total current liabilities</b>		<b>95,463</b>	99,632
<b>EQUITY</b>			
Shareholders' equity		712,289	790,602
Non-controlling interest		195	207
<b>Net shareholders' equity</b>		<b>712,484</b>	790,809
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,357,324</b>	1,364,641

Approved by the Board of Directors

(Signed) C. Ashley Heppenstall  
Director

(Signed) Mike Nicholson  
Director

See accompanying notes to the interim condensed consolidated financial statements.

## Interim Condensed Consolidated Statement of Cash Flow

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

USD Thousands	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
<b>Cash flow from operating activities</b>				
Net result	(1,472)	25,744	(41,541)	58,886
Adjustments for non-cash related items:				
Depletion, depreciation and amortization	26,714	37,839	60,448	75,829
Exploration costs	5,185	15	5,185	45
Current tax	112	465	26	2,056
Deferred tax	(11,861)	4,200	(16,114)	8,974
Capitalized financing fees	374	556	759	1,160
Foreign currency exchange	(12,365)	(4,960)	9,492	(8,859)
Interest expense	2,563	7,277	6,350	11,571
Unwinding of asset retirement obligation discount	2,646	2,651	5,289	5,317
Share-based costs	1,595	960	2,144	2,069
Other	964	47	1,139	189
<b>Cash flow generated from operations (before working capital adjustments and income taxes)</b>	<b>14,455</b>	<b>74,794</b>	<b>33,177</b>	<b>157,237</b>
Changes in working capital	(29,246)	17,147	(1,614)	(13,013)
Decommissioning costs paid	(2,002)	(3,301)	(2,727)	(4,125)
Other payments	–	(605)	(615)	(1,219)
Income taxes paid	(1,961)	(3,831)	(2,367)	(3,750)
Interest paid	(2,706)	(7,129)	(6,350)	(11,225)
<b>Net cash flow from operating activities</b>	<b>(21,460)</b>	<b>77,075</b>	<b>19,504</b>	<b>123,905</b>
<b>Cash flow used in investing activities</b>				
Investment in oil and gas properties	(6,422)	(39,556)	(62,612)	(61,442)
Investment in other fixed assets	(122)	(261)	(137)	(404)
Acquisition of the Suffield Assets	–	(566)	–	(744)
Acquisition of Granite (see Note 9)	–	–	(27,709)	–
<b>Net cash (outflow) from investing activities</b>	<b>(6,544)</b>	<b>(40,383)</b>	<b>(90,458)</b>	<b>(62,590)</b>
<b>Cash flow from financing activities</b>				
Borrowings / (repayments)	11,744	(21,461)	86,432	(47,496)
Paid financing fees	(1,908)	(451)	(1,908)	(451)
Purchase of own shares	–	–	(17,602)	–
Lease payment	(225)	(213)	(458)	(425)
Cash funded from / (to) Lundin Petroleum	–	(14,243)	–	(14,243)
Other payments	–	(29)	–	(29)
<b>Net cash (outflow) from financing activities</b>	<b>9,611</b>	<b>(36,397)</b>	<b>66,464</b>	<b>(62,644)</b>
<b>Change in cash and cash equivalents</b>	<b>(18,393)</b>	<b>295</b>	<b>(4,490)</b>	<b>(1,329)</b>
Cash and cash equivalents at the beginning of the period	29,368	8,967	15,571	10,626
Currency exchange difference in cash and cash equivalents	43	(36)	(63)	(71)
<b>Cash and cash equivalents at the end of the period</b>	<b>11,018</b>	<b>9,226</b>	<b>11,018</b>	<b>9,226</b>

See accompanying notes to the interim condensed consolidated financial statements.

