



Q2

International Petroleum Corporation

***Management's Discussion
and Analysis***

For the three and six months ended June 30, 2019



**International
Petroleum
Corp.**

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Non-IFRS Measures

References are made in this MD&A to "operating cash flow" (OCF), "Earnings Before Interest, Tax, Depreciation and Amortization" (EBITDA), "operating costs" and "net debt"/"net cash" 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, EBITDA, operating costs and net debt/net cash that may be used by other public companies. Management believes that OCF, EBITDA, operating costs and net debt/net cash are useful supplemental measures that may assist shareholders and investors in assessing the cash generated by and the financial performance and position of the Corporation. Non-IFRS measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The definition and reconciliation of each non-IFRS measure is presented in this MD&A. See "Non-IFRS Measures" on page 22.

Forward-Looking Statements

Certain statements contained in this MD&A 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 the Corporation's future performance, business prospects or opportunities. 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". 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 IPC can give no 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. For additional information underlying forward-looking statements, refer to the "Cautionary Statement Regarding Forward-Looking Information" on page 27.

Reserves estimates, contingent resource estimates and estimates of future net revenue in respect of IPC's oil and gas assets in the Suffield area of Canada are effective as of December 31, 2018, and are included in the report prepared by McDaniel & Associates Consultants Ltd. (McDaniel), an independent qualified reserves evaluator, 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, 2019 price forecasts.

Reserves estimates, contingent resource estimates and estimates of future net revenue in respect of IPC's oil and gas assets in the Onion Lake, Blackrod and Mooney areas of Canada are effective as of December 31, 2018, and are included in reports prepared by Sproule Associates Limited (Sproule), an independent qualified reserves evaluator, in accordance with NI 51-101 and the COGE Handbook, and using McDaniel's January 1, 2019 price forecasts.

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 and Malaysia are effective as of December 31, 2018, and are included in the report prepared by ERC Equipoise Ltd. (ERCE), an independent qualified reserves auditor, in accordance with NI 51-101 and the COGE Handbook, and using McDaniel's January 1, 2019 price forecasts.

Certain abbreviations and technical terms used in this MD&A are defined or described under the heading "Other Supplementary Information".

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INTRODUCTION

This management's discussion and analysis ("MD&A") for International Petroleum Corporation ("IPC" or the "Corporation" and, together with its subsidiaries, the "Group") is dated August 6, 2019, and is intended to provide an overview of the Group's operations, financial performance and current and future business opportunities. This MD&A should be read in conjunction with IPC's unaudited interim condensed consolidated financial statements and accompanying notes for the three and six months ended June 30, 2019 ("Financial Statements").

Formation of and changes in the Group

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

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

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

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

On December 14, 2018, IPC completed the acquisition of all of the issued and outstanding shares of BlackPearl Resources Inc. ("BlackPearl") by way of a plan of arrangement under the Canada Business Corporation Act (the "BlackPearl Acquisition").

The main business of IPC is exploring for, developing and producing oil and gas. IPC holds a portfolio of oil and gas production assets and development projects in Canada, Malaysia and France with exposure to growth opportunities.

Basis of Preparation

The MD&A and the Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Financial information is presented in United States Dollars ("USD"). However, as the Group operates in Europe and in Canada, certain financial information prepared by subsidiaries has been reported in Euros ("EUR") and in Canadian Dollars ("CAD"). In addition, certain costs relating to the operations in Malaysia, which are reported in USD, are incurred in Malaysian Ringgit ("MYR").

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

	June 30, 2019		June 30, 2018		December 31, 2018	
	Average	Period end	Average	Period end	Average	Year end
1 EUR equals USD	1.1298	1.1380	1.2108	1.1658	1.1815	1.1450
1 USD equals CAD	1.3337	1.3087	1.2774	1.3246	1.2958	1.3629
1 USD equals MYR	4.1195	4.1373	3.9384	4.0384	4.0354	4.1325

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SECOND QUARTER 2019 HIGHLIGHTS

Operational Highlights

- Average net production of 46,100 barrels of oil equivalent (boe) per day (boepd) for Q2 2019, a four percent increase from Q1 2019.
- Operating costs¹ per boe of USD 12.6 for Q2 2019, slightly better than guidance.
- Drilling operations have commenced and continue in Canada, France and Malaysia.
- Canada Suffield area oil drilling program results outperforming pre-drill expectations.
- Canada Suffield N2N enhanced oil recovery (EOR) development project approved during Q2 2019, forecast to add peak rates of approximately 1,250 bopd once fully ramped up.
- France Vert La Gravelle redevelopment project commenced in Q2 2019.
- Completed acquisition of lands adjoining the Blackrod project in Canada, with best estimate contingent resources (unrisked) of 243 million boe (MMboe).
- Capital expenditure budget remains in line with guidance of USD 188 million.

¹ See definition on page 22 under "Non-IFRS measures"

Financial Highlights

USD Thousands	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Revenue	129,357	120,637	276,777	235,799
Gross profit	39,287	45,920	86,172	83,493
Net result	25,744	21,498	58,886	47,811
Operating cash flow ¹	76,496	76,687	159,552	152,747
EBITDA ¹	74,600	74,478	156,275	139,769
Net Debt ¹	239,322	254,628	239,322	254,628

¹ See definition on page 22 under "Non-IFRS measures"

- Strong operating cash flow generation of USD 76 million in Q2 2019 (USD 160 million for the first half of 2019) at the upper end of guidance.
- Operating cash flows were utilised to fund capital expenditures and to reduce financial liabilities, with net debt decreasing from USD 277 million as at December 31, 2018 to USD 239 million as at June 30, 2019.

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OPERATIONS REVIEW

Business Overview

Our focus since launching IPC in April 2017 remains unchanged: seeking to deliver operational excellence, demonstrating financial resilience, maximizing the value of our resource base and targeting growth organically and through acquisition.

Our vision and strategy from the outset was to use the IPC platform to build a new international upstream company focused on creating long-term value for our shareholders, launched at a favorable time in the industry cycle to acquire and grow a significant resource base.

With a strong set of second quarter results and a ramp up in activity levels across all areas of operations during the first half of 2019, we continue to make excellent progress on all fronts in delivering on that strategy.

Delivering Operational Excellence

During Q2 2019, our assets delivered average daily net production of 46,100 boepd, a four percent increase from Q1 2019. Full year average production is expected to be towards the lower end of the 46,000 to 50,000 boepd guidance range as a result of the delayed ramp up at Onion Lake Thermal in Canada and the partial production curtailment experienced in France during Q2 2019. The 2019 exit production rate expectation remains at 50,000 boepd.

The average production from the Suffield Assets in Canada of over 25,000 boepd during Q2 2019 was above mid-point guidance, largely driven by flush gas production following an abnormally cold Q1 2019. It is noteworthy that our first half 2019 production levels at Suffield were 5 percent higher than 2018 levels demonstrating the positive impact of our ongoing oil drilling and gas optimization programs more than offsetting natural declines.

As discussed in our first quarter report of 2019, the Onion Lake Thermal facility ramp up was delayed as a result of the abnormally cold weather during Q1 2019. This led to reduced water intake for steam generation and reduced injection levels into existing well pads in addition to the delayed start-up of new F-Pad wells. Facility optimization work is ongoing and has allowed steam injection to commence at F-Pad. We expect to see the benefit of increased steam injection rates and the start-up of production at F-Pad during Q4 2019. Other conventional oil production was in line with mid-point guidance at 2,900 boepd.

In Malaysia, a world class uptime performance on the Bertam FPSO in excess of 99% continued during Q2 2019. Second quarter production on the Bertam field was 6,200 bopd, above mid-point guidance.

Production in France was below guidance during Q2 2019 by around 360 bopd. Following notification by Total during Q2 2019 that operations at their Grandpuits refinery were temporarily suspended to allow for repairs to be made to a third party oil import pipeline, IPC had to temporarily curtail some production. Alternative export solutions were implemented to minimize the production curtailment. The repairs have now been completed, the refinery is back on line and normal operations resumed in late July 2019.

Our operating costs per boe for Q2 2019 was USD 12.6, slightly better than guidance.

Demonstrating Financial Resilience

IPC has continued to deliver a robust financial performance during Q2 2019 generating a quarterly operating cash flow of USD 76 million, at the upper end of guidance. This not only allowed IPC to fund its expenditure program and to reduce net debt from USD 257 million at the end of Q1 2019 to USD 239 million by the end of Q2 2019, but also to fully retire the remaining outstanding working capital repayment due to Lundin Petroleum amounting to USD 14 million.

