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International Petroleum Corporation

Interim Condensed Consolidated Financial Statements

Three and nine months ended September 30, 2017

International Petroleum Corp.

Interim Condensed Consolidated Financial Statements

Three and nine months ended September 30, 2017

UNAUDITED

International Petroleum Corp.
Company No BC1103721

Suite 2000, 885 West Georgia Street
Vancouver, BC V6C 3E8
Canada

Interim Condensed Consolidated Financial Statements

Three and nine months ended September 30, 2017
UNAUDITED

Contents

The accompanying unaudited interim condensed consolidated financial statements of the Corporation have been prepared by and are the responsibility of the management of the Corporation. The Corporation's independent auditor has not performed a review of these financial statements.

Interim Condensed Consolidated Statement of Operations

Three and nine months ended September 30, 2017
UNAUDITED

US$ Thousands	Note	Three months ended September 30 2017	2016	Nine months ended September 30 2017	2016
Revenue	*2*	**47,926**	48,498	**148,354**	150,288
Cost of sales					
Production costs	*3*	(19,162)	(9,625)	(47,063)	(40,639)
Depletion		(12,101)	(22,010)	(40,549)	(64,805)
Depreciation of other assets		(8,047)	(7,733)	(23,713)	(23,377)
Exploration and business development costs		(1,360)	501	(1,906)	(12,506)
Impairment costs		–	–	164	–
Gross profit/(loss)	*2*	**7,256**	9,631	**35,287**	8,961
Sale of assets		–	–	–	(3,452)
General, administration and depreciation expenses		(2,545)	(774)	(6,325)	(1,726)
Profit/(loss) before financial items		**4,711**	8,857	**28,962**	3,783
Finance income		9	–	79	2
Finance costs	*4*	(1,272)	(4,110)	(12,795)	(21,125)
Net financial items		**(1,263)**	(4,110)	**(12,716)**	(21,123)
Profit/(loss) before tax		**3,448**	4,747	**16,246**	(17,340)
Income tax	*5*	(1,276)	(225)	(2,500)	(2,283)
Net result		**2,172**	4,522	**13,746**	(19,623)
Net result attributable to:					
Shareholders of the Parent Company		2,172	4,522	13,741	(19,623)
Non-controlling interest		0	0	5	0
		2,172	4,522	**13,746**	(19,623)
Earnings per share – USD[1]	*13*	**0.02**	0.04	**0.13**	(0.17)
Earnings per share fully diluted – USD[1]	*13*	**0.02**	0.04	**0.13**	(0.17)

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

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income

Three and nine months ended September 30, 2017
UNAUDITED

US$ Thousands	Three months ended September 30 2017	2016	Nine months ended September 30 2017	2016
Net result	**2,172**	4,522	**13,746**	(19,623)
Other comprehensive income/(loss):				
Items that may be reclassified to profit or loss:				
Currency translation adjustments[1]	3,079	–	(5,116)	–
Total comprehensive income/(loss)	**5,251**	4,522	**8,630**	(19,623)
Total comprehensive income/(loss) attributable to:				
Shareholders of the Parent Company	5,254	4,522	8,611	(19,623)
Non-controlling interest	(3)	0	19	0
	5,251	4,522	**8,630**	(19,623)

[1] *Currency translation adjustments recognized from Spin-Off date.*

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Balance Sheet

As at September 30, 2017
UNAUDITED

US$ Thousands	Note	September 30, 2017	December 31, 2016
ASSETS			
Non-current assets			
Exploration and evaluation assets	*6*	7,426	2,904
Property, plant and equipment, net	*7*	306,157	317,808
Other tangible fixed assets, net	*8*	130,339	152,157
Financial assets		5	5
Deferred tax assets		10,595	12,049
Total non-current assets		**454,522**	484,923
Current assets			
Inventories	*9*	21,740	25,067
Trade and other receivables	*10*	77,224	48,226
Current tax		22	406
Cash and cash equivalents	*11*	17,759	13,410
Total current assets		**116,745**	87,109
TOTAL ASSETS		**571,267**	572,032
EQUITY IN NET ASSETS AND LIABILITIES			
Shareholders' equity		294,083	405,348
Non-controlling interest		(226)	(252)
Net shareholders equity / Net parent company investment		**293,857**	405,096
Non-current liabilities			
Financial liabilities	*15*	64,020	–
Provisions	*16*	99,107	93,581
Deferred tax liabilities		53,213	46,616
Total non-current liabilities		**216,340**	140,197
Current liabilities			
Trade and other payables	*17*	55,617	22,924
Provisions	*16*	5,304	3,815
Current tax liabilities		149	–
Total current liabilities		**61,070**	26,739
TOTAL EQUITY IN NET ASSETS AND LIABILITIES		**571,267**	572,032