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2020 and 2019

UNAUDITED

USD Thousands	Share capital and premium	Retained earnings	CTA	IFRS 2 reserve	MTM reserve	Total	Non-controlling interest	Total equity
<b>Balance at January 1, 2019</b>	567,116	129,697	(6,495)	4,958	296	695,572	215	695,787
Pension liability adjustment <sup>1</sup>	–	(3,223)	–	–	–	(3,223)	–	(3,223)
Net result	–	58,880	–	–	–	58,880	6	58,886
Acquisition of BlackPearl <sup>2</sup>	–	–	–	–	9,013	9,013	–	9,013
Cash flow hedge	–	–	–	–	(9,861)	(9,861)	–	(9,861)
Currency translation difference	–	–	11,213	120	197	11,530	(1)	11,529
<b>Total comprehensive income</b>	–	58,880	11,213	120	(651)	69,562	5	69,567
Dividend distribution	–	–	–	–	–	–	(29)	(29)
Share based payments	–	–	–	1,813	–	1,813	–	1,813
<b>Balance at June 30, 2019</b>	567,116	185,354	4,718	6,891	(355)	763,724	191	763,915

<sup>1</sup> For comparative purposes, the pension liability was restated in Q1 2019.

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

USD Thousands	Share capital and premium	Retained earnings	CTA	IFRS 2 reserve	MTM reserve	Pension reserve	Total	Non-controlling interest	Total equity
<b>Balance at January 1, 2020</b>	549,311	230,038	6,052	6,249	3	(1,051)	790,602	207	790,809
Net result	–	(41,530)	–	–	–	–	(41,530)	(11)	(41,541)
Acquisition of Granite <sup>1</sup>	–	–	–	–	1,311	–	1,311	–	1,311
Cash flow hedge	–	–	–	–	(2,006)	–	(2,006)	–	(2,006)
Currency translation difference	–	–	(20,209)	(398)	(23)	–	(20,630)	(1)	(20,631)
<b>Total comprehensive income / (loss)</b>	–	(41,530)	(20,209)	(398)	(718)	–	(62,855)	(12)	(62,867)
Purchase of own shares	(17,602)	–	–	–	–	–	(17,602)	–	(17,602)
Share based payments	–	–	–	2,144	–	–	2,144	–	2,144
<b>Balance at June 30, 2020</b>	531,709	188,508	(14,157)	7,995	(715)	(1,051)	712,289	195	712,484

<sup>1</sup> See Note 9

See accompanying notes to the interim condensed consolidated financial statements.

# Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

## 1. CORPORATE INFORMATION

### A. The Group

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

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

### B. Basis of preparation

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

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

The unaudited interim condensed consolidated financial statements have been approved by the Board of Directors of IPC and authorized for issuance on August 4, 2020.

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

### C. Going concern

The Group's unaudited interim condensed consolidated financial statements for the six months ended June 30, 2020, have been prepared on a going concern basis, which assumes that the Group will be able to realize its assets and discharge its liabilities in the normal course of business as they become due in the foreseeable future.

### D. Changes in accounting policies and disclosures

During the six months ended June 30, 2020, the Group did not adopt any new standards and interpretations or amendments thereto applicable for financial periods beginning on or after January 1, 2020.



## Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

### 2. SEGMENT INFORMATION

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

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

USD Thousands	Three months ended – June 30, 2020				Total
	Canada	Malaysia <sup>1</sup>	France	Other	
Crude oil	13,687	7,080	5,952	–	26,719
NGLs	11	–	–	–	11
Gas	12,086	–	–	–	12,086
<b>Net sales of oil and gas</b>	<b>25,784</b>	<b>7,080</b>	<b>5,952</b>	<b>–</b>	<b>38,816</b>
Change in under/over lift position	–	–	(707)	–	(707)
Royalties	(765)	–	–	–	(765)
Hedging settlement	3,448	–	–	–	3,448
Other operating revenue	–	3,867	177	93	4,137
<b>Revenue</b>	<b>28,467</b>	<b>10,947</b>	<b>5,422</b>	<b>93</b>	<b>44,929</b>
Production costs (including inventory movements)	(27,003)	460	(3,532)	–	(30,075)
Depletion	(13,298)	(7,097)	(2,903)	–	(23,298)
Depreciation of other assets	–	(2,989)	–	–	(2,989)
Exploration and business development costs	(3,033)	68	(2,220)	81	(5,104)
<b>Gross profit / (loss)</b>	<b>(14,867)</b>	<b>1,389</b>	<b>(3,233)</b>	<b>174</b>	<b>(16,537)</b>

