

International Petroleum Corp. Announces Strategic Acquisition To More Than Triple Production and Reserves

Agreement Signed to Acquire Suffield and Alderson Oil and Gas Assets in Alberta, Canada

International Petroleum Corporation (“IPC” or the “Corporation”) (TSX, Nasdaq First North: IPCO) is pleased to announce that a wholly-owned subsidiary of IPC has entered into an agreement with Cenovus Energy Inc. (“Cenovus”) to acquire all of Cenovus’ interests in the conventional oil and natural gas assets in the Suffield and Alderson areas of southern Alberta, Canada (the “Acquisition”). The purchase consideration for the Acquisition is CAD 512 million⁽¹⁾, subject to closing adjustments and to certain additional contingent consideration, and is expected to be fully funded by IPC through debt financing. All amounts are in Canadian dollars unless otherwise noted.

Mike Nicholson, CEO comments: “We are very excited to enter into this transformational acquisition of high quality operated assets only five months after the launch of IPC. The Suffield and Alderson assets have been operated safely and efficiently by Cenovus and we are pleased to have reached this agreement to acquire these conventional producing assets as Cenovus focuses on its oil sands and Deep Basin assets. This acquisition fits perfectly with IPC’s strategy of leveraging our existing producing asset base as a platform for value accretive acquisitions of long-life, low-decline producing assets in stable jurisdictions with upside development potential.”

The Suffield and Alderson oil and natural gas assets are held over a large, contiguous land position of 800,000 net acres of shallow natural gas rights and 100,000 net acres of oil rights in southern Alberta. IPC has agreed to acquire 100% operatorship (98.8% working interest) in the oil and natural gas assets which are forecast to produce an average of approximately 6,900 barrels of oil per day (bopd) and approximately 102 million standard cubic feet of natural gas per day during 2017, for a total average of approximately 24,000 barrels of oil equivalent per day (boepd). These producing fields have low production costs and significant future development potential from a combination of low risk development drilling, well stimulation and enhanced oil recovery (EOR) opportunities, which have not been undertaken for a number of years due to Cenovus’ capital allocation priorities.

In conjunction with the Acquisition, IPC has received commitments from BMO Capital Markets for new credit facilities of CAD 325 million in respect of the Suffield and Alderson assets and for an increased reserve-based lending facility of USD 200 million in respect to IPC’s existing international assets.

The Acquisition remains subject to regulatory approvals and is expected to be completed in the fourth quarter of 2017. IPC has also agreed to certain contingent purchase price payments to Cenovus, which may become payable based on increased average oil and natural gas prices during 2018 and 2019. Under the terms of the agreement, IPC will make payments to Cenovus for each month in which the average daily price of West Texas Intermediate (WTI) is above USD 55 per barrel (bbl) or natural gas prices at the Henry Hub are above USD 3.50 per million British thermal units (MMBtu). These payments are capped for each commodity, with a maximum combined payment of CAD 36 million in aggregate.

Strategic Rationales

The Acquisition is consistent with IPC management's strategy for the Corporation to be a leading independent oil and gas company focused on production of high quality assets in stable jurisdictions around the world.