Approved by the Board of Directors

(Signed) Ashley Heppenstall
Director

(Signed) Mike Nicholson
Director

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flow

Three and nine months ended September 30, 2017
UNAUDITED

	Three months ended September 30		Nine months ended September 30	
US$ Thousands	**2017**	2016	**2017**	2016
Cash flow from operating activities				
Net result	2,172	4,522	13,746	(19,623)
Adjustments for non-cash related items:				
Depletion, depreciation and amortization	20,370	30,084	65,172	89,177
Exploration costs	(516)	(501)	30	12,506
Impairment costs	–	–	(164)	–
Current tax	(129)	(37)	79	(1,192)
Deferred tax	1,405	262	2,421	3,475
Capitalized financing fees	269	–	405	–
Foreign currency exchange	(536)	3,146	8,719	18,247
Interest expense	461	–	720	–
Result on sale	–	–	–	3,451
Other	1,614	1,663	4,178	4,289
Cash flow generated from operations (before working capital adjustments and income taxes)	***25,110***	*39,139*	***95,306***	*110,330*
Changes in working capital	2,131	(18,761)	18,828	(34,721)
Income taxes paid	469	1,366	469	4,921
Net cash flow from operating activities	**27,710**	21,744	**114,603**	80,530
Cash flow used in investing activities				
Investment in oil and gas properties	(5,027)	(3,346)	(11,077)	(40,380)
Investment in other fixed assets	(128)	2	(123)	1,848
Deposit	(32,632)	–	(32,632)	–
Decommissioning costs paid	(426)	(307)	(4,251)	(9,555)
Disposal of fixed assets	–	–	–	23,770
Other payments	–	(193)	–	(206)
Net cash (outflow) from investing activities	**(38,213)**	(3,844)	**(48,083)**	(24,523)
Cash flow from financing activities				
Net proceeds from borrowings	15,000	–	65,000	–
Paid financing fees	(241)	–	(1,329)	–
Cash funded from / (to) Lundin Petroleum	–	(28,349)	(31,394)	(74,830)
Share purchase offer	–	–	(90,632)	–
Net cash (outflow) from financing activities	**14,759**	(28,349)	**(58,355)**	(74,830)
Change in cash and cash equivalents	**4,256**	(10,449)	**8,165**	(18,823)
Cash and cash equivalents at the beginning of the period	14,652	19,235	13,410	29,488
Currency exchange difference in cash and cash equivalents	(1,149)	(343)	(3,816)	(2,222)
Cash and cash equivalents at the end of the period	**17,759**	8,443	**17,759**	8,443

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

As at September 30, 2017
UNAUDITED

US$ Thousands	Parental investment	Share capital	Share premium	Retained earnings	Non-controlling interest	IFRS 2 reserve	CTA	Total
Balance at January 1, 2017	**405,348**	**–**	**–**	**–**	**(252)**	**–**	**–**	**405,096**
Parent Company net investment/(proceeds)	(31,394)	–	–	–	7	–	–	(31,387)
Net result prior to Spin-Off	(3,362)	–	–	–	9	–	–	(3,353)
Balance at Spin-Off date	**370,592**	**–**	**–**	**–**	**(236)**	**–**	**–**	**370,356**
Formation of the Corporation	(410,000)	86,342	323,658	–	–	–	–	–
Valuation adjustments[1]	39,408	–	(39,408)	–	–	–	–	–
Net result after formation of the Corporation	–	–	–	17,103	(4)	–	–	17,099
Other comprehension income	–	–	–	–	14	171	(5,301)	(5,116)
Purchase and cancellation of common shares	–	(19,436)	(71,196)	–	–	–	–	(90,632)
Share based payments[2]	–	–	–	–	–	2,150	–	2,150
Balance at September 30, 2017	**–**	**66,906**	**213,054**	**17,103**	**(226)**	**2,321**	**(5,301)**	**293,857**