USD Thousands	Three months ended – June 30, 2019				Total
	Canada	Malaysia <sup>1</sup>	France	Other	
Crude oil	81,207	28,079	7,235	–	116,521
NGLs	80	–	–	–	80
Gas	17,775	–	–	–	17,775
<b>Net sales of oil and gas</b>	<b>99,062</b>	<b>28,079</b>	<b>7,235</b>	<b>–</b>	<b>134,376</b>
Change in under/over lift position	–	–	2,026	–	2,026
Royalties	(8,330)	–	–	–	(8,330)
Hedging settlement	(2,879)	–	–	–	(2,879)
Other operating revenue	–	3,868	177	119	4,164
<b>Revenue</b>	<b>87,853</b>	<b>31,947</b>	<b>9,438</b>	<b>119</b>	<b>129,357</b>
Production costs (including inventory movements)	(45,572)	(1,416)	(5,408)	–	(52,396)
Depletion	(19,036)	(8,043)	(2,618)	–	(29,697)
Depreciation of other assets	–	(7,789)	–	–	(7,789)
Exploration and business development costs	(14)	(2)	–	(172)	(188)
<b>Gross profit</b>	<b>23,231</b>	<b>14,697</b>	<b>1,412</b>	<b>(53)</b>	<b>39,287</b>

## Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

USD Thousands	Six months ended – June 30, 2020				Total
	Canada	Malaysia <sup>1</sup>	France	Other	
Crude oil	53,694	23,935	14,685	–	92,314
NGLs	88	–	–	–	88
Gas	26,872	–	–	–	26,872
<b>Net sales of oil and gas</b>	<b>80,654</b>	<b>23,935</b>	<b>14,685</b>	<b>–</b>	<b>119,274</b>
Change in under/over lift position	–	–	(4,064)	–	(4,064)
Royalties	(4,489)	–	–	–	(4,489)
Hedging settlement	6,301	–	–	–	6,301
Other operating revenue	–	7,735	453	255	8,443
<b>Revenue</b>	<b>82,466</b>	<b>31,670</b>	<b>11,074</b>	<b>255</b>	<b>125,465</b>
Production costs (including inventory movements)	(72,650)	(5,801)	(10,765)	–	(89,216)
Depletion	(31,352)	(14,304)	(7,916)	–	(53,572)
Depreciation of other assets	–	(6,024)	–	–	(6,024)
Exploration and business development costs	(3,033)	68	(2,220)	(441)	(5,626)
<b>Gross profit / (loss)</b>	<b>(24,569)</b>	<b>5,609</b>	<b>(9,827)</b>	<b>(186)</b>	<b>(28,973)</b>

USD Thousands	Six months ended – June 30, 2019				Total
	Canada	Malaysia <sup>1</sup>	France	Other	
Crude oil	154,421	64,491	18,948	–	237,860
NGLs	165	–	–	–	165
Gas	41,726	–	–	–	41,726
<b>Net sales of oil and gas</b>	<b>196,312</b>	<b>64,491</b>	<b>18,948</b>	<b>–</b>	<b>279,751</b>
Change in under/over lift position	–	–	5,296	–	5,296
Royalties	(14,250)	–	–	–	(14,250)
Hedging settlement	(2,380)	–	–	–	(2,380)
Other operating revenue	–	7,693	463	204	8,360
<b>Revenue</b>	<b>179,682</b>	<b>72,184</b>	<b>24,707</b>	<b>204</b>	<b>276,777</b>
Production costs (including inventory movements)	(91,176)	(11,465)	(12,528)	–	(115,169)
Depletion	(37,412)	(16,317)	(5,829)	–	(59,558)
Depreciation of other assets	–	(15,578)	–	–	(15,578)
Exploration and business development costs	(44)	(2)	–	(254)	(300)
<b>Gross profit</b>	<b>51,050</b>	<b>28,822</b>	<b>6,350</b>	<b>(50)</b>	<b>86,172</b>

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

## Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

### 3. PRODUCTION COSTS

USD Thousands	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Cost of operations	29,518	45,008	74,343	90,075
Tariff and transportation expenses	4,217	6,440	9,838	12,320
Direct production taxes	945	1,488	3,057	3,357
<b>Operating costs</b>	<b>34,680</b>	<b>52,936</b>	<b>87,238</b>	<b>105,752</b>
Cost of blending <sup>1</sup>	2,051	6,090	6,169	11,762
Change in inventory position	(6,656)	(6,630)	(4,191)	(2,345)
<b>Total production costs</b>	<b>30,075</b>	<b>52,396</b>	<b>89,216</b>	<b>115,169</b>

<sup>1</sup> In Canada, oil production is blended with purchased condensate diluent to meet pipeline specifications. Cost of blending represents the contracted purchase of diluent used for blending net of proceeds from the sale of surplus diluent. A net cost of USD 962 thousand and USD 746 thousand was recognized relating to the difference between the cost and sale proceeds of the surplus diluent for Q2 2020 and Q2 2019 respectively (USD 732 thousand and USD 1,153 for the first 6 months of 2020 and 2019 respectively).