- **Stable low-decline production and positive cash flow in a favourable fiscal regime:** The Acquisition represents the entry of IPC into Canada and consists of stable long-life oil and natural gas production:
 - 2017 average forecast production of approximately 24,000 boepd
 - Proved plus probable (2P) gross reserve to production life index (RLI) of 11.4 years⁽²⁾⁽³⁾ which is accretive to IPC's RLI of 8.1 years as at 31 December 2016
 - Net operating income of CAD 96 million for 2016 (CAD 319 million in 2014 when commodity prices were higher, demonstrating strong leverage to commodity price upside)
 - The effective tax rate is favourable with a forecast rate at approximately 23%
- **Gross 2P reserves as at January 1, 2018 of 99.6 million barrels of oil equivalent (mmboe) and best estimate contingent resources of 46.1 mmboe.**⁽²⁾⁽³⁾
 - 26.5Mboe gross 2P reserves of oil and liquids, and 73.1 mmboe (or 438 billion standard cubic feet) gross 2P reserves of natural gas
- **Attractive Acquisition Metrics:**
 - CAD 4.80 per boe of gross 2P reserves⁽²⁾⁽³⁾; USD 4.00 per boe of gross 2P reserves (based on an exchange rate of CAD 1.20 to USD 1.00)
 - CAD 21,300 per boepd of estimated 2017 production⁽²⁾
- **Low cost operations:**
 - Forecast 2017 production costs of less than CAD 10.00 per boe
- **Pro forma IPC group leverage (net debt to EBITDA) is expected to remain below 2.50 times at 2017 year end.**⁽⁴⁾
- **Control over HSE, development and investment:** The Acquisition provides IPC with operatorship and control of the operations and production with almost 100% working interest.
- **Self-funded low-risk development upside:** The Acquisition provides IPC with access to positive cash flow and to development opportunities which could increase production and reserves. These development projects have not have been pursued due to Cenovus' capital allocation priorities.
- **Access to full organisation available with local knowledge and operating capability:** Certain Cenovus operating and asset management personnel are expected to transition into IPC allowing a smooth integration, providing IPC with the ability to leverage the depth of knowledge and understanding of the assets to achieve IPC's growth objectives.

Asset Description

The Suffield and Alderson assets have been operated by Cenovus and its predecessors for more than 40 years. The oil is produced using conventional recovery methods via water drive with pumped multi-lateral horizontal wells. The production is collected in a network of pipelines and transported to a central processing facility.

Management of IPC believes that the oil upside relates to low risk development drilling. There is also low risk upside in ASP (Alkaline-Surfactant-Polymer) flood expansion. This process has been demonstrated to work in two fields, and IPC's plan is to extend into a third field which is near the existing infrastructure.

Sweet natural gas production in Suffield and Alderson is via shallow wells producing from multiple formations. The wells produce into a network of natural gas pipelines with a number of compressor stations. IPC believes that the production is low maintenance with optimization potential.

Cenovus is a strong and capable operator, with established maintenance routines and rigorous HSE procedures. IPC is pleased that arrangements are being made to transition certain Cenovus employees who have the experience in managing and operating these assets across to IPC.

The Suffield and Alderson assets are low cost: less than CAD 10.00 per boe production costs are forecast in 2017; approximately CAD 1 million per well on average for oil development drilling and approximately CAD 200,000 per well on average for gas development drilling, including completion. No oil wells have been drilled since 2014 and no gas wells have been drilled since 2010 due to Cenovus' capital allocation priorities.

Financing of the Acquisition

IPC will finance the Acquisition through its existing cash resources and operating cash flows as well as draws on its existing and new reserve-based lending facilities. Concurrent with the Acquisition, IPC expects to increase its existing reserve-based lending facility of USD 100 million to USD 200 million and IPC will add new acquisition credit facilities of CAD 325 million. The combination of the high quality of the Suffield and Alderson assets, as well as the existing relationships that IPC has developed with its banks, including BMO Capital Markets, facilitated this financing.

Notes:

- (1) CAD 12 million will be payable at end June 2018.
- (2) Assumes 2017 average forecast production of approximately 24,000 boepd and forecast year end 2017 gross 2P reserves of 99.6 mmmboe. The forecast year end 2017 gross 2P reserves are based upon the assessment by McDaniel & Associates Consultants Ltd. (McDaniel) effective September 1, 2017 with reserves volumes calculated from an economic reference date of December 31, 2017. The ratio does not include any contingent purchase price payment that may become payable by IPC to Cenovus.
- (3) Reserves estimates and best estimate contingent resource estimates are based on the evaluation of the Suffield and Alderson assets as at September 1, 2017 reported from an economic reference date of December 31, 2017 prepared by McDaniel, an independent qualified reserve evaluator, in accordance with National Instrument 51-101 (NI 51-101) and the Canadian Oil and Gas Evaluation Handbook (the COGE Handbook), and using McDaniel's July 1, 2017 price forecasts. The ratio of CAD 4.80 per boe has been estimated by IPC based upon the purchase price, not including any contingent purchase price payment, divided by the sum of estimated reserves remaining at January 1, 2018 and estimated produced oil and gas from the effective date of the Acquisition through to year end 2017.
- (4) Based on IPC management's projection of debt outstanding under IPC's credit facilities, on IPC management's projection of EBITDA for existing assets and on information provided by Cenovus to date, for the full calendar year 2017.