The strong operating cash flow and free cash flow generation is the result of good operational delivery combined with stronger realized oil and gas prices relative to forecast. The average Brent price of USD 69 per barrel during Q2 2019 was towards the top end of our guidance range of USD 70 per barrel and the average WTI-WCS differential during Q2 2019 was USD 11 per barrel, better than our USD 15 per barrel upside case. Realized gas prices during Q2 2019 of CAD 2.43 per Mcf were marginally below our forecast of CAD 2.50 per Mcf.

Maximizing the Value of our Resource Base

Good progress has been made in adding value to IPC's resource base since April 2017. As at the end of December 2018, IPC's 2P reserves have increased almost tenfold from inception to 288 MMboe. This includes an excellent reserves replacement ratio of 103% in 2018, excluding acquisition additions, following the maturation of contingent resources from the infill drilling program in Malaysia into reserves as well as better reservoir performance and certain upgrades in France and Canada, particularly on the back of the gas optimization program in Canada.

2P net asset value per share increased by 37% in 2018 from USD 9.1 per share to USD 12.4 per share as at December 31, 2018.

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In addition, we previously reported that our best estimate contingent resources as at the end of December 2018 increased to 849 MMboe (unrisked), after giving effect to the BlackPearl Acquisition. The largest single addition to the contingent resource base is the Blackrod project which has received regulatory approvals for Phase 1 of the development. A further addition of best estimate contingent resources (unrisked) of 243 MMboe was added to the contingent resources at Blackrod with a land acquisition completed in May 2019. We are confident that we have a solid contingent resource base in place to mature that can provide the feedstock to add significantly to reserves and to our value in the future.

Progress on the 2019 work program

In Malaysia, following positive results from the 2016 and 2018 infill drilling programs and continued good reservoir performance, we approved a third phase of infill drilling on the Bertam field for execution in 2019. Three drilling locations were approved and we also sanctioned the drilling of the Keruing prospect as part of the same 2019 campaign. The drilling program commenced in June 2019. The drilling of two infill landing pilots has been completed. Better than expected results were encountered in the A-15 area and poorer than expected results were encountered in the A-14 area. As a result, the third infill well (A-20) is planned for the A-15 area. The Keruing exploration well was drilled in Q3 2019. The well encountered good quality reservoir at targeted depth, however the well is being plugged and abandoned after the reservoir was found to be water-bearing. The drilling program in Malaysia continues with the drilling of three infill wells (A-18, A-19, A-20) with the production uplift expected in the second half of 2019 as the wells come on-stream. Work progresses to identify potential new locations for drilling in 2020.

In Canada, we plan to drill 25 development oil wells on the Suffield Assets in 2019, including wells related to the Suffield N2N EOR project. The drilling campaign commenced in Q4 2018 and production to date has been ahead of pre-drill expectations. On the gas side, the gas optimization program continues with the objective of minimizing natural declines through 2019.

In France, our team is focused on the execution of the Vert La Gravelle redevelopment project using horizontal drilling techniques. The rig is currently drilling the first of three wells as scheduled. In parallel we continue to mature the Villeperdue West project to a development decision later in the year.

Growth from Acquisition

IPC has transformed itself following the completion of two large acquisitions in 2018, and this second quarter report shows the material positive impact on reserves, resources, production, cash flow and net asset value per share.

With significant undrawn credit facilities at our disposal, we continue to opportunistically evaluate additional acquisition targets that we believe can deliver long-term value for our shareholders.

HSE Performance

Health, Safety & Environmental performance (HSE) remains a priority for all operational assets. Our objective is to reduce risk and eliminate hazards to prevent the occurrence of accidents, ill health and environmental damage, as these are essential to the success of our operations. During Q2 2019, IPC recorded two low severity lost time incidents in France.

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Operations Overview

Reserves and Resources

The IPC producing assets have more than doubled to 288 MMboe of 2P reserves as at December 31, 2018 (including the 2P reserves acquired in the BlackPearl Acquisition) compared to 129.1 MMboe of 2P reserves as at December 31, 2017, in each case as certified by independent third party reserves auditors. The reserves life index (RLI) as at December 31, 2018 (including the 2P reserves acquired in the BlackPearl Acquisition) was approximately 16 years. We previously reported that best estimate contingent resources as at December 31, 2018, increased thirteen fold to 849 MMboe (unrisked), including the best estimate contingent resources acquired in the BlackPearl Acquisition. With the land acquisition at the Blackrod project completed in May 2019, best estimate contingent resources as at December 31, 2018 have increased by a further 29% to 1,092 MMboe (unrisked).

IPC remains focused on organic growth and is maturing and executing opportunities across all our operated assets. In Canada, oil drilling activities which commenced in late 2018, continued into the first half of 2019, complemented by gas optimization activities that continue to generate excellent production performance, offsetting the historical production decline. In Malaysia, we are on track to deliver a third phase of infill well drilling at the Bertam field with the drilling program starting in Q2 2019. In France, the Vert La Gravelle redevelopment work continued into 2019, with drilling operations starting as planned in Q2 2019.

Production

The average net production during Q2 2019 was within CMD guidance at the lower end of the range at 46.1 Mboepd, with all significant producing assets outside of Onion Lake Thermal and the Paris Basin in France in line with or ahead of CMD expectations. Production ramp up at Onion Lake Thermal has been delayed on the back of the extreme cold weather and low steam supply water intake rates during the first half of 2019, with the first production from the new F-Pad well platform now expected in Q4 2019. Temporary export measures in the Paris Basin France minimized the impact of the Grandpuits refinery suspension in Q2 2019, with full oil expedition and production having recommenced in early Q3 2019.

Integration of the former BlackPearl assets has delivered a significant increase in production volumes for IPC relative to 2018 levels. The production during the reporting period with comparatives was comprised as follows:

Production in Mboepd	Three months ended June 30		Six months ended June 30		Year ended December 31
	2019	2018	2019	2018	2018
Crude oil					
Canada – Suffield	6.4	6.2	6.4	6.3	6.3
Canada – Onion Lake Thermal	9.6	–	9.7	–	–
Canada – Other	2.9	–	2.9	–	–
Malaysia	6.2	7.6	6.3	7.7	7.3
France	2.0	2.5	2.2	2.5	2.5
Total crude oil production	27.1	16.3	27.5	16.5	16.1
Gas					
Canada – Suffield	18.9	17.8	17.6	16.6	17.6
Canada – Other	0.1	–	0.1	–	–
Netherlands ¹	–	0.8	–	0.8	0.7
Total gas production	19.0	18.6	17.7	17.4	18.3
Total production	46.1	34.9	45.2	33.9	34.4
Quantity in MMboe	4.19	3.18	8.19	6.14	12.56

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

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CANADA

Production in Mboepd	WI	Three months ended June 30		Six months ended June 30		Year ended December 31
		2019	2018	2019	2018	2018
- Oil Suffield	100%	6.4	6.2	6.4	6.3	6.3
- Oil Onion Lake Thermal	100%	9.6	–	9.7	–	–
- Oil Other	50 - 100%	2.9	–	2.9	–	–
- Gas	99.7% ¹	19.0	17.8	17.7	16.6	17.6
Canada		37.9	24.0	36.7	22.9	23.9

¹ On a well count basis.

Production

Net production from the Canadian assets during Q2 2019 was slightly below mid case CMD guidance at 37.9 Mboepd. Strong performance continued at Suffield Oil in Q2 2019, with the newly drilled wells driving Suffield Oil performance to the top end of the CMD guidance range. Lower than forecast steam supply water intake rates have culminated in a slower than forecast production ramp up at Onion Lake Thermal, with the first production from the new F-Pad well platform now expected in Q3 2019. In Q2 2019, additional infrastructure has been installed to mitigate the low water intake experienced in the first half of 2019. Suffield Gas freeze-off recovery continued in Q2 2019, with the majority of deferred volumes expected to be recovered in the course of 2019.

Organic Growth and Capital Projects

In Canada, IPC continues to carry out the drilling and gas optimization opportunities as part of the operational and capital budgets for 2019 with a ramp up in activity approved early in Q2 2019. Approved activities are on budget and as per schedule.

In Suffield Oil, at the end of Q2 2019, eight new oil wells have been brought online with initial rates driving field performance to the high end of CMD guidance. The accelerated construction and start-up of the N2N EOR development project at Suffield commenced in Q2 2019, and remains on schedule for start-up in Q4 2019. The project is expected to deliver approximately 1,250 bopd of peak production to the Suffield Assets once fully ramped up in 2 to 3 years. In Suffield Gas, optimization activity continued in Q2 2019, with an extensive well swabbing programme and execution of 50 well recompletions. The scoping and maturing of the next round of recompletions to be executed in 2019 continued in Q2 2019, with 160 candidates identified and now being prioritized into the next 50 targets.