[1] *Arises due to the use of the predecessor method of accounting*

[2] *See Note 14*

Notes to the Interim Condensed Consolidated Financial Statements

Three and nine months ended September 30, 2017
UNAUDITED

Expressed in US$ Thousands unless otherwise stated

1. CORPORATE INFORMATION

A. Formation of the Corporation

In February 2017, Lundin Petroleum AB ("Lundin Petroleum ") announced its intention to spin-off its assets in Malaysia, France and the Netherlands into a newly formed company called International Petroleum Corporation ("IPC" or the "Corporation") and to distribute the IPC shares, on a pro-rata basis, to Lundin Petroleum shareholders (the "Spin-Off").

IPC acquired these assets through a series of reorganization transactions (the "Reorganization") which are summarized in a non-offering long form prospectus of IPC dated April 17, 2017 (the "Final Prospectus"), filed with the Alberta Securities Commission on the same date. The Reorganization was completed on April 7, 2017.

Prior to opening of trading on Toronto Stock Exchange and Nasdaq First North, Lundin Petroleum distributed all of the Common Shares on a pro-rata basis to Lundin Petroleum shareholders of record as of close of business in Stockholm on 20 April 2017 ("Record Date") and such holders of Lundin Petroleum shares received one Common Share for every three shares of Lundin Petroleum held as of the Record Date. Further information in respect of IPC, the Reorganization and the Spin-Off are available in the Final Prospectus. A copy of the Final Prospectus may be obtained on SEDAR at www.sedar.com under the profile of IPC.

The distribution and first day of trading of IPC's shares on the TSX and Nasdaq First North occurred on April 24, 2017.

B. Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements include the accounts of the Corporation from the Spin-Off date of April 24, 2017 and also incorporate the carve-out combined financial statements of IPC as if it had operated as a stand-alone entity prior to this date – see section 'Basis of Preparation Prior to the Spin-Off date' below.

The financial information for IPC is presented in United States Dollars (US$) thousands. It has been prepared on a historical cost basis, except for items that are required to be accounted for at fair value. Intercompany transactions and balances have been eliminated.

Basis of preparation prior to the Spin-Off date
Prior to the Spin-Off date, financial statements were not prepared for the assets that were spun-off as they were not operated as a separate business by Lundin Petroleum AB and accordingly, the results up until the Spin-Off date have been carved out from the historical consolidated financial statements of Lundin Petroleum AB. The carve-out combined financial statements have been derived from the accounting records of Lundin Petroleum on a carve-out basis and should be read in conjunction with Lundin Petroleum's annual consolidated financial statements and the notes thereto for the year ended December 31, 2016 and Lundin Petroleum's quarterly report for the three and six months period ended June 30, 2017.

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

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

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

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

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

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

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

C. Going concern

The Corporation's operations are expected to be funded for at least the next twelve months and therefore the financial statements have been prepared on a going concern basis.

D. Changes in accounting policies and disclosures

During the nine months ended September 30, 2017, the Corporation did not adopt any new standards and interpretations or amendments thereto applicable for financial periods beginning on or after January 1, 2017.

E. Future accounting changes

Accounting standards that have been previously issued by the International Accounting Standards Board ("IASB") but are not yet effective, and have not been applied by the Corporation, include International Financial Reporting Standards ("IFRS") 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases".

IFRS 9 "Financial Instruments" will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces a revised model for classification and measurement, a forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Corporation plans to adopt the standard beginning January 1, 2018. A preliminary assessment has been made and it is anticipated that there will be no material change as a result of adopting this new standard.

IFRS 15 "Revenue from Contracts with Customers" provides guidance on the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The effective date of the standard is January 1, 2018, with earlier adoption permitted. The Corporation made a preliminary assessment and does not expect any material effect on the financial statements with respect to the application of IFRS 15.

IFRS 16 "Leases" requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with early adoption permitted. A preliminary assessment has been made and it is anticipated that there will be no material change as a result of adopting this new standard.