### 4. FINANCE INCOME

USD Thousands	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Foreign exchange gain, net	12,365	4,960	–	8,859
Interest income	13	52	68	106
Other	–	95	–	95
	<b>12,378</b>	<b>5,107</b>	<b>68</b>	<b>9,060</b>

### 5. FINANCE COSTS

USD Thousands	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Foreign exchange loss, net	–	–	(9,492)	–
Interest expense	(2,563)	(7,277)	(6,350)	(11,571)
Unwinding of asset retirement obligation discount	(2,646)	(2,651)	(5,289)	(5,317)
Amortization of loan fees	(374)	(556)	(759)	(1,160)
Loan commitment fees	(246)	(494)	(541)	(838)
Other financial costs	(138)	(293)	(388)	(405)
	<b>(5,967)</b>	<b>(11,271)</b>	<b>(22,819)</b>	<b>(19,291)</b>

### 6. INCOMETAX

USD Thousands	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Current tax	(112)	(465)	(26)	(2,056)
Deferred tax	11,861	(4,200)	16,114	(8,974)
<b>Total tax</b>	<b>11,749</b>	<b>(4,665)</b>	<b>16,088</b>	<b>(11,030)</b>

The deferred tax amount arises primarily where there is a difference in depletion for tax and accounting purposes. The deferred tax credit in the income statement in Q2 2020 mainly relates to the increased tax losses incurred during Q2 2020.

# Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

## Specification of deferred tax assets and tax liabilities<sup>1</sup>

USD Thousands	June 30, 2020	December 31, 2019
Unused tax loss carry forward	123,185	92,855
Other	2,281	1,020
<b>Deferred tax assets</b>	<b>125,466</b>	<b>93,875</b>
Accelerated allowances	84,655	83,811
Other	377	106
<b>Deferred tax liabilities</b>	<b>85,032</b>	<b>83,917</b>
<b>Deferred taxes, net</b>	<b>40,434</b>	<b>9,958</b>

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

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

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

## 7. EXPLORATION AND EVALUATION ASSETS

USD Thousands	Canada	Malaysia	France	Total
<b>Cost</b>				
January 1, 2020	13,899	6,761	6,954	27,614
Additions	2,686	145	418	3,249
Expensed exploration and evaluation costs	(3,033)	68	(2,220)	(5,185)
Reclassification <sup>1</sup>	–	(6,487)	(51)	(6,538)
Currency translation adjustments	(703)	–	(52)	(755)
<b>Net book value June 30, 2020</b>	<b>12,849</b>	<b>487</b>	<b>5,049</b>	<b>18,385</b>

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

USD Thousands	Canada	Malaysia	France	Total
<b>Cost</b>				
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
<b>Net book value December 31, 2019</b>	<b>13,899</b>	<b>6,761</b>	<b>6,954</b>	<b>27,614</b>

## Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

### 8. PROPERTY, PLANT AND EQUIPMENT, NET

USD Thousands	Canada	Malaysia	France	Total
<b>Cost</b>				
January 1, 2020	905,394	493,231	385,775	1,784,400
Granite Acquisition (see Note 9)	47,076	–	–	47,076
Additions	32,189	20,055	7,119	59,363
Reclassification	–	6,487	51	6,538
Currency translation adjustments	(46,756)	–	(1,105)	(47,861)
<b>June 30, 2020</b>	<b>937,903</b>	<b>519,773</b>	<b>391,840</b>	<b>1,849,516</b>
<b>Accumulated depletion</b>				
January 1, 2020	(122,595)	(392,432)	(191,492)	(706,519)
Depletion charge for the period	(31,352)	(14,304)	(7,916)	(53,572)
Currency translation adjustments	6,273	–	469	6,742
<b>June 30, 2020</b>	<b>(147,674)</b>	<b>(406,736)</b>	<b>(198,939)</b>	<b>(753,349)</b>
<b>Net book value June 30, 2020</b>	<b>790,229</b>	<b>113,037</b>	<b>192,901</b>	<b>1,096,167</b>