In Q2 2019, at Onion Lake Thermal, solutions for the temporary water intake shortage were identified and implemented, with two direct intakes installed and brought online. The installation of the produced water recycle skid commenced with commissioning expected in Q3 2019.

In Graindale, two appraisal wells have been drilled and prepared for start-up in Q3 2019, with initial reservoir indications from drilling positive. Preparations continued at John Lake in Q2 2019, with a three well drilling programme scheduled to commence in Q3 2019.

In Q2 2019, the project optimization studies continued at BlackRod, and the drilling of the third well pair commenced early in Q3 2019.

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MALAYSIA

Production in Mboepd	WI	Three months ended June 30		Six months ended June 30		Year ended December 31
		2019	2018	2019	2018	2018
Bertam	75%	6.2	7.6	6.3	7.7	7.3

Production

Net production from the Bertam field on Block PM307 during Q2 2019 was ahead of expectation at 6.2 Mboepd. Exceptional operational performance continued in Q2 2019 with facility uptime at 100%.

Organic Growth

Following positive results from the 2016 and 2018 infill drilling programs and continued good reservoir performance, IPC has commenced a third phase of infill drilling on the Bertam field. Drilling activity commenced in Q2 2019 with the execution of two pilot holes. Better than expected results were encountered in the A-15 area and poorer than expected results were encountered in the A-14 area. As a result, the third infill well (A-20) location will be in the A-15 area.

EUROPE

Production in Mboepd	WI	Three months ended June 30		Six months ended June 30		Year ended December 31
		2019	2018	2019	2018	2018
France						
- Paris Basin	100% ¹	1.5	2.0	1.7	2.1	2.0
- Aquitaine	50%	0.5	0.5	0.5	0.4	0.5
Netherlands ²	Various	-	0.8	-	0.8	0.7
		2.0	3.3	2.2	3.3	3.2

¹ Except for the working interest in the Dommartin Lettree field of 43%.

² On December 1, 2018, IPC completed the sale of its non-core, non-operated gas assets in the Netherlands.

Production

Net production in France during Q2 2019 was at the low end of guidance at 2.0 Mboepd. Production from the Paris Basin is transported by pipeline to the Grandpuits refinery, owned and operated by Total.

During Q1 2019, IPC was advised by Total that operations at the Grandpuits refinery had been temporarily suspended. In Q2 2019, temporary export solutions were utilized to minimize the impact of the suspension. The repair work on the pipeline has been completed, the refinery has been restarted and IPC has resumed full oil expedition and production at the end of July.

Organic Growth

IPC continues to work its undeveloped resource base in the Paris Basin. In parallel with the optimization of the Vert La Gravelle redevelopment project, a number of fields are undergoing study and planning work with the goal of maturing contingent resources into reserves.

The first phase of the Vert La Gravelle redevelopment, a three well programme, commenced in Q2 2019 with the spudding of well VGR113, with initial drilling results indicating reservoir properties are in line with expectations, and the well remains on schedule for start-up in Q3 2019.

In Q2 2019, preparations for Villeperdue West Phase 1 continued with the aim of reaching a final investment decision in Q3 2019.

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FINANCIAL REVIEW

Financial Results

The acquisition of BlackPearl was completed on December 14, 2018. For accounting purposes, the acquisition was reflected as at December 31, 2018 as the financial results from the acquired assets from the date of acquisition to December 31, 2018 were not material to the Group. The contribution of these assets is reported commencing from January 1, 2019.

Selected Financial Information

Selected interim condensed consolidated statement of operations is as follows:

USD Thousands	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Revenue	129,357	147,420	111,898	106,746	120,637	115,162	54,647	47,926
Gross profit	39,287	46,885	26,311	37,060	45,920	37,573	13,471	7,256
Net result	25,744	33,142	29,346	26,487	21,498	26,313	8,977	2,172
Earnings per share – USD	0.16	0.20	0.29	0.30	0.24	0.30	0.10	0.02
Earnings per share fully diluted – USD	0.15	0.20	0.29	0.29	0.23	0.30	0.10	0.02
Operating cash flow ¹	76,496	83,056	58,322	67,949	76,687	76,060	37,156	28,893
EBITDA ¹	74,600	81,675	58,032	66,240	74,478	65,291	33,383	26,440
Net debt at period end ^{1,2}	239,322	256,962	276,761	213,217	254,628	309,184	26,321	47,241

¹ See definition on page 22 under “Non-IFRS measures”.

² Net debt of USD 111,156 thousand was assumed from BlackPearl as at December 31, 2018.

Summarized consolidated balance sheet information is as follows:

USD Thousands	June 30, 2019	December 31, 2018
Non-current assets	1,231,074	1,200,035
Current assets	103,728	98,899
Total assets	1,334,802	1,298,934
Total non-current liabilities	481,688	506,832
Current liabilities	85,976	96,315
Total liabilities	567,664	587,296
Net assets	767,138	695,787
Working capital (including cash)	17,752	2,584

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Segment Information

The Group operates within several geographical areas. Operating segments are reported at a country level, with Canada being further analyzed by main areas: (i) Suffield Assets, (ii) Onion Lake Thermal and (iii) other Canadian assets. This is consistent with the internal reporting provided to IPC management. The following tables present certain segment information.

USD Thousands	Three months ended – June 30, 2019						Total
	Canada – Suffield	Canada - Thermal	Canada - Other	Malaysia	France	Other	
Crude oil	34,024	36,961	10,222	28,079	7,235	–	116,521
NGLs	80	–	–	–	–	–	80
Gas	17,743	–	32	–	–	–	17,775
Net sales of oil and gas	51,847	36,961	10,254	28,079	7,235	–	134,376
Change in under/over lift position	–	–	–	–	2,026	–	2,026
Royalties	(2,679)	(3,775)	(1,876)	–	–	–	(8,330)
Hedging settlement	(374)	(2,505)	–	–	–	–	(2,879)
Other operating revenue	–	–	–	3,868	177	119	4,164
Revenue	48,794	30,681	8,378	31,947	9,438	119	129,357
Production costs	(27,895)	(11,736)	(5,941)	(1,416)	(5,408)	–	(52,396)
Depletion	(12,671)	(6,089)	(276)	(8,043)	(2,618)	–	(29,697)
Depreciation of other assets	–	–	–	(7,789)	–	–	(7,789)
Exploration and business development costs	–	–	(14)	(2)	–	(172)	(188)
Gross profit	8,228	12,856	2,147	14,697	1,412	(53)	39,287

USD Thousands	Three months ended – June 30, 2018					Total
	Canada – Suffield	Malaysia	France	Netherlands ¹	Other	
Crude oil	34,483	50,683	14,683	23	–	99,872
NGLs	88	–	–	89	–	177
Gas	14,688	–	–	2,666	–	17,354
Net sales of oil and gas	49,259	50,683	14,683	2,778	–	117,403
Change in under/over lift position	–	–	212	–	–	212
Royalties	(1,639)	–	–	–	–	(1,639)
Other operating revenue	(72)	3,868	302	457	106	4,661
Revenue	47,548	54,551	15,197	3,235	106	120,637
Production costs	(28,609)	(6,494)	(6,190)	(1,643)	–	(42,936)
Depletion	(10,873)	(8,985)	(3,660)	(600)	–	(24,118)
Depreciation of other assets	–	(7,789)	–	–	–	(7,789)
Exploration and business development costs	–	150	–	–	(24)	126
Gross profit/(loss)	8,066	31,433	5,347	992	82	45,920

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

Management's Discussion and Analysis

For the three and six months ended June 30, 2019

USD Thousands	Six months ended – June 30, 2019						Total
	Canada – Suffield	Canada - Thermal	Canada - Other	Malaysia	France	Other	
Crude oil	66,169	69,961	18,291	64,491	18,948	–	237,860
NGLs	165	–	–	–	–	–	165
Gas	41,599	–	127	–	–	–	41,726
Net sales of oil and gas	107,933	69,961	18,418	64,491	18,948	–	279,751
Change in under/over lift position	–	–	–	–	5,296	–	5,296
Royalties	(3,870)	(7,178)	(3,202)	–	–	–	(14,250)
Hedging settlement	(374)	(2,006)	–	–	–	–	(2,380)
Other operating revenue	–	–	–	7,693	463	204	8,360
Revenue	103,689	60,777	15,216	72,184	24,707	204	276,777
Production costs	(56,628)	(23,227)	(11,321)	(11,465)	(12,528)	–	(115,169)
Depletion	(24,004)	(12,322)	(1,086)	(16,317)	(5,829)	–	(59,558)
Depreciation of other assets	–	–	–	(15,578)	–	–	(15,578)
Exploration and business development costs	–	–	(44)	(2)	–	(254)	(300)
Gross profit	23,057	25,228	2,765	28,822	6,350	(50)	86,172