Expressed in US$ Thousands unless otherwise stated

2. SEGMENT INFORMATION

IPC operates within several geographical areas. Operating segments are reported at country level which is consistent with the internal reporting provided to IPC Management.

The following tables present segment information regarding; revenue, production costs, exploration and evaluation costs, impairment costs of oil and gas properties and gross profit and certain asset and liability information. In addition segment information is reported in Note 6 and 7.

	Three months ended – September 30, 2017				
US$ Thousands	Malaysia	France	Netherlands	Other	Total
Crude oil	29,847	9,765	10	–	**39,622**
NGLs	–	–	86	–	**86**
Gas	–	–	3,482	–	**3,482**
Net sales of oil and gas	**29,847**	**9,765**	**3,578**	**–**	**43,190**
Change in under/over lift position	–	291	(178)	–	**113**
Other operating revenue	3,910	266	386	61	**4,623**
Revenue	**33,757**	**10,322**	**3,786**	**61**	**47,926**
Production costs	(11,902)	(4,955)	(2,305)	–	**(19,162)**
Depletion	(7,289)	(3,508)	(1,304)	–	**(12,101)**
Depreciation of other assets	(8,047)	–	–	–	**(8,047)**
Exploration and business development costs	(64)	(1)	–	(1,295)	**(1,360)**
Impairment costs	–	–	–	–	**–**
Gross profit/(loss)	**6,455**	**1,858**	**177**	**(1,234)**	**7,256**

	Three months ended – September 30, 2016				
US$ Thousands	Malaysia	France	Netherlands	Other [1]	Total
Crude oil	31,233	8,962	22	–	40,217
NGLs	–	–	117	–	117
Gas	–	–	3,552	–	3,552
Net sales of oil and gas	31,233	8,962	3,691	–	43,886
Change in under/over lift position	–	3	(43)	–	(40)
Other operating revenue	3,799	294	378	181	4,652
Revenue	35,032	9,259	4,026	181	48,498
Production costs	(3,133)	(4,209)	(2,283)	–	(9,625)
Depletion	(15,961)	(3,546)	(2,503)	–	(22,010)
Depreciation of other assets	(7,733)	–	–	–	(7,733)
Exploration and business development costs	(67)	(8)	–	576	501
Gross profit/(loss)	8,138	1,496	(760)	757	9,631

[1] *Mainly relates to the Singa field, Indonesia, which was sold in April 2016*

Expressed in US$ Thousands unless otherwise stated

	Nine months ended – September 30, 2017				
US$ Thousands	Malaysia	France	Netherlands	Other	Total
Crude oil	88,180	35,509	48	–	**123,737**
NGLs	–	–	284	–	**284**
Gas	–	–	11,249	–	**11,249**
Net sales of oil and gas	**88,180**	**35,509**	**11,581**	**–**	**135,270**
Change in under/over lift position	–	89	(571)	–	**(482)**
Other operating revenue	11,603	805	937	221	**13,566**
Revenue	**99,783**	**36,403**	**11,947**	**221**	**148,354**
Production costs	(22,544)	(18,749)	(5,770)	–	**(47,063)**
Depletion	(25,794)	(10,879)	(3,876)	–	**(40,549)**
Depreciation of other assets	(23,713)	–	–	–	**(23,713)**
Exploration and business development costs	(6)	(25)	–	(1,875)	**(1,906)**
Impairment costs	164	–	–	–	**164**
Gross profit/(loss)	**27,890**	**6,750**	**2,301**	**(1,654)**	**35,287**

	Nine months ended – September 30, 2016				
US$ Thousands	Malaysia	France	Netherlands	Other [1]	Total
Crude oil	85,323	30,229	42	–	115,594
NGLs	–	–	357	–	357
Gas	–	–	10,946	9,269	20,215
Net sales of oil and gas	85,323	30,229	11,345	9,269	136,166
Change in under/over lift position	–	228	(299)	–	(71)
Other operating revenue	11,305	921	1,258	709	14,193
Revenue	96,628	31,378	12,304	9,978	150,288
Production costs	(15,048)	(16,498)	(7,731)	(1,362)	(40,639)
Depletion	(46,285)	(10,703)	(7,817)	–	(64,805)
Depreciation of other assets	(23,377)	–	–	–	(23,377)
Exploration and business development costs	(13,053)	(39)	–	586	(12,506)
Gross profit/(loss)	(1,135)	4,138	(3,244)	9,202	8,961