USD Thousands	Canada	Malaysia	France	Total
<b>Cost</b>				
January 1, 2019	788,879	448,976	351,772	1,589,627
Acquisition of BlackPearl	12,346	–	–	12,346
Additions	72,719	36,714	39,693	149,126
Change in estimates	(9,204)	7,541	734	(929)
Currency translation adjustments	40,654	–	(6,424)	34,230
<b>December 31, 2019</b>	<b>905,394</b>	<b>493,231</b>	<b>385,775</b>	<b>1,784,400</b>
<b>Accumulated depletion</b>				
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)
<b>December 31, 2019</b>	<b>(122,595)</b>	<b>(392,432)</b>	<b>(191,492)</b>	<b>(706,519)</b>
<b>Net book value December 31, 2019</b>	<b>782,799</b>	<b>100,799</b>	<b>194,283</b>	<b>1,077,881</b>

#### Impairment test

In response to the significant decrease and volatility in commodity prices since December 31, 2019, the Group updated its impairment testing as at June 30, 2020. The Group used appropriate oil or natural gas price curves based on forward forecasts as at June 30, 2020, a future cost inflation factor of 2% per annum, production and cost profiles based on proved and probable reserves (2P reserves) as at December 31, 2019 and a discount rate of 8.5% (8% at December 31, 2019) to calculate the estimated future post-tax cash flows. As a result of the testing, the Group determined that no impairment of the recorded book value of the Group's oil and gas properties was required as at June 30, 2020. Sensitivity scenarios were run and showed that a USD 2/bbl decrease in the oil price curve would result in a pre-tax impairment charge of USD 7 million and the use of a discount rate of 10% would also result in a pre-tax impairment charge of USD 7 million.

# Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

The following prices were used in the impairment testing as at June 30, 2020:

Price Decks	2020	2021	2022	2023	2024	Average annual increase thereafter
Dated Brent (USD/bbl)	43.17	48.32	53.88	58.13	60.08	2%
West Texas Intermediate (USD/bbl)	39.00	44.59	51.13	57.22	58.98	2%
Western Canadian Select (USD/bbl)	26.86	30.13	36.50	41.75	43.34	2%
Empress Gas (CAD/MMbtu)	2.53	3.16	3.38	3.44	3.51	2%

## 9. GRANITE ACQUISITION

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

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

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

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

USD Thousands	
Trade and other receivables	1,620
Prepaid expenses and deposits	599
Fair value of risk management assets	1,748
Deferred tax assets	16,730
Property, plant and equipment	47,076
Other fixed assets	85
Accounts payable and accrued liabilities	(6,691)
Decommissioning liabilities	(4,498)
Short-term debt	(27,649)
MTM reserve in equity	(1,311)
<b>Total Consideration</b>	<b>27,709</b>
Settled by:	
<b>Cash payment for 39,061,575 common shares of Granite</b>	<b>27,709</b>

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

Acquisition-related costs of approximately USD 0.5 million have been recognized in the income statement during the first six months of 2020.

### *Decommissioning obligations*

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

## Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

### 10. OTHER TANGIBLE FIXED ASSETS, NET

USD Thousands	FPSO	Other	Total
<b>Cost</b>			
January 1, 2020	205,989	9,420	215,409
Granite Acquisition (see Note 9)	–	85	85
Additions	–	137	137
Currency translation adjustments	(72)	(160)	(232)
<b>June 30, 2020</b>	<b>205,917</b>	<b>9,482</b>	<b>215,399</b>
<b>Accumulated depreciation</b>			
January 1, 2020	(140,735)	(5,659)	(146,394)
Depreciation charge for the period	(6,024)	(418)	(6,442)
Currency translation adjustments	–	45	45
<b>June 30, 2020</b>	<b>(146,759)</b>	<b>(6,032)</b>	<b>(152,791)</b>
<b>Net book value June 30, 2020</b>	<b>59,158</b>	<b>3,450</b>	<b>62,608</b>