USD Thousands	Six months ended – June 30, 2018						Total
	Canada – Suffield	Malaysia	France	Netherlands ¹	Other		
Crude oil	61,497	94,369	35,233	46	–	191,145	
NGLs	172	–	–	208	–	380	
Gas	31,889	–	–	6,067	–	37,956	
Net sales of oil and gas	93,558	94,369	35,233	6,321	–	229,481	
Change in under/over lift position	–	–	171	12	–	183	
Royalties	(3,345)	–	–	–	–	(3,345)	
Other operating revenue	136	7,693	580	844	227	9,480	
Revenue	90,349	102,062	35,984	7,177	227	235,799	
Production costs	(57,123)	(11,834)	(16,903)	(3,374)	–	(89,234)	
Depletion	(20,898)	(18,074)	(6,952)	(1,356)	–	(47,280)	
Depreciation of other assets	–	(15,749)	–	–	–	(15,749)	
Exploration and business development costs	–	(15)	–	–	(28)	(43)	
Gross profit/(loss)	12,328	56,390	12,129	2,447	199	83,493	

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

Management's Discussion and Analysis

For the three and six months ended June 30, 2019

Three and six months ended June 30, 2019 Review

Revenue

Total revenue amounted to USD 129,357 thousand for Q2 2019 compared to USD 120,637 thousand for Q2 2018 and USD 276,777 thousand for the first six months of 2019 compared to USD 235,799 thousand for the first six months of 2018 and is analyzed as follows:

USD Thousands	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Crude oil sales	116,521	99,872	237,860	191,145
Gas and NGL sales	17,855	17,531	41,891	38,336
Change in under/overlift position	2,026	212	5,296	183
Royalties	(8,330)	(1,639)	(14,250)	(3,345)
Hedging settlement	(2,879)	–	(2,380)	–
Other operating revenue	4,164	4,661	8,360	9,480
Total revenue	129,357	120,637	276,777	235,799

The components of total revenue for the three and six months ended 30 June 2019 and June 30, 2018, respectively are detailed below

Crude oil sales

	Three months ended – June 30, 2019					Total
	Canada - Suffield	Canada - Thermal	Canada - Other	Malaysia	France	
Crude oil sales						
- Revenue in USD thousands	34,024	36,961	10,222	28,079	7,235	116,521
- Quantity sold in bbls	661,398	872,309	233,661	382,452	105,957	2,255,777
- Average price realized USD per bbl	51.44	42.37	43.75	73.42	68.28	51.65

	Three months ended – June 30, 2018					Total
	Canada - Suffield	Malaysia	France	Netherlands		
Crude oil sales						
- Revenue in USD thousands		34,483	50,683	14,683	23	99,872
- Quantity sold in bbls		685,597	647,149	192,681	369	1,525,796
- Average price realized USD per bbl		50.30	78.32	76.20	63.63	65.46

Crude oil revenue was 17% higher for Q2 2019 compared to Q2 2018 mainly due to the contribution of the former BlackPearl assets in Canada from January 1, 2019, partly offset by lower sales volumes in Malaysia due to lower production volumes and due to smaller cargo sizes, and lower sales volumes in France due to the refinery shut-in.

The Suffield Assets crude oil in Canada is blended with purchased condensate diluent volumes to meet pipeline specifications. As a result of the blended volumes, actual sales volumes are higher than produced volumes for Canada. The Canadian realized sales price is based on the Western Canadian Select ("WCS") price which trades at a discount to West Texas Intermediate ("WTI"). For Q2 2019, WTI averaged USD 60 per bbl compared to USD 68 per bbl for Q2 2018 and the average discount from WTI to WCS used in our pricing formula was USD 11 per bbl compared to USD 19 per bbl for Q2 2018.

Onion Lake Thermal and other Canadian assets production is sold without being blended with condensate. It is heavier than the WCS quality and as a result trades at a discount to WCS prices.

The realized sales price for Malaysia and France is based on Dated Brent crude oil prices and the average Dated Brent crude oil price was USD 69 per bbl for Q2 2019 compared to USD 74 per bbl for the comparative period.

Management's Discussion and Analysis

For the three and six months ended June 30, 2019

Six months ended – June 30, 2019

	Canada - Suffield	Canada - Thermal	Canada - Other	Malaysia	France	Total
Crude oil sales						
- Revenue in USD thousands	66,169	69,961	18,291	64,491	18,948	237,860
- Quantity sold in bbls	1,362,484	1,759,437	449,461	920,147	287,567	4,779,096
- Average price realized USD per bbl	48.56	39.76	40.70	70.09	65.89	49.77

Six months ended – June 30, 2018

	Canada - Suffield	Malaysia	France	Netherlands ¹	Total
Crude oil sales					
- Revenue in USD thousands	61,497	94,369	35,233	46	191,145
- Quantity sold in bbls	1,358,750	1,266,393	503,652	761	3,129,556
- Average price realized USD per bbl	45.26	74.52	69.96	60.92	61.08

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

Crude oil sales were 24 percent higher for the first six months of 2019 compared to the first six months of 2018 mainly due to the contribution of the former BlackPearl assets in Canada from January 1, 2019, partly offset by lower sales volumes in Malaysia due to lower production volumes and due to smaller cargo sizes, and lower sales volumes in France due to the refinery shut-in and a cargo lifting of Aquitaine crude in Q1 2018.

The Canadian realized sales price is based on the WCS price which is traded at a discount to WTI. WTI averaged USD 66 per bbl and the average discount from WTI to WCS was approximately USD 11.50 per bbl for the first six months of 2019, compared to an average WTI of USD 65 per bbl and an average discount from WTI to WCS of USD 22 per bbl for the comparative period.

All sales and expenses from the Blackrod asset SAGD pilot evaluation are being recorded as an adjustment to the capitalized costs of the project until commercial production commences. The Blackrod asset sales volume and revenue are therefore not included in the crude oil sales tables above. Revenue from the Blackrod asset amounted to USD 2,486 thousand for the first six months of 2019.

The realized sales price for Malaysia and France is based on Brent crude oil prices and the average market Brent crude oil price was USD 66 per bbl in the first six months of 2019 compared to USD 71 per bbl for the comparative period.

Gas and NGL sales

Three months ended – June 30, 2019

	Canada - Suffield	Canada - Other	Total
Gas and NGL sales			
- Revenue in USD thousands	17,825	32	17,855
- Quantity sold in Mcf	9,760,668	53,228	9,813,896
- Average price realized USD per Mcf	1.83	0.60	1.82

Management's Discussion and Analysis

For the three and six months ended June 30, 2019

	Three months ended – June 30, 2018		
	Canada - Suffield	Netherlands ¹	Total
Gas and NGL sales			
- Revenue in USD thousands	14,776	2,755	17,531
- Quantity sold in Mcf	9,002,137	414,777	9,416,914
- Average price realized USD per Mcf	1.64	6.64	1.86

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

Gas and NGL sales revenue was 2% higher for Q2 2019 compared to Q2 2018 mainly due to the higher production volumes of the Suffield Assets following gas optimization projects carried out since acquiring the assets and a higher achieved gas price, partly offset by the sale of the Netherlands business in December 2018. Approximately 98% of the Suffield gas production was sold on the Alberta/Saskatchewan border at Empress with the remainder being delivered in Alberta based on AECO pricing. For Q2 2019, IPC realized an average price of CAD 2.43 per Mcf which was slightly above Empress average pricing for Q2 2019 of CAD 2.33 per Mcf, as a result of forward sales contracts entered into in 2019 at a fixed price higher than the average actual pricing for Q2 2019.

	Six months ended – June 30, 2019		
	Canada - Suffield	Canada – Other	Total
Gas and NGL sales			
- Revenue in USD thousands	41,764	127	41,891
- Quantity sold in Mcf	17,959,495	105,549	18,065,044
- Average price realized USD per Mcf	2.33	1.20	2.32

	Six months ended – June 30, 2018		
	Canada - Suffield	Netherlands ¹	Total
Gas and NGL sales			
- Revenue in USD thousands	32,061	6,275	38,336
- Quantity sold in Mcf	17,078,797	904,907	17,983,704
- Average price realized USD per Mcf	1.88	6.93	2.13

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

In Canada, gas and NGL sales revenue was 31 percent higher for the first six months of 2019 compared to the first six months of 2018 mainly due to a 6% increase in volumes sold as a result of the gas optimization projects and a higher gas price. For the six months ended 2019, IPC realized an average price of CAD 3.08 per Mcf compared to CAD 2.39 per Mcf for the first six months of 2018.