[1] *Mainly relates to the Singa field, Indonesia, which was sold in April 2016*

Expressed in US$ Thousands unless otherwise stated

3. PRODUCTION COSTS

	Three months ended September 30		Nine months ended September 30	
US$ Thousands	**2017**	2016	**2017**	2016
Cost of operations	14,219	10,518	37,348	38,882
Tariff and transportation expenses	841	791	2,735	3,032
Direct production taxes	802	897	2,397	2,532
Operating costs	**15,862**	12,206	**42,480**	44,446
Change in inventory position	3,300	(2,581)	4,583	(3,807)
Total production costs	**19,162**	9,625	**47,063**	40,639

4. FINANCE COSTS

	Three months ended September 30		Nine months ended September 30	
US$ Thousands	**2017**	2016	**2017**	2016
Foreign exchange gain/(loss), net	536	(3,146)	(8,719)	(18,247)
Unwinding of asset retirement obligation discount	(914)	(924)	(2,641)	(2,772)
Interest expense	(461)	–	(720)	–
Amortization of loan fees	(269)	–	(405)	–
Loan commitment fees	(143)	–	(283)	–
Other financial costs	(21)	(40)	(27)	(106)
	(1,272)	(4,110)	**(12,795)**	(21,125)

5. INCOME TAX

	Three months ended September 30		Nine months ended September 30	
US$ Thousands	**2017**	2016	**2017**	2016
Current tax	129	37	(79)	1,192
Deferred tax	(1,405)	(262)	(2,421)	(3,475)
Total tax	**(1,276)**	(225)	**(2,500)**	(2,283)

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

6. EXPLORATION AND EVALUATION ASSETS

US$ Thousands	Malaysia	France	Netherlands	Total
Cost				
January 1, 2017	–	2,698	206	2,904
Additions	163	3,340	562	4,065
Reclassifications	–	–	(85)	(85)
Expensed exploration and evaluation costs	(6)	(25)	–	(31)
Currency translation adjustments	–	524	49	573
Net book value September 30, 2017	**157**	**6,537**	**732**	**7,426**

Expressed in US$ Thousands unless otherwise stated

7. PROPERTY, PLANT AND EQUIPMENT, NET

US$ Thousands	Malaysia	France	Netherlands	Total
Cost				
January 1, 2017	423,919	310,481	127,861	**862,261**
Additions	3,054	2,450	1,508	**7,012**
Reclassifications	–	–	85	**85**
Currency translation adjustments	(26)	36,916	14,884	**51,774**
September 30, 2017	426,947	349,847	144,338	**921,132**
Accumulated depletion				
January 1, 2017	(293,355)	(142,143)	(108,955)	**(544,453)**
Depletion charge for the period	(25,794)	(10,879)	(3,876)	**(40,549)**
Currency translation adjustments	–	(17,225)	(12,748)	**(29,973)**
September 30, 2017	**(319,149)**	**(170,247)**	**(125,579)**	**(614,975)**
Net book value September 30, 2017	**107,798**	**179,600**	**18,759**	**306,157**

8. OTHER TANGIBLE FIXED ASSETS, NET

US$ Thousands	FPSO	Other	Total
Cost			
January 1, 2017	204,770	8,998	**213,768**
Additions	(74)	197	**123**
Disposals	–	(2,392)	**(2,392)**
Currency translation adjustments	2,530	533	**3,063**
September 30, 2017	**207,226**	**7,336**	**214,562**
Accumulated depreciation			
January 1, 2017	(54,758)	(6,853)	**(61,611)**
Depreciation charge for the period	(23,713)	(910)	**(24,623)**
Disposals	–	2,392	**2,392**
Currency translation adjustments	–	(381)	**(381)**
September 30, 2017	**(78,471)**	**(5,752)**	**(84,223)**
Net book value September 30, 2017	**128,755**	**1,584**	**130,339**

The FPSO located on the Bertam field, Malaysia, is being depreciated over the committed contract term and 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.