USD Thousands	FPSO	Other	Total
<b>Cost</b>			
January 1, 2019	206,421	9,203	215,624
Additions	–	1,035	1,035
Disposal	–	(838)	(838)
Currency translation adjustments	(432)	20	(412)
<b>December 31, 2019</b>	<b>205,989</b>	<b>9,420</b>	<b>215,409</b>
<b>Accumulated depreciation</b>			
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
<b>December 31, 2019</b>	<b>(140,735)</b>	<b>(5,659)</b>	<b>(146,394)</b>
<b>Net book value December 31, 2019</b>	<b>65,254</b>	<b>3,761</b>	<b>69,015</b>

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

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

## 11. OTHER ASSETS

USD Thousands	June 30, 2020	December 31, 2019
Long-term receivables	18,962	17,840
Financial assets	27	27
	<b>18,989</b>	<b>17,867</b>

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

## 12. INVENTORIES

USD Thousands	June 30, 2020	December 31, 2019
Hydrocarbon stocks	10,468	6,123
Well supplies and operational spares	9,497	11,097
	<b>19,965</b>	<b>17,220</b>

## 13. TRADE AND OTHER RECEIVABLES

USD Thousands	June 30, 2020	December 31, 2019
Trade receivables	30,808	59,386
Underlift	1,102	5,250
Joint operations debtors	2,485	2,412
Prepaid expenses and accrued income	6,402	4,493
Other	1,474	6,293
	<b>42,271</b>	<b>77,834</b>

## 14. CASH AND CASH EQUIVALENTS

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

## 15. SHARE CAPITAL

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

	Number of shares
<b>Balance at January 1, 2019</b>	163,720,065
Cancellation of repurchased common shares	(3,929,196)
<b>Balance at December 31, 2019</b>	<b>159,790,869</b>
Cancellation of repurchased common shares	(4,448,112)
<b>Balance at June 30, 2020</b>	<b>155,342,757</b>

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

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

On November 7, 2019, IPC announced the commencement of a share repurchase program. During the period up to March 31, 2020, IPC repurchased an aggregate of 8,377,308 common shares and all of these shares were cancelled. IPC suspended further share repurchases under the program. As at August 4, 2020, IPC had a total of 155,342,757 common shares issued and outstanding.



## Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

### UNAUDITED

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

#### 16. EARNINGS PER SHARE

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

	Three months ended June 30		Six months ended June 30	
	2020	2019	2020	2019
Net result attributable to shareholders of the Parent Company, USD	(1,469,958)	25,742,421	(41,529,177)	58,879,469
Weighted average number of shares for the period	155,293,334	163,720,065	157,554,525	163,720,065
<b>Earnings per share, USD</b>	<b>(0.01)</b>	0.16	<b>(0.26)</b>	0.36
Weighted average diluted number of shares for the period	156,720,254	166,567,604	158,981,446	166,567,604
<b>Earnings per share fully diluted, USD</b>	<b>(0.01)</b>	0.15	<b>(0.26)</b>	0.35

#### 17. FINANCIAL LIABILITIES

USD Thousands	June 30, 2020	December 31, 2019
Bank loans	352,385	247,074
Capitalized financing fees	(3,417)	(2,342)
	<b>348,968</b>	244,732
Non-current	319,761	244,732
Current	29,207	–
	<b>348,968</b>	244,732

As at January 1, 2019, the Group had a reserve-based lending credit facility of USD 175 million (the "International RBL") with a maturity to end June 2022 in connection with its oil and gas assets in France and Malaysia. In addition, the Group had reserve-based lending credit facilities in aggregate of CAD 320 million and outstanding senior secured notes of CAD 75 million in connection with its oil and gas assets in Canada.

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

In May 2020, IPC entered into a EUR 13 million unsecured credit facility in France under a financial assistance program instituted by the French government authorities. The credit facility has an initial term of 12 months and is extendable by the Group for up to a further five years. The facility amount was fully drawn as at June 30, 2020.

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

The borrowing base availability under the International RBL is currently USD 140 million of which USD 83 million was drawn as at June 30, 2020. The borrowing base availability under the Canadian RBL is currently CAD 350 million of which CAD 308.8 million was drawn as at June 30, 2020.