Hedging settlement

IPC entered into risk management contracts in order to comply with the covenants of a financing facility arrangement that was repaid and terminated during Q2 2019. The hedges are mainly oil price swaps and collars to manage pricing exposure. IPC uses natural gas at the Onion Lake Thermal project and the Blackrod SAGD pilot project to generate steam and manages the pricing risk by entering into fixed price swaps. The oil and gas pricing contracts are not entered into for speculative purposes. No new hedging contracts were entered into during Q2 2019 and IPC no longer has any hedging requirements under its financing facilities. The realized hedging settlements for Q2 2019 amounted to a loss of USD 2,879 thousand and for the first six months of 2019, amounted to a loss of USD 2,380 thousand. Also see the Financial Risk Management section below.

Management's Discussion and Analysis

For the three and six months ended June 30, 2019

Other operating revenue

Other operating revenue amounted to USD 4,164 thousand for Q2 2019 compared to USD 4,661 thousand for Q2 2018 and USD 8,360 thousand for the first six months of 2019 compared to USD 9,480 thousand for the first six months of 2018. Other operating revenue consists of lease fee income, tariff income and fees for strategic storage of inventory in France. The significant part of other operating revenue is third party lease fee income received by the Group for the leasing of the owned FPSO Bertam to the Bertam field in Malaysia. The reduction in other operating revenue in Q2 2019 compared to Q2 2018 is mainly due to the reduction in tariff income following the sale of the gas assets in the Netherlands in December 2018.

Production costs

Production costs including inventory movements amounted to USD 52,396 thousand for Q2 2019 compared to USD 42,936 thousand for Q2 2018 and USD 115,169 thousand for the first six months of 2019 compared to USD 89,234 thousand for the first six months of 2018 and is analyzed as follows:

Three months ended – June 30, 2019							
USD Thousands	Canada - Suffield	Canada – Thermal	Canada – Other	Malaysia	France	Other ³	Total
Operating costs ¹	21,683	11,736	5,941	18,321	6,858	(11,603)	52,936
USD/boe ²	9.42	13.45	21.38	32.48	38.59	n/a	12.62
Cost of blending ⁴	6,090	–	–	–	–	–	6,090
Change in inventory position	122	–	–	(5,302)	(1,450)	–	(6,630)
Production costs	27,895	11,736	5,941	13,019	5,408	(11,603)	52,396

Three months ended – June 30, 2018							
USD Thousands	Canada - Suffield	Malaysia	France	Netherlands ⁵	Other ³	Total	
Operating costs ¹	22,228	18,252	7,456	1,643	(11,603)	37,976	
USD/boe ²	10.20	26.29	32.14	23.62	n/a	11.96	
Cost of blending ⁴	7,238	–	–	–	–	7,238	
Change in inventory position	(857)	(155)	(1,266)	–	–	(2,278)	
Production costs	28,609	18,097	6,190	1,643	(11,603)	42,936	

Six months ended – June 30, 2019							
USD Thousands	Canada - Suffield	Canada – Thermal	Canada – Other	Malaysia	France	Other ³	Total
Operating costs ¹	44,915	23,227	11,321	35,862	13,505	(23,078)	105,752
USD/boe ²	10.33	13.20	20.97	31.34	34.16	n/a	12.91
Cost of blending ⁴	11,762	–	–	–	–	–	11,762
Change in inventory position	(49)	–	–	(1,319)	(977)	–	(2,345)
Production costs	56,628	23,227	11,321	34,543	12,528	(23,078)	115,169

Management's Discussion and Analysis

For the three and six months ended June 30, 2019

USD Thousands	Six months ended – June 30, 2018					
	Canada - Suffield	Malaysia	France	Netherlands ⁵	Other ³	Total
Operating costs¹	44,122	35,200	15,133	3,374	(23,078)	74,751
USD/boe ²	10.65	25.20	33.84	22.22	n/a	12.17
Cost of blending⁴	14,145	–	–	–	–	14,145
Change in inventory position	(1,144)	(288)	1,770	–	–	338
Production costs	57,123	34,912	16,903	3,374	(23,078)	89,234

¹ See definition on page 22 under "Non-IFRS measures".

² USD/boe in the tables above is calculated by dividing the cost by the production volume for each country for the period.

³ Included in the Malaysia operating costs is the lease cost for the FPSO Bertam which is owned by the Group. Other represents the FPSO Bertam lease fee self-to-self payment elimination. Netting the self-to-self elimination against the operating costs in Malaysia reduces the operating cost per boe for Malaysia to USD 11.91 and USD 9.57 for Q2 2019 and Q2 2018 respectively and USD 11.17 and USD 8.67 for the six months ended June 30, 2019 and June 30, 2018 respectively.

⁴ Cost of blending represents the contracted purchase of diluent used for blending net of proceeds from the sale of surplus diluent. A cost of USD 746 thousand and USD 134 thousand was recognized relating to the difference between the cost and sale proceeds of the surplus diluent for Q2 2019 and Q2 2018 respectively and USD 1,153 thousand and USD 766 thousand for the six months ended June 30, 2019 and June 30, 2018 respectively.

⁵ On December 1, 2018, IPC completed the sale of its non-core, non-operated gas assets in the Netherlands.

Operating costs

Operating costs amounted to USD 52,936 thousand for Q2 2019 compared to USD 37,976 thousand for Q2 2018 and USD 105,752 thousand for the first six months of 2019 compared to USD 74,751 thousand for the first six months of 2018.

The increase in operating costs is mainly due to the contribution of the former BlackPearl assets in Canada and is in line with forecast. Operating costs per boe amounted to USD 12.62 per boe in Q2 2019 compared with USD 11.96 per boe in Q2 2018 and is below CMD guidance of USD 12.90 per boe for Q2 2019.

The full year operating costs guidance remains unchanged at USD 12.90 per boe.

Cost of blending

For the Suffield Assets in Canada, oil production is blended with purchased condensate diluent to meet pipeline specifications. The cost of the diluent net of proceeds from the sale of surplus diluent amounted to USD 6,090 thousand for Q2 2019 compared to USD 7,238 thousand for Q2 2018 and USD 11,762 thousand for the first six months of 2019 compared to USD 14,145 thousand for the first six months of 2018. As a result of the blending, actual sales volumes are higher than produced barrels. A cost of USD 746 thousand and USD 134 thousand was recognized relating to the difference between the cost and sale proceeds of the surplus diluent for Q2 2019 and Q2 2018 respectively and USD 1,153 thousand and USD 766 thousand for the six months ended June 30, 2019 and June 30, 2018 respectively.

Change in inventory position

The Bertam field in Malaysia is located offshore and production is lifted and sold from the FPSO Bertam when a cargo parcel size is reached. Accordingly, the timing of a lifting varies based on the inventory level on the FPSO facility and the change in inventory position varies, both positively and negatively, from period to period. Inventories are valued at the lower of cost including depletion and market value and the difference in the valuation between period ends is reflected in the change in inventory position in the statement of operations. At the end of the reporting period, IPC had crude entitlement of 173,000 barrels of oil on the FPSO Bertam facility.

In the Aquitaine Basin, France, there was no cargo lifting in the first six months of 2019 compared to one cargo lifting in the comparative period in January 2018.

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For the three and six months ended June 30, 2019

Depletion and decommissioning costs

The total depletion and decommissioning costs amounted to USD 29,697 thousand for Q2 2019 compared to USD 24,118 thousand for Q2 2018 and USD 59,558 thousand for the first six months of 2019 compared to USD 47,280 thousand for the first six months of 2018, with the inclusion of a USD 6,365 thousand depletion charge for Q2 2019 and USD 13,408 thousand for the first six months of 2019 relating to the former BlackPearl assets. The depletion charge is analyzed in the following tables:

	Three months ended – June 30, 2019					
	Canada – Suffield	Canada – Thermal	Canada – Other	Malaysia	France	Total
Depletion cost in USD thousands	12,671	6,089	276	8,043	2,618	29,697
USD per boe	5.50	6.98	0.99	14.26	14.73	7.08

	Three months ended – June 30, 2018					
	Canada – Suffield	Malaysia	France	Netherlands ¹	Total	
Depletion cost in USD thousands	10,873	8,985	3,660	600	24,118	
USD per boe	4.99	12.94	15.78	8.63	7.59	

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

	Six months ended – June 30, 2019					
	Canada – Suffield	Canada – Thermal	Canada – Other	Malaysia	France	Total
Depletion cost in USD thousands	24,004	12,322	1,086	16,317	5,829	59,558
USD per boe	5.52	7.00	2.01	14.26	14.74	7.27

	Six months ended – June 30, 2018					
	Canada – Suffield	Malaysia	France	Netherlands ¹	Total	
Depletion cost in USD thousands	20,898	18,074	6,952	1,356	47,280	
USD per boe	5.04	12.94	15.54	8.93	7.70	

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

The depletion charge is derived by applying the depletion rate per boe to the volumes produced in the period by each field.