Expressed in US$ Thousands unless otherwise stated

9. INVENTORIES

US$ Thousands	September 30, 2017	December 31, 2016
Hydrocarbon stocks	9,571	13,670
Well supplies and operational spares	12,169	11,397
	21,740	25,067

10. TRADE AND OTHER RECEIVABLES

US$ Thousands	September 30, 2017	December 31, 2016
Trade receivables	30,846	29,299
Underlift	1,178	1,509
Joint operations debtors	7,947	10,430
Prepaid expenses and accrued income	2,295	6,007
Other	34,958	981
	77,224	48,226

As at September 30, 2017, other items include a deposit of CAD 40 million in relation to the Suffield Acquisition (see Note 20).

11. CASH AND CASH EQUIVALENTS

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

12. SHARE CAPITAL

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

13. EARNINGS PER SHARE

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

Expressed in US$ Thousands unless otherwise stated

14. SHARE-BASED PAYMENTS

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

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 September 30, 2017 is 1,856,600. Each original stock-option was fair valued at the date of grant at C$ 2.01 using an option pricing model.

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

The 2015 IPC transitional PSP awards are effective from April 24, 2017 subject to certain performance conditions being met. The total outstanding number of awards at September 30, 2017 is 421,262 which vest on June 30, 2018. 75 percent of the awards will vest subject to continued employment only and have been fair valued at the grant date at C$ 4.77. The remaining 25 percent will vest subject to continued employment and on a straight-line basis for the share price performance between 100 percent and 125 percent of C$ 4.77 and have been fair valued at the grant date at C$ 2.50 using an option pricing model.

The 2016 IPC transitional PSP awards are effective from April 24, 2017 subject to certain performance conditions being met. The total outstanding number of awards at September 30, 2017 is 733,307 which vest on June 30, 2019. 75 percent of the awards will vest subject to continued employment only and have been fair valued at the grant date at C$ 4.77. The remaining 25 percent will vest subject to continued employment and on a straight-line basis for the share price performance between 100 percent and 125 percent of C$ 4.77 and have been fair valued at the grant date at C$ 2.79 using an option pricing model.

The 2015 IPC transitional RSP awards are effective from April 24, 2017. The total outstanding number of awards at September 30, 2017 is 35,088 which vest on May 31, 2018, subject to continued employment. Each award was fair valued at the grant date at C$ 4.77.

The 2016 IPC transitional RSP awards are effective from April 24, 2017. The total outstanding number of awards at September 30, 2017 is 117,702 which vest on May 31, 2018 and on May 31, 2019, subject to continued employment. Each award was fair valued at the grant date at C$ 4.77.

15. FINANCIAL LIABILITIES

US$ Thousands	**September 30, 2017**	December 31, 2016
Bank loans	65,000	–
Capitalized financing fees	(980)	–
	64,020	–

On April 20 2017, certain IPC subsidiaries, with IPC as guarantor, entered into a 2.25-year senior secured USD 100 million reserve-based lending credit facility, which was used to fund the purchase of IPC shares tendered under the share purchase offer announced on April 24, 2017.

The credit facility was initially drawn for USD 80.0 million on May 31, 2017 to partly fund the purchase of IPC shares tendered under the share purchase offer totaling USD 90.6 million. In addition, USD 30 million was drawn in September 2017 to partly fund a CAD 40.0 million deposit in respect of the Suffield Acquisition (see Note 20). Cash flow generated from operations has been used to reduce the amount drawn under the credit facility to USD 65.0 million as at September 30, 2017.

Expressed in US$ Thousands unless otherwise stated

16. PROVISIONS

US$ Thousands	Asset retirement obligation	Farm in obligation	Other	Total
January 1, 2017	90,994	5,022	1,380	**97,396**
Additions	–	–	160	**160**
Unwinding of asset retirement obligation discount	2,641	–	–	**2,641**
Payments	(4,241)	(10)	–	**(4,251)**
Currency translation adjustments	7,980	316	169	**8,465**
September 30, 2017	**97,374**	**5,328**	**1,709**	**104,411**
Non-current	93,254	4,144	1,709	**99,107**
Current	4,120	1,184	–	**5,304**
Total	**97,374**	**5,328**	**1,709**	**104,411**