Also see Note 24 Subsequent Events.

## Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

In March 2020, in connection with the completion of the Granite Acquisition, the Group assumed the bank debt of Granite consisting of a revolving credit facility of CAD 42.5 million (the "Granite Facility") of which CAD 40 million was outstanding at June 30, 2020. The Granite Facility has a maturity date of December 31, 2020 and is classified as current. Under the Granite Facility, IPC is required to hedge 40% of oil production from the assets acquired in the Granite Acquisition.

With the exception of the Granite Facility, no facility repayment schedule results in mandatory repayment within the next twelve months. As such, the amounts drawn under the International RBL and the Canadian RBL as at June 30, 2020, are classified as non-current.

The Group is in compliance with the covenants under the International RBL, the Canadian RBL and the Granite Facility as at June 30, 2020.

### 18. PROVISIONS

USD Thousands	Asset retirement obligation	Farm-in obligation	Pension obligation	Other	Total
<b>January 1, 2020</b>	176,305	6,720	4,413	2,399	189,837
Granite Acquisition (see Note 9)	4,498	–	–	–	4,498
Additions	–	–	–	1,088	1,088
Unwinding of asset retirement obligation discount	5,289	–	–	–	5,289
Payments	(2,727)	(615)	–	–	(3,342)
Reclassification <sup>1</sup>	1,967	–	–	–	1,967
Currency translation adjustments	(5,355)	(274)	–	(74)	(5,703)
<b>June 30, 2020</b>	<b>179,977</b>	<b>5,831</b>	<b>4,413</b>	<b>3,413</b>	<b>193,634</b>
Non-current	175,771	4,082	4,413	1,263	185,529
Current	4,206	1,749	–	2,150	8,105
<b>Total</b>	<b>179,977</b>	<b>5,831</b>	<b>4,413</b>	<b>3,413</b>	<b>193,634</b>

<sup>1</sup>The reclassification of the asset retirement obligation related to the 2020 payment to the asset retirement obligation fund in respect of the Bertam asset, Malaysia (see Note 11).

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

## 19. TRADE AND OTHER PAYABLES

USD Thousands	June 30, 2020	December 31, 2019
Trade payables	5,520	17,682
Joint operations creditors	16,353	24,164
Accrued expenses	31,293	40,317
Other	1,359	3,663
	<b>54,525</b>	<b>85,826</b>

## 20. FINANCIAL ASSETS AND LIABILITIES

### Financial assets and liabilities by category

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

June 30, 2020 USD Thousands	Total	Financial assets at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Other non-current financial assets	2,211	2,211	–	–
Other assets	18,989	18,989	–	–
Derivative instruments	1,595	–	–	1,595
Joint operation debtors	2,485	2,485	–	–
Other current receivables <sup>1</sup>	34,392	33,290	1,102	–
Cash and cash equivalents	11,018	11,018	–	–
<b>Financial assets</b>	<b>70,690</b>	<b>67,993</b>	<b>1,102</b>	<b>1,595</b>

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

June 30, 2020 USD Thousands	Total	Financial liabilities at amortized cost	Fair value recognized in profit or loss (FVTPL)	Derivatives used for hedging
Non-current financial liabilities	321,175	321,175	–	–
Current financial liabilities	29,207	29,207	–	–
Derivative instruments	2,565	–	–	2,565
Joint operation creditors	16,353	16,353	–	–
Other current liabilities	7,940	7,940	–	–
<b>Financial liabilities</b>	<b>377,240</b>	<b>374,675</b>	<b>–</b>	<b>2,565</b>

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

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

## Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

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

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:

June 30, 2020 USD Thousands	Level 1	Level 2	Level 3
Other current receivables	1,102	–	–
Derivative instruments – current	–	1,595	–
<b>Financial assets</b>	<b>1,102</b>	<b>1,595</b>	<b>–</b>
Derivative instruments – current	–	2,565	–
<b>Financial liabilities</b>	<b>–</b>	<b>2,565</b>	<b>–</b>