Depreciation of other assets

The total depreciation of other assets amounted to USD 7,789 thousand for Q2 2019 compared to USD 7,789 thousand for Q2 2018 and USD 15,578 thousand for the first six months of 2019 compared to USD 15,749 thousand for the first six months of 2018. This related to the depreciation of the FPSO Bertam, which is being depreciated in the reporting period on a straight line basis over the six year lease period on the Bertam field from April 2015.

General, administrative and depreciation expenses

General, administrative and depreciation expenses amounted to USD 2,714 thousand for Q2 2019 compared to USD 3,343 thousand for Q2 2018 and USD 6,025 thousand for the first six months of 2019 compared to USD 7,077 thousand for the first six months of 2018.

Management's Discussion and Analysis

For the three and six months ended June 30, 2019

Net financial items

Net financial items for Q2 2019 amounted to USD 6,164 thousand compared to USD 15,048 thousand for Q2 2018 and USD 10,231 thousand for the first six months of 2019 compared to USD 24,201 thousand for the first six months of 2018 and included a largely non-cash net foreign exchange gain of USD 4,960 thousand for Q2 2019 compared to a net foreign exchange loss of USD 8,175 thousand in Q2 2018 and a largely non-cash net foreign exchange gain of USD 8,859 thousand for the first six months of 2019 compared to a net foreign exchange loss of USD 9,594 thousand for the first six months of 2018. The foreign exchange movements mainly result from the revaluation of intra-group loan funding balances.

Excluding foreign exchange movements, the net financial items amounted to USD 11,124 thousand for Q2 2019, compared to USD 6,873 thousand for Q2 2018 and USD 19,090 thousand for the first six months of 2019 compared to USD 14,607 thousand for the first six months of 2018. The interest expense for Q2 2019 amounted to USD 7,277 thousand compared to USD 3,939 thousand for Q2 2018 and USD 11,571 thousand for the first six months of 2019 compared to USD 8,373 thousand for the first six months of 2018 and included additional interest expense associated with the acquired BlackPearl financing facilities as well as a make-whole expense for the senior notes which were redeemed early as part of the Canadian refinancing during Q2 2019. The unwinding of the asset retirement obligation discount rate amounted to USD 2,651 thousand for Q2 2019 compared to USD 2,341 thousand for Q2 2018 and USD 5,317 thousand for the first six months of 2019 compared to USD 4,729 thousand for the first six months of 2018 and the increase is due to the inclusion of the former BlackPearl asset retirement obligation at the year end partly offset by the removal of the unwinding expense following the sale of the assets in the Netherlands in December 2018.

Income tax

The corporate income tax charge for Q2 2019 amounted to USD 4,665 thousand compared to a charge of USD 6,031 thousand for Q2 2018 and a charge of USD 11,030 thousand for the first six months of 2019 compared to USD 4,404 thousand for the first six months of 2018. There was a current tax credit of USD 7,196 thousand in Q1 2018 largely related to a non-recurring Dutch petroleum tax refund relating to historical intragroup charges and an industry change in the calculation of the present value of the asset retirement obligation.

Management's Discussion and Analysis

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Capital Expenditure

Development and exploration and evaluation expenditure incurred in the first six months of 2019 was as follows:

USD Thousands	Canada – Suffield	Canada – Thermal	Canada – Other	Malaysia	France	Total
Development	17,067	14,901	927	4,197	10,429	47,521
Exploration and evaluation	–	–	7,761	6,082	78	13,921
	17,067	14,901	8,688	10,279	10,507	61,442

Capital expenditure of USD 61,442 thousand was mainly spent on drilling on the Suffield Assets, Onion Lake Thermal facilities and the commencement in Q2 2019 of the drilling campaign in Malaysia and the Vert La Gravelle redevelopment in France. In addition, the acquisition costs of the land and contingent resource position adjacent to the Blackrod property are reflected under Canada – Other exploration and evaluation costs. The guidance given at Q1 2019 for the full year 2019 remains unchanged at USD 188 million.

Other tangible fixed assets

Other tangible fixed assets amounted to USD 76,595 thousand as at June 30, 2019, which included USD 72,988 thousand in respect of the FPSO Bertam. The FPSO Bertam is being depreciated in the reporting period on a straight line basis over the six year lease period on the Bertam field from April 2015.

Acquisition of BlackPearl

On December 14, 2018, IPC completed the BlackPearl Acquisition for total consideration of USD 288,643 thousand. The purchase price has been allocated, on a preliminary basis, as follows:

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

USD Thousands	
Cash and cash equivalents	2,572
Trade and other receivables	883
Inventory	42
Prepaid expenses and deposits	882
Fair value of risk management assets	13,909
Deferred tax assets	69,592
Property, plant and equipment	370,647
Other fixed assets	1,037
Accounts payable and accrued liabilities	(16,587)
Fair value of risk management liabilities	(1,564)
Decommissioning liabilities	(28,708)
Long-term debt	(113,728)
Other provisions	(1,321)
MTM reserve in equity	(9,013)
Total Consideration	288,643
Settled by:	
Equity instruments (75,798,219 common shares of IPC)	288,643

Acquisition-related costs of approximately USD 2.3 million have been recognized in the income statement for the year ended December 31, 2018. No material acquisition-related costs were recognized in the first six months of 2019.

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

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Financial Position and Liquidity

Financing

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

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

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

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

The borrowing base availability under the Group's reserve-based lending credit facility is currently USD 166 million of which USD 43 million was outstanding as at June 30, 2019. The borrowing base availability of IPC Canada's reserve-based lending credit facility is currently CAD 375 million of which CAD 269 million was outstanding as at June 30, 2019.

Total net debt as at June 30, 2019, amounted to USD 239 million.

Assuming a Brent oil price of USD 60 per barrel, Canadian WTI-WCS oil price differentials of USD 20 per barrel and gas prices in Canada of CAD 2.5 per Mcf for the rest of the year, the Group expects to fully fund the proposed 2019 capital program from operating cash flow. In line with IPC's financial strategy, the Group plans to continue to use its free cash flows, after operations related costs and capital expenditure, to repay outstanding debt under the credit facilities. The Group is in full compliance with the covenants under the credit facilities, which are customary for the size and nature of such facilities.

Cash and cash equivalents held amounted to USD 9,226 thousand as at June 30, 2019. The Corporation holds cash to meet imminent operational funding requirements in the different countries.

In connection with the Spin-Off, effective January 1, 2017, IPC owed working capital in favor of Lundin Petroleum. The final settlement of USD 14 million was paid in June 2019 and no further amounts are outstanding to Lundin Petroleum in this respect.

Working Capital

As at June 30, 2019, the Group had a net working capital balance including cash of USD 17,752 thousand compared to USD 2,584 thousand as at December 31, 2018. The main movement in working capital during Q2 2019 results from the payment of the residual liability for working capital owed to Lundin Petroleum of USD 14,243 thousand.

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Non-IFRS Measures

In addition to using financial measures prescribed under IFRS, references are made in this MD&A to "operating cash flow", "EBITDA", "operating costs" and "net debt", which are non-IFRS measures. Non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other public companies. Non-IFRS measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

The Corporation uses non-IFRS measures to provide investors with supplemental measures. Management also uses non-IFRS measures internally in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess the Group'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 the Group's operating performance and financial condition on a basis that is more consistent and comparable between reporting periods. The Corporation also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of public companies. Forward-looking statements are provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes.

"Operating cash flow" is calculated as revenue less production costs less current tax. Operating cash flow is used to analyze the amount of cash that is being generated available for capital investment and servicing debt.

"EBITDA" is calculated as net result before financial items, taxes, depletion of oil and gas properties, exploration costs, impairment costs and depreciation and adjusted for non-recurring profit/loss on sale of assets and other income.

"Operating cost" is calculated as production costs excluding any change in the inventory position and the cost of blending and is used to analyze the cash cost of producing the oil and gas volumes.

"Net debt" is calculated as bank loans less cash and cash equivalents. "Net cash" is cash and cash equivalents less bank loans.