Webcast Today: 3:00 p.m. CEST, 9:00 a.m. EST

A webcast will be held today, September 25, 2017, starting at 3:00 p.m. CEST, 9:00 a.m. EST. Mike Nicholson, CEO and Christophe Nerguararian, CFO will discuss the Acquisition.

Dial in number(s) for participants are:
North America: +1 855 269 2605
UK: +44 20 3194 0550
Sweden: +46 85 199 93 55

A presentation related to the Acquisition will be available in connection with the webcast on IPC's website at www.international-petroleum.com.

International Petroleum Corp. (IPC) is an international oil and gas exploration and production company with a high quality portfolio of assets located in Europe and South East Asia, providing a solid foundation for organic and inorganic growth. IPC is a member of the Lundin Group of Companies. IPC is incorporated in Canada and IPC's shares are listed on the Toronto Stock Exchange (TSX) and the Nasdaq First North Exchange (Stockholm) under the symbol "IPCO". Pareto Securities AB is the Corporation's Certified Adviser on Nasdaq First North.

For further information, please contact:

Rebecca Gordon

VP Corporate Planning and Investor Relations
rebecca.gordon@international-petroleum.com
Tel: +41 22 595 10 50

Or

Robert Eriksson

Media Manager
eriksson@rive6.ch
Tel: +46 701 11 26 15

This information is information that International Petroleum Corporation is required to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the contact persons set out above, at 08:00 CEST on September 25, 2017.

ADVISORIES

Forward-Looking Statements

This press release may contain statements and information which constitute "forward-looking information" (within the meaning of applicable securities legislation). Such statements and information (together, "forward-looking statements") relate to future events, including IPC's future performance, business prospects or opportunities. Actual results may differ materially from those expressed or implied by forward-looking statements. Forward-looking statements are expressly qualified by this cautionary statement. Forward-looking statements speak only as of the date of this press release, 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, 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" 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 the timing and ability of IPC to complete the Acquisition, the timing and ability of IPC to raise sufficient debt financing to finance the Acquisition, the significant future development potential of the acquired assets and the methods we intend to use to exploit that potential, 2017 forecast average daily oil, natural gas and barrels of oil equivalent production levels, management's business strategies, RLI estimates, our belief that the acquired assets have a strong leverage to commodity price upside, forecast tax rates, forecast 2017 production costs, forecast pro forma net debt to EBITDA levels at 2017 year end, the integration of the Suffield/Alderson-related operations and employees into IPC (including IPC's belief that such employees will continue with IPC following closing), the effectiveness of development drilling, well stimulation and EOR opportunities to increase production, the effectiveness of ASP flood expansion and estimated costs to drill and complete oil and gas wells on the acquired assets. Statements relating to "reserves" and "contingent resources" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future. Ultimate recovery of reserves or resources is based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

The forward-looking information is 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 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 state of the economy and the exploration and production business; the availability and cost of financing, labour and services; ability to market crude oil, natural gas and NGL successfully; and the completion of the Acquisition and the associated debt financings on the terms and timing contemplated.

Although IPC believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because IPC can give no assurances that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature it involves inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the risks 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, 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 including the Acquisition; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory and other approvals, including the approvals required to complete the Acquisition; and changes in legislation, including but not limited to tax laws, royalties and environmental regulations. Readers are cautioned that the foregoing list of factors is not exhaustive.

Additional information on these and other factors that could affect IPC, or its operations or financial results, are included in IPC's most recently filed Management's Discussion and Analysis (See "Cautionary Statement Regarding Forward-Looking Information" therein), Non-Offering Prospectus (See "Risk Factors" and "Forward-Looking Information" therein) and other reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or IPC's website (www.international-petroleum.com).