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

17. TRADE AND OTHER PAYABLES

US$ Thousands	**September 30, 2017**	December 31, 2016
Trade payables	2,364	2,027
Residual working capital liability to Lundin Petroleum[1]	23,429	–
Joint operations creditors	19,441	14,698
Accrued expenses	6,296	3,682
Other	4,087	2,517
	55,617	22,924

[1] *See Note 19*

Expressed in US$ Thousands unless otherwise stated

18. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities by category

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

September 30, 2017 US$ Thousands	Total	Loans receivables and other receivables at amortized cost	Financial assets at amortized cost	Assets at fair value within OCI	Fair value recognized in profit or loss
Other non-current financial assets	**5**	–	5	–	–
Joint operation debtors	**7,947**	7,947	–	–	–
Other current receivables[1]	**67,004**	65,826	–	–	1,178
Cash and cash equivalents	**17,759**	17,759	–	–	–
Financial assets	**92,715**	**91,532**	**5**	**–**	**1,178**

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

September 30, 2017 US$ Thousands	Total	Other liabilities at amortized cost	Financial liabilities at amortized cost	Fair value recognized in profit or loss
Financial liabilities	**64,020**	–	64,020	–
Joint operation creditors	**19,441**	19,441	–	–
Other current liabilities	**30,029**	30,029	–	–
Financial liabilities	**113,490**	**49,470**	**64,020**	**–**

December 31, 2016 US$ Thousands	Total	Loans receivables and other receivables at amortized cost	Financial assets at amortized cost	Assets at fair value within OCI	Fair value recognized in profit or loss
Other non-current financial assets	5	–	5	–	–
Joint operation debtors	10,430	10,430	–	–	–
Other current receivables [1]	32,195	30,686	–	–	1,509
Cash and cash equivalents	13,410	13,410	–	–	–
Financial assets	56,040	54,526	5	–	1,509

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

December 31, 2016 US$ Thousands	Total	Other liabilities at amortized cost	Financial liabilities at amortized cost	Fair value recognized in profit or loss
Joint operation creditors	14,698	14,698	–	–
Other current liabilities	4,544	4,544	–	–
Financial liabilities	19,242	19,242	–	–

Expressed in US$ Thousands unless otherwise stated

The fair value of loan receivables and other receivables equal the book value.

For financial instruments measured at fair value in the balance sheet, the following fair value measurement hierarchy is used:

– Level 1: based on quoted prices in active markets;
– Level 2: based on inputs other than quoted prices as within level 1, that are either directly or indirectly observable;
– Level 3: based on inputs which are not based on observable market data.

Based on this hierarchy, financial instruments measured at fair value can be detailed as follows:

September 30, 2017 US$ Thousands	**Level 1**	**Level 2**	**Level 3**
Other current receivables	1,178	–	–
Financial assets	**1,178**	**–**	**–**

December 31, 2016 US$ Thousands	**Level 1**	**Level 2**	**Level 3**
Other current receivables	1,509	–	–
Financial assets	1,509	–	**–**

19. RELATED PARTIES

As at the date of the Spin-Off, the Corporation had a residual liability for working capital owed to Lundin Petroleum of USD 27,429 thousand which has been reduced to USD 23,429 thousand as at September 30, 2017. This amount is reflected as a current liability as it is expected to be paid before the end of June 2018.

In addition, Lundin Petroleum has charged the Corporation USD 315 thousand in respect of office space rental and USD 1,052 thousand in respect of shared services provided since the Spin-Off date.
IPC has charged Lundin Petroleum USD 448 thousand in respect of consultancy fees in 2017.

20. SUBSEQUENT EVENTS

The Company has entered into an agreement with Cenovus Energy in September 2017 to acquire certain oil and gas properties in Canada for a consideration of C$512 million, subject to closing adjustments and to certain additional contingent consideration ("the Suffield acquisition").

In connection with the financing of the Suffield acquisition announced in September 2017, IPC has commitment from banks for new CAD 325 million borrowing base credit facilities in Canada and to an increased existing reserve-based lending credit facility from USD 100 million to USD 200 million. The financing facilities will be executed prior to closing of the acquisition which is expected to occur before the end of the year.

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