Reconciliation of Non-IFRS Measures

Operating cash flow

The following table sets out how operating cash flow is calculated from figures shown in the interim condensed consolidated financial statements:

USD Thousands	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Revenue	129,357	120,637	276,777	235,799
Production costs	(52,396)	(42,936)	(115,169)	(89,234)
Current tax	(465)	(1,014)	(2,056)	6,182
Operating cash flow	76,496	76,687	159,552	152,747

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EBITDA

The following table sets out the reconciliation from net result from the face of the consolidated statement of operations to EBITDA:

USD Thousands	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Net result	25,744	21,498	58,886	47,811
Net financial items	6,164	15,048	10,231	24,201
Income tax	4,665	6,031	11,030	4,404
Depletion	29,697	24,118	59,558	47,280
Depreciation of other assets	7,789	7,789	15,578	15,749
Exploration and business development costs	188	(126)	300	43
Depreciation included in general, administration and depreciation expenses ¹	353	120	692	281
EBITDA	74,600	74,478	156,275	139,769

¹ Item is not shown in the interim condensed consolidated financial statements

Operating costs

The following table sets out how operating costs is calculated:

USD Thousands	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Production costs	52,396	42,936	115,169	89,234
Cost of blending ¹	(6,090)	(7,238)	(11,762)	(14,145)
Change in inventory position	6,630	2,278	2,345	(338)
Operating costs	52,936	37,976	105,752	74,751

¹ Item is not shown in the consolidated financial statements. See production costs section above.

Net debt

The following table sets out how net debt is calculated from figures shown in the consolidated financial statements:

USD Thousands	June 30, 2019	December 31, 2018
Bank loans	248,548	232,357
Senior secured notes	–	55,030
Cash and cash equivalents	(9,226)	(10,626)
Net debt	239,322	276,761

Off-Balance Sheet Arrangements

On May 1, 2018, IPC, through its subsidiary IPC Canada Ltd (then known as IPC Alberta Ltd.), had issued a letter of credit for an amount of CAD 4 million in respect of its obligations to purchase diluent. This letter of credit is still outstanding.

IPC has also guaranteed the pipeline obligations of its subsidiary, IPC Canada Ltd, in respect of its gathering and transportation of crude oil for a maximum amount of CAD 3.6 million.

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Outstanding Share Data

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

As at January 1, 2018, the total number of common shares issued and outstanding in IPC was 87,921,846. In connection with the completion of the BlackPearl Acquisition, IPC issued a total of 75,798,219 common shares to the former shareholders of BlackPearl. As at August 6, 2019, IPC has a total of 163,720,065 common shares issued and outstanding with no par value.

Nemesia S.à.r.l., Lorito Holdings S.à.r.l. and Zebra Holdings and Investments S.à.r.l., investment companies wholly owned by a Lundin family trust, own 37,903,757 common shares in IPC.

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 and do not carry the right to vote on matters to be decided by the holders of IPC's common shares.

IPC has 1,810,566 stock options and 951,565 IPC Performance and Restricted Share Plan awards (638,519 awards granted in July 2018 and 313,046 awards granted in March 2019), outstanding as at August 6, 2019.

Contractual Obligations and Commitments

As part of the acquisition of the Suffield Assets, the Group is required to pay Cenovus Energy Inc. additional cash consideration dependent upon the future prices of oil and natural gas for each month between January 2018 and December 2019. A total estimated contingent consideration of CAD 10,371 thousand (USD 8,354 thousand) has been reflected in the Financial Statements. Of this amount, the contingent consideration paid in 2018 and during the first six months of 2019 amounted to CAD 6,864 thousand (USD 5,275 thousand) in total, being CAD 4,861 thousand (USD 3,730 thousand) for oil and CAD 2,003 thousand (USD 1,545 thousand) for gas. The maximum undiscounted amount of all future payments that the Group could be required to pay from June 30, 2019 to December 31, 2019, is up to CAD 9 million (USD 7 million).

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 Provisions of the Financial Statements.

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. There are up to four one-year options to extend the lease period under the current agreement.

Critical Accounting Policies and Estimates

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

Transactions with Related Parties

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

Lundin Petroleum has charged the Group USD 353 thousand in respect of office space rental and USD 988 thousand in respect of shared services provided during the first six months of 2019.

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

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Financial Risk Management

As an international oil and gas exploration and production company, IPC is exposed to financial risks such as interest rate risk, currency risk, credit risk, liquidity risks as well as the risk related to the fluctuation in the oil price. The Group seeks to control these risks through sound management practice and the use of internationally accepted financial instruments, such as oil and gas price, interest rate or foreign exchange hedges as the case may be. Financial instruments will be solely used for the purpose of managing risks in the business. As at June 30, 2019, the Corporation had entered into oil and gas price hedges – see below.

Management believes that the cash resources, other current assets and cash flow from operations are sufficient to finance the Group's operations and capital expenditures program over the next year.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to meet its committed financial liabilities and work program requirements in order to create shareholder value. The Group may put in place new credit facilities, repay debt, or pursue other such restructuring activities as appropriate.

Management of the Corporation will continuously monitor and manage the Group's capital, liquidity and net debt position in order to assess the requirement for changes to the capital structure to meet the objectives and to maintain flexibility.

Price of Oil and Gas

Prices of oil and gas are affected by the normal economic drivers of supply and demand as well as by financial investors and market uncertainty. Factors that influence these prices include operational decisions, prices of competing fuels, natural disasters, economic conditions, transportation constraints, political instability or conflicts or actions by major oil exporting countries. Price fluctuations will affect the Group's financial position.

Based on analysis of the circumstances, the management assesses the benefits of forward hedging monthly sales contracts for the purpose of protecting cash flow. If management believes that a hedging contract will appropriately help manage cash flow then it may choose to enter into a commodity price hedge.

The Group had gas price purchase hedges outstanding as at June 30, 2019 which are summarized as follows:

Period	Volume (Gigajoules (GJ) per day)	Basis	Average Pricing
Gas Purchase			
July 1, 2019 – December 31, 2019	10,000	AECO 5a	CAD 1.57/GJ
January 1, 2020 – December 31, 2020	4,000	AECO 5a	CAD 1.49/GJ

The Group had oil price sales hedges outstanding as at June 30, 2019 which are summarized as follows:

Period	Volume (barrels per day)	Weighted Average Floor (WTI in USD)	Weighted Average Cap (WTI in USD)
Oil Sales			
July 1, 2019 – September 30, 2019	7,500	50.00	72.88
October 1, 2019 – December 31, 2019	3,000	49.45	68.15
January 1, 2020 – March 31, 2020	3,500	50.00	77.50
April 1, 2020 – June 30, 2020	6,150	35.00	71.74

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

These hedges had a fair value net liability of USD 486 thousand at June 30, 2019.

Currency Risk

The Group's policy on currency rate hedging is, in the case of currency exposure, to consider fixing the rate of exchange. The Group will take into account the currency exposure, current rates of exchange and market expectations in comparison to historic trends and volatility in making the decision to hedge.

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Interest Rate Risk

Interest rate risk is the risk to earnings due to uncertain future interest rates on borrowings. The Group will take into account the level of external debt, current interest rates and market expectations in comparison to historic trends and volatility in making the decision to hedge.

Credit Risk

The Group may be exposed to third party credit risk through contractual arrangements with counterparties who buy the Group's hydrocarbon products. The Group's policy is to limit credit risk by only entering into oil and gas sales agreements with reputable and creditworthy oil and gas and trading companies. Where it is determined that there is a credit risk for oil and gas sales, the Group's policy is to require credit enhancement from the purchaser.

The Group's policy on joint venture parties is to rely on the provisions of the underlying joint operating agreements to take possession of the licence or the joint venture partner's share of production for non-payment of cash calls or other amounts due. In addition, cash is to be held and transacted only through major banks.

RISK AND UNCERTAINTIES

IPC is engaged in the exploration, development and production of oil and gas and is exposed to various operational, environmental, market and financial risks and uncertainties. For further information and discussion of these risks and uncertainties, please see IPC's Annual Information Form for the year ended December 31, 2018 available on SEDAR at www.sedar.com or on IPC's website at www.international-petroleum.com. See also "Cautionary Statement Regarding Forward-Looking Information" and "Reserves and Resource Advisory" in this MD&A.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. Management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures.

Internal Controls over Financial Reporting

Management is also responsible for the design of the Group's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud.

There have been no material changes to the Groups internal control over financial reporting during the three month periods ended June 30, 2019, that have materially affected, or are reasonably likely to materially affect, the Group's internal control over financial reporting.

Control Framework

Management assesses the effectiveness of the Corporation's internal control over financial reporting using the Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Acquisition of BlackPearl

The BlackPearl Acquisition was completed less than 365 days from the end of the current financial period. As such, under applicable Canadian reporting requirements, the Group is not required to and is not certifying as to the design and operating effectiveness of disclosure controls and procedures and internal controls over financial reporting in respect of these assets.