Non-GAAP Financial Measures

References are made in this press release to "net operating income" and "net debt to EBITDA", which are not generally accepted accounting measures under IFRS, do not have any standardized meaning prescribed by IFRS, and therefore may not be comparable with definitions that may be used by other entities. 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 Corporation'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 Corporation'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 issuers. 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.

"Net Operating Income" is defined as total revenues less royalties and operating costs and is used to analyze the financial performance of IPC's oil and gas operations.

"Net Debt" is calculated as bank loans less cash and cash equivalents. "EBITDA" is calculated on a per boe basis 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. "Net Debt to EBITDA" is used to analyze the financial leverage of the Corporation.

Reserves and Resource Data

This news release contains references to estimates of gross 2P reserves and best estimate contingent resources attributed to the Suffield / Alderson assets. Gross reserves and contingent resources are the total working interest reserves before the deduction of any royalties and including any royalty interests receivable.

Reserves estimates and contingent resource estimates are based on the evaluation of the Suffield / Alderson assets as at September 1, 2017 prepared by McDaniel & Associates Consultants Ltd. (McDaniel), an independent qualified reserve evaluator, in accordance with NI 51-101 and the COGE Handbook, and using McDaniel's July 1, 2017 price forecasts. The volumes are reported from an economic reference date of December 31, 2017.

"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.

This news release contains certain oil and gas metrics which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included in this document to provide readers with additional measures to evaluate the Acquisition and the performance of the assets to be acquired, however, such measures are not reliable indicators of the future performance of such assets and the actual future performance may not compare to the performance of such assets in previous periods and therefore such metrics should not be unduly relied upon.

The reserve life index (RLI) is calculated by dividing the remaining proved plus probable reserves from December 31, 2017 by the projected 2017 average production rate.

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.

The contingent resources reported in the press release 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 Company's control. There is uncertainty that it will be commercially viable to produce any portion of the contingent resources referred to in this press release.

The contingent resources disclosed in the press release are consolidated into three project categories – shallow gas development drilling, oil development drilling, and ASP expansion. In all cases the recovery of the resources would be via established technology, are based upon conceptual development plans, are classed in either sub-economic or economic category as discussed below, and in terms of project maturity are considered in all cases as having development unclarified status.

The shallow gas drilling project is estimated to require an estimated CAD 350 to 450 million with the main contingencies being natural gas prices, refinement of project definition, and approval of the project concept. Timing of first commercial production, should the project proceed, is expected to be in the 2019 to 2025 horizon. It is likely that the project would be approved and implemented in a number of stages. The project is primarily drilling and completion scope with minimal infrastructure investment required. Positive factors include opportunity to reduce capital requirements and to improve per well production performance relative to forecast. Negative factors include natural gas price risk as well as geologic and well completion risk. The total contingent resource attributed to shallow gas drilling is 38.6 mboe with 9.5 mboe considered sub-economic and 29.1 mboe considered economic.

The oil development drilling is estimated to require CAD 75 to 100 million of capital largely consisting of drilling and completion scope with minor facility and infrastructure investments. The main contingencies relate to refinement of project definition and approval of the development concept. Timing of first commercial production, should the project proceed, is expected to be in the 2019 to 2025 horizon. It is likely that the project would be approved and implemented in a number of stages. Positive factors include opportunity to reduce capital requirements and to improve per well production performance relative to forecast. Negative factors include crude oil price risk as well as geologic and reservoir performance risk. The total contingent resources attributed to oil drilling is 5.4 mboe of which 4.2 mboe is in economic category and 1.2 mboe is in sub-economic category.

The ASP expansion and waterflood optimization projects are conceptually defined. The estimated capital to execute this project is CAD 40 to 80 million which is a combination of facility and pipeline expansion and drilling of injectors and producers. Timing of first commercial production, should the project proceed is expected to be in the 2022 to 2027 horizon. It is likely that the project would be approved and implemented in a number of stages. Positive factors include opportunity to reduce capital and operating cost requirements and to improve oil recovery efficiency relative to forecast. Negative factors include oil price risk, operating cost risk, geologic risk, and reservoir performance risk. The total contingent resource attributed to ASP expansion and waterflood optimization projects is 2.1 mboe and is classed in sub-economic category.

BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf per 1 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.