December 31, 2019 USD Thousands	Level 1	Level 2	Level 3
Other current receivables	5,250	–	–
Derivative instruments – current	–	420	–
<b>Financial assets</b>	<b>5,250</b>	<b>420</b>	<b>–</b>
Derivative instruments – current	–	416	–
<b>Financial liabilities</b>	<b>–</b>	<b>416</b>	<b>–</b>

The Group had gas price purchase hedges outstanding as at June 30, 2020, which are summarized as follows:

Period	Volume (Gigajoules (GJ) per day)	Type	Average Pricing
July 1, 2020 – December 31, 2020	4,000	Swap	AECO 5a + CAD 1.50/GJ

# Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

The Group had oil price sale hedges outstanding as at June 30, 2020, which are summarized as follows:

Period	Volume (barrels per day)	Type	Average Pricing
July 1, 2020 – September 30, 2020	700	Swap	WTI – CAD 70.67/bbl
October 1, 2020 – December 31, 2020	350	Swap	WTI – CAD 71.25/bbl
July 1, 2020 – July 31, 2020	6,600	Swap	WTI – USD 37.58/bbl
August 1, 2020 – August 31, 2020	8,700	Swap	WCS – USD 26.43/bbl
September 1, 2020 – September 30, 2020	9,200	Swap	WCS – USD 25.76/bbl
October 1, 2020 – December 31, 2020	7,550	Swap	WCS – USD 24.22/bbl
January 1, 2021 – March 31, 2021	200	Swap	WCS – USD 23.37/bbl

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

## 21. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

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

## 22. RELATED PARTIES

Lundin Energy (previously "Lundin Petroleum") has charged the Group USD 361 thousand in respect of office space rental and USD 417 thousand in respect of shared services provided during the first six months of 2020.

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

## 23. IMPACT OF COVID-19

During Q1 2020, crude oil prices decreased substantially due to a drop in global oil demand triggered by the impact of the Covid-19 virus on the global economy and the lack of an agreement between OPEC and non-OPEC countries regarding proposed production cuts. OPEC and other countries agreed in April 2020 to decrease production. These production curtailments, as well as government stimulus programs and other improvements in general economic conditions, resulted in a strengthening of commodity prices, although still below levels existing prior to March 2020.

The current and any future Covid-19 outbreaks may increase IPC's exposure to, and magnitude of, each of the risks and uncertainties identified in IPC's 2019 Annual Information Form and previous financial reports and management's discussion and analysis that result from a reduction in demand for oil and gas consumption and/or lower commodity prices and/or reliance on third parties. The extent to which Covid-19 impacts IPC's business, results of operations and financial condition will depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, the duration and spread of the current and any future Covid-19 outbreaks, their severity, the actions taken to contain such outbreaks or treat their impact, and how quickly and to what extent normal economic and operating conditions resume and their impacts to IPC's business, results of operations and financial condition which could be more significant in upcoming periods as compared with the first half of 2020. Even after the Covid-19 outbreaks have subsided, IPC may continue to experience materially adverse impacts to IPC's business as a result of the global economic impact.

As a result of these developments, IPC announced revised 2020 business plans in April 2020 and again in May 2020.

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

## Notes to the Interim Condensed Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

UNAUDITED

### 24. SUBSEQUENT EVENTS

In July 2020, the Group also entered into the following oil price sale hedges in Canada:

Period	Volume (barrels per day)	Type	Average Pricing
August 1, 2020 – August 31, 2020	600	Swap	WTI – USD 40.65/bbl
September 1, 2020 – September 30, 2020	700	Swap	WCS – USD 29.80/bbl
October 1, 2020 – December 31, 2020	500	Swap	WCS – USD 27.20/bbl

In July 2020, the International RBL facility size was increased to USD 140 million.

In July 2020, the Group also amended and extended the Canadian RBL to a facility size of CAD 350 million with a maturity extended by 12 months until the end of May 2022. Under the Canadian RBL, the Group is required to hedge a minimum of 30% of forecast production in Canada (other than in respect of assets acquired in the Granite Acquisition) for the period from October 1, 2020 to June 30, 2021. The Group is also restricted from incurring more than MCAD 10 of capital expenditures in Canada during the period from August to November 2020.

No other events have occurred since June 30, 2020, that are expected to have a substantial effect on this financial report. The implications of Covid-19 which continue to impact IPC's business also after June 30, 2020 are closely monitored by the Group.

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