Summary financial information related to BlackPearl is presented in the Note 9 of the Financial Statements.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A 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 the Corporation'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 MD&A are expressly qualified by this cautionary statement. Forward-looking statements speak only as of the date of this MD&A, 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:

- our intention and ability to continue to implement our strategies to build long-term shareholder value;
- our intention to review future potential growth opportunities;
- the ability of our portfolio of assets to provide a solid foundation for organic and inorganic growth;
- the continued facility uptime and reservoir performance in our areas of operation;
- the proposed Vert La Gravelle development project, including drilling, and other organic growth opportunities in France, including the Villeperdue West project;
- the proposed third phase of infill drilling in Malaysia and the ability to identify and mature additional locations, and the production uplift from such drilling;
- future development potential of the Suffield operations, including continued and future oil drilling and gas optimization programs and the N2N EOR development project (including estimated peak rates and timing of such project);
- the proposed further conventional oil drilling in Canada, including the ability of such drilling to identify further drilling or development opportunities;
- development of the Blackrod project, including the land position acquired in May 2019, in Canada;
- the results of the facility optimization program, the work to debottleneck the facilities and injection capability and the F-Pad production, as well as water intake and steam generation issues, at Onion Lake Thermal;
- 2019 production range, exit rate, operating costs and capital expenditure estimates;
- potential further acquisition opportunities;
- estimates of reserves;
- estimates of contingent resources;
- estimates of prospective resources;
- the ability to generate 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", "contingent resources" and "prospective 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. See also "Reserves and Resource Advisory".

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, labor 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 IPC can give no 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.

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These include, but are not limited to:

- 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, environmental and abandonment 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 the Financial Statements, the Corporation's Annual Information Form (AIF) for the year ended December 31, 2018 (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) or IPC's website (www.international-petroleum.com).

RESERVES AND RESOURCE ADVISORY

This MD&A contains references to estimates of gross and net reserves and resources attributed to the Corporation's oil and gas assets. Gross reserves / resources are the working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests. Net reserves / resources are the working interest (operating or non-operating) share after deduction of royalty obligations, plus royalty interests in reserves/resources, and in respect of PSCs in Malaysia, adjusted for cost and profit oil. Unless otherwise indicated, reserves / resource volumes are presented on a gross basis.

Reserves estimates, contingent resource estimates and estimates of future net revenue in respect of IPC's oil and gas assets in the Suffield area of Canada are effective as of December 31, 2018, and are included in the report prepared by McDaniel & Associates Consultants Ltd. (McDaniel), an independent qualified reserves evaluator, 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, 2019 price forecasts.

Reserves estimates, contingent resource estimates and estimates of future net revenue in respect of IPC's oil and gas assets in the Onion Lake, Blackrod and Mooney areas of Canada are effective as of December 31, 2018, and are included in reports prepared by Sproule Associates Limited (Sproule), an independent qualified reserves evaluator, in accordance with NI 51-101 and the COGE Handbook, and using McDaniel's January 1, 2019 price forecasts.

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 and Malaysia are effective as of December 31, 2018, and are included in the report prepared by ERC Equipoise Ltd. (ERCE), an independent qualified reserves auditor, in accordance with NI 51-101 and the COGE Handbook, and using McDaniel's January 1, 2019 price forecasts.

The contingent resource estimates in respect of the oil and gas assets acquired in May 2019 in the Blackrod area of Canada are effective as of December 31, 2018, and have been evaluated by Sproule, in accordance with NI 51-101 and the COGE Handbook. The lands acquired will be part of the planned SAGD development at Blackrod and have the same classification (Development on Hold) as the other Blackrod lands. The same chance of development risk (77%) has been applied to the acquired lands as was used for Phase 2 and Phase 3 of the Blackrod project. These lands will be incorporated into the Phase 2 and Phase 3 development plan going forward. Additional details regarding the planned development at Blackrod, including an assessment of the contingencies, timing and economics for the proposed development, are available in the AIF.

The price forecasts used in the reserve reports are available on the website of McDaniel (www.mcdan.com), and are contained in the AIF.

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The reserve life index (RLI) is calculated by dividing the 2P reserves of 288 MMboe as at December 31, 2018, by the mid-point of the initial 2019 production guidance of 46,000 to 50,000 boepd. The reserves replacement ratio is based on 2P reserves of 129.1 MMboe as at December 31, 2017 (including the 2P reserves attributable to the acquisition of the Suffield area assets which completed on January 5, 2018), production during 2018 of 12.4 MMboe, additions to 2P reserves during 2018 of 12.7 MMboe and 2P reserves of 128.0 MMboe as at December 31, 2018 (excluding the 2P reserves attributable to the BlackPearl Acquisition which completed on December 14, 2018).

Light, medium and heavy crude oil reserves/resources disclosed in this MD&A include solution gas and other by-products.

"2P reserves" means 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. "Possible reserves" are those reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Each of the reserves categories reported (proved and probable) may be divided into developed and undeveloped categories. "Developed reserves" are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing. "Developed producing reserves" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty. "Developed non-producing reserves" are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown. "Undeveloped reserves" are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

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 the Corporation's contingent resources are classified as either development on hold or development unclarified. Development on hold is defined as a contingent resource where there is a reasonable chance of development, but there are major non-technical contingencies to be resolved that are usually beyond the control of the operator. 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.

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 the MD&A 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 the Corporation's control. There is uncertainty that it will be commercially viable to produce any portion of the contingent resources referred to in the MD&A.

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Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Chance of discovery is the estimated probability that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum. There is no certainty that any portion of the prospective resources estimated in the report audited by ERCE and summarized in this MD&A will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources audited. Estimates of the prospective resources should be regarded only as estimates that may change as additional information becomes available. Not only are such prospective resources estimates based on that information which is currently available, but such estimates are also subject to uncertainties inherent in the application of judgmental factors in interpreting such information. Prospective resources should not be confused with those quantities that are associated with contingent resources or reserves due to the additional risks involved. Because of the uncertainty of commerciality and the lack of sufficient exploration drilling, the prospective resources estimated in the report audited by ERCE and summarized in this MD&A cannot be classified as contingent resources or reserves. The quantities that might actually be recovered, should they be discovered and developed, may differ significantly from the estimates in the report audited by ERCE and summarized in this MD&A.

Reserves and contingent resources included in the reports prepared by McDaniel, Sproule and ERCE, as applicable, have been aggregated in this document by IPC. Estimates of reserves, resources and future net revenue for individual properties may not reflect the same level of confidence as estimates of reserves, resources and future net revenue for all properties, due to aggregation. This MD&A contains estimates of the net present value of the future net revenue from IPC's reserves. The estimated values of future net revenue disclosed in this MD&A 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.

References to "contingent resources" do not constitute, and should be distinguished from, references to "reserves". References to "prospective resources" do not constitute, and should be distinguished from, references to "contingent resources" and "reserves".

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.

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OTHER SUPPLEMENTARY INFORMATION

Abbreviations

CAD or CA\$	Canadian dollar
EUR or €	Euro
USD or US\$	US dollar
MYR	Malaysian Ringgit
FPSO	Floating Production Storage and Offloading (facility)

Oil related terms and measurements

AECO	The daily average benchmark price for natural gas at the AECO hub in southeast Alberta
°API	An indication of the specific gravity of crude oil on the API (American Petroleum Institute) gravity scale
ASP	Alkaline surfactant polymer (an EOR process)
bbl	Barrel (1 barrel = 159 litres)
boe ¹	Barrels of oil equivalents
boepd	Barrels of oil equivalents per day
bopd	Barrels of oil per day
Bscf	Billion standard cubic feet
Empress	The benchmark price for natural gas at the Empress point at the Alberta/Saskatchewan border
EOR	Enhanced Oil Recovery
Mbbl	Thousand barrels
MMbbl	Million barrels
Mboe	Thousand barrels of oil equivalents
Mboepd	Thousand barrels of oil equivalents per day
Mbopd	Thousand barrels of oil per day
MMboe	Million barrels of oil equivalents
Mcf	Thousand cubic feet
NGL	Natural gas liquid
SAGD	Steam assisted gravity drainage (a thermal recovery process)
WTI	West Texas Intermediate (a light oil reference price)
WCS	Western Canadian Select (a heavy oil reference price)

¹ All volume references to boe are calculated on the basis of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) unless otherwise indicated. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Boes may be misleading, particularly if used in isolation. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Management's Discussion and Analysis

For the three and six months ended June 30, 2